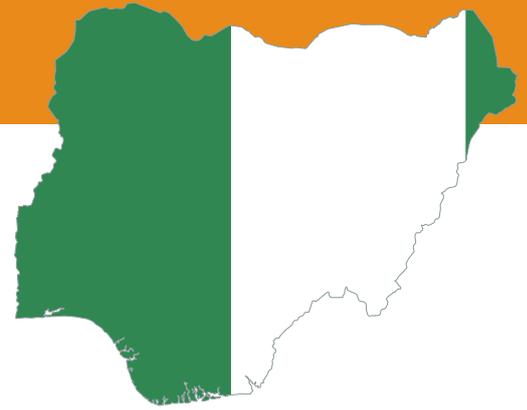


NIGERIA

GIWA-OSAGIE & COMPANY



FIRM INFORMATION

Website address: www.giwa-osagie.com

Languages spoken: English

Contacts: Osayaba Giwa-Osagie and Bose Giwa-Osagie

Telephone: +234 1 270 7433, 279 0644, 280 6941/2

Cell: + 234 803 403 0370 and +234 803 324 7610

Fax: +234 1 270 3849

Email address: giwa-osagie@giwa-osagie.com, osayaba@giwa-osagie.com, bose@giwa-osagie.com

COUNTRY INFORMATION

Nigeria covers 923 768 square kilometres. It has Africa's largest population of over 182 million with a growth rate of 3.5% per annum¹.

POLITICAL SYSTEM

The 1999 Constitution provides for a multi-party democracy and a presidential system of government which includes the Executive, Legislature and Judiciary.

The Executive branch is headed by the President and is divided into Federal Ministries each headed by a Minister appointed by the President and confirmed by the Senate.

The Legislative arm consists of the Senate and the House of Representatives while the judicial arm consists mainly of the Supreme Court of Nigeria, the Court of Appeal, the High Courts and other trial courts. Each arm acts as a check and balance on the powers of the other arms.

The Constitution provides for the operation of three tiers of government at the Federal, State and Local levels. Each State has its own Executive, Legislature and Judiciary. The State Government makes Laws in accordance with the powers vested on it by the Constitution.

LATEST GDP FIGURES (2016 ESTIMATES)²

At the third quarter of 2016, the country's GDP contracted by -2.24% (year-on-year) in real terms. This figure is lower by 0.18% points from growth recorded in the preceding quarter and lower by 5.08% points from growth recorded in the corresponding quarter 2015.

Nominal GDP grew by 9.23% higher than the growth recorded in 2015 by 3.22%.

INFLATION RATE

As at October 2016, the Consumer Price Index increased by 18.3% (year-on-year) compared to 17.9% recorded in September³.

INVESTMENT CLIMATE IN NIGERIA

Nigeria has attracted both local and foreign investors. The total value of Foreign Direct Investments (FDI) into Nigeria in the first quarter of 2016 increased by 24.54%. There was a recorded increase of FDI from USD123.16 to USD174.46 million during the period January to March 2016. Nigeria is the third largest FDI recipient in Africa.⁴

The minimum share capital for foreign companies is 10 000 000 Naira. The investment may be in the form of working capital or equipment which it has procured for its operations in Nigeria. The company may also obtain a loan from its parent company to boost its working capital.

In recent times, Nigeria is returning to be a safe haven for investment. It enjoys a stable political and macro-economic environment. The new Government is making progress in resolving the security issues in the North East and the Niger Delta regions of the country.

Despite the global fall in oil prices, investment opportunities abound. There are untapped investment opportunities in the non-oil sectors. The present Government is committed to implementing an appropriate policy frame work to enhance investment in the non-oil sectors of the economy.

Nigeria has significant deposits of natural resources including gold, zinc, limestone, salt, cassiterite, uranium, marble and tantalite, bitumen, coal, columbite, granite, cotton, clay, glass-sand, iron-ore, gypsum and kaolin. The Nigerian market is



¹National Population Commission www.population.gov.ng

²National Bureau of Statistics: Nigerian Gross Domestic Product Report, Quarter Three 2016, Issue 11. Release date November 21, 2016

³National Bureau of Statistics: Consumer Price Index, No.559 October 2016

⁴"You can do business in Nigeria" by Mrs. Elvira Salleras published in the L'orbite d'Information Franco-Nigerian Chamber of Commerce and Industry inaugural edition.

huge due to its large population with a high percentage of young persons with untapped skills. The large population of Nigeria creates a huge opportunity for investors to market their goods and services and use skilled local labour for the purpose of their investment. Other attractive factors exist to making the environment viable for business. These include a free market, tax incentives, favourable monetary policies, the rule of law and a stable legal and regulatory framework for conducting business. Foreign investors are allowed to own 100% of their investment, except in some restricted areas where indigenous participation is encouraged. Repatriation of capital and profits is allowed and the process is easy.

Nigeria has a growing and stable financial sector and a strong private sector. Policies and regulations in operation are favourable to ensure protection of investments in the country.

FORMS OF BUSINESS

Joint ventures

A joint venture is formed in terms of an agreement concluded between two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise.

Partnerships

A partnership is usually established between joint owners of a business who are personally liable for the obligations and debts of the partnership.

Incorporated companies

A company may be incorporated with unlimited liability, limited by shares or limited by guarantee. Where it is limited by shares, it may be a private or a public limited company. Foreign companies intending to do business in Nigeria must incorporate a local entity. The time frame for incorporating a company is approximately one week from the date of the submission of all the required documents and payment of all fees. The filing fees for the registration of companies are not material and are based on the proposed share capital of the company. The higher the share capital, the lower the percentage charged as filing fees.

Registration with other bodies (i.e. regulators and government agencies) may be required depending on the area of business of the foreign investor.

Non-governmental organizations (NGOs) may be registered as a company limited by guarantee or as incorporated trustees (whereby trustees of the NGO, rather than the NGO itself, obtain the status of a body corporate). A company limited by guarantee cannot have a share capital and cannot have the objective of carrying on business for the purpose of making profits for distribution to members. The memorandum of a company limited by guarantee cannot be registered without the authority of the Attorney General of the Federation.

EXCHANGE CONTROLS

There are comprehensive Exchange Control Measures in place to guarantee a parallel market/internal balance for foreign exchange. Exchange control regulations however have been liberalised to ensure the free flow of international finance. There

is now unrestricted movement of investment capital. Under the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act an individual or corporate body wishing to invest in any Nigerian enterprise with capital imported into Nigeria is required to do so through an authorised dealer.

Subject to the prior submission of prescribed documentation, the authorised bank issues a "Certificate of Capital Importation" (CCI) within 24 hours of receipt of the funds of a foreign investor. This certificate enables foreign companies to transfer dividends and profits from investments out of Nigeria. It also enables the settlement of foreign loan obligations and in the event of a sale or liquidation of the company it allows the investor to transfer the proceeds of the sale/liquidation out of Nigeria.

REGISTRATION WITH THE NIGERIAN INVESTMENT PROMOTION COMMISSION (NIPC)

The Nigerian Investment Promotion Commission (NIPC) is an agency of the Federal Government set up primarily to promote and encourage foreign investments in Nigeria. It serves as a regulatory agency for foreign investors operating in Nigeria and requires that all foreign investors register with it before commencing business operations.

BUSINESS PERMITS

The consent of the Minister of Interior is required for any company to employ a foreigner or for a foreigner to establish or take over any trade or business. Such consent takes the form of a "Business Permit".

EXPATRIATE QUOTA POSITIONS

Any company wishing to employ an expatriate in Nigeria is required to apply to the Federal Ministry of Interior for "Expatriate Quota" positions. This is an official permit authorising the employment of individual expatriates in specifically approved job designations. An application for an expatriate quota must be accompanied by evidence that the expertise required is not available in Nigeria. Expatriate Quota positions are usually granted for 2-3 years and subject to renewal.

COMBINED EXPATRIATE RESIDENCE PERMIT AND ALIEN'S CARD (CERPAC)

CERPAC is required for all foreigners' residents in Nigeria. The Federal Ministry of Interior issues the card on application. The card permits foreigners to reside in and move within Nigeria unhindered.

TAXATION

The Federal Government is responsible for the collection of companies' income tax, withholding tax, Value Added Tax, education tax, capital gains tax and stamp duties from corporate bodies and personal income tax from individuals resident in the Federal Capital Territory and persons resident outside Nigeria who derive income from Nigeria.



All companies in Nigeria are required to pay companies' income tax on all profits accruing in, derived from, brought into or received in Nigeria. The rate of company income tax in Nigeria is 30% of the assessable profit. A 30% advance Corporate Income Tax on interim dividend was newly introduced.

Education tax is also charged (but only on Nigerian companies) at the rate of 2%.

Stamp duty is charged on written agreements and other relevant documents to which a company is party, may be fixed or based on the nature and the value of the transaction.

Value Added Tax is payable on the supply of all taxable goods and services at a flat rate of 5%.

Withholding tax is deductible at a rate between 5% and 10% (depending on the nature of services rendered or transaction carried out) from payments due to a taxable person/entity.

Capital gains tax is payable at the rate of 10% on gains accruing from the disposal of assets.

Companies engaged in petroleum operations are subject to petroleum profits tax at the rate of 85% of their assessable income.

There are also taxes at the State/local government levels such as stamp duties, development levies, land charges, tenement rates and shops and kiosks' rates.

There is a comprehensive package of tax incentives to attract investment. This includes a 3 to 5 year tax holiday for companies that fall within sectors defined as priority areas/pioneer industries by the Government. The Federal Government has recently introduced a list of 44 industries and products eligible for pioneer status. Other incentives are available in the mining sector, liquefied natural gas projects and export oriented enterprises.

Nigeria has double taxation agreements with the United Kingdom, France, Belgium, Pakistan, Canada, Romania, Netherlands, Czech Republic, Slovakia, Poland, Philippines, Japan, China, South Africa, United Arab Emirates and Italy (shipping and air transportation only). In 2015, Nigeria ratified the OECD Convention on Mutual Administrative Assistance in Tax matters. This will facilitate administrative co-operation between countries in the assessment and collection of taxes. It will also help combat tax avoidance and evasion particularly with multinationals operating in Nigeria⁵.

Withholding tax for rents, dividends, commissions, directors' salaries, rates or any other income derived by a company (which is normally calculated at the rate of 10%) may be reduced to 7.5% in terms of an applicable double taxation treaty. The double taxation agreements generally cover personal income tax, companies' income tax, petroleum profits tax and capital gains tax.

THE NIGERIAN LEGAL SYSTEM

Nigeria is made up of 36 states and a Federal Capital Territory (FCT), located in Abuja. These states are as a matter of convenience generally grouped into 6 geopolitical zones of North East, North West, North Central, South East, South West, and South-South.

The Nigerian legal system is based on the English common law and legal tradition. English law has a strong influence and forms a substantial part of Nigerian law.

THE CONSTITUTION

The Nigerian Constitution is a federal one which provides for the division of powers between the constituents of the Federal Government. It is the supreme law and is binding on all authorities and persons throughout the country.

LEGISLATION

The Constitution regulates the distribution of legislative powers between the National Assembly (which has power to make laws for the Federation) and the House of Assembly of each State of the Federation.

JUDICIAL PRECEDENT

The doctrine of judicial precedent is founded on the principle of law that like cases be decided alike and its operation is tied to the hierarchy of the courts. A court is bound by the decisions of any court above it in the hierarchy and (usually) by a court of co-ordinate or equivalent jurisdiction.

CUSTOMARY LAW

Customary law can apply but is disallowed when its effect or its content is repugnant to the principles of natural justice, equity and good conscience.

SHARIA LAW

The Koran is the principal source of Sharia law and in Nigeria, Sharia has been instituted as a main body of civil and criminal law in 12 Muslim-majority areas and in some parts of Muslim-plurality states.

ENGLISH LAW

This consists of English common law, the doctrine of equity, statutes of general application in force in England on 1 January 1900 and Statutes and subsidiary legislation on specified matters, and English statutes made before 1 October 1960 and extending to Nigeria which have not been repealed. Laws made by the local colonial legislature are treated as part of Nigerian legislation.



⁵The Guardian Newspaper, Monday January 11, 2016. A Review of the major tax and fiscal policy events in the past year. Taiwo Oyedele

INTERNATIONAL LAW

Nigeria is a member of the United Nations, the Commonwealth of Nations, African Union and many other international organizations. Although Nigeria is a signatory to various international conventions and treaties, they are not enforceable in Nigeria unless they are enacted into law by the National Assembly.

THE NIGERIAN COURT SYSTEM

The Nigerian court system consists of the Supreme Court, the Court of Appeal, the Federal High Court, the State High Courts, the Magistrate Courts and the Customary Courts. There is also the National Industrial Court which has original jurisdiction in civil labour matters, as well as jurisdiction to determine appeals from decisions of arbitral tribunals. Appeals also lie from this Court to the Court of Appeal. The Magistrate Courts are essentially courts of summary judgment having original jurisdiction in both civil and criminal matters.

The State High Courts have jurisdiction in both civil and criminal proceedings and hear appeals from the Magistrate Courts. The Federal High Court has co-ordinate jurisdiction with the State High Courts but is only bound by the decisions of the Supreme Court and the Court of Appeal. The Supreme Court is the highest court in the Nigerian judicial system.

Disputes between corporate bodies are usually heard by the civil courts. The Federal High Court however has jurisdiction over revenue matters, banking, fiscal matters, aviation matters, admiralty, foreign exchange and matters involving the Federal Government or its agencies.

INTELLECTUAL PROPERTY IN NIGERIA

Nigerian intellectual property law provides ample protection for the intellectual property rights of both Nigerians and foreigners. This includes copyright, patents and industrial and design rights. The law prevents others from copying or taking unfair advantage of the work or reputation of another and provides remedies where this arises.

FINANCIAL SERVICES IN NIGERIA⁶

The Central Bank of Nigeria (CBN) is responsible for amongst others, ensuring monetary and price stability and promoting a sound financial system in Nigeria

The CBN recently introduced a 'Cashless Policy' as a means of addressing the currency management challenges in Nigeria. Due to the heavy presence of cash in the economy, the operational cost of the Banking sector was high which in turn was being passed on to customers in form of higher service charges and lending rates. It is also expected that the cashless policy will ensure that a larger proportion of the currency in circulation is contained within the Banking system. This will help to enhance the effectiveness of monetary policy operations and economic stabilization measures.

The cashless policy will also help to curb corrupt practices such as money laundering, high incident of robbery etc.

The CBN also embarked on the regulation of the operations of Bureaux De Change in order to check activities such as rent seeking among operators, depletion of the nation's foreign reserves, unauthorised financial transactions and dollarization of the economy. The CBN also took measures to strengthen the foreign exchange market by closing the rDAS/wDAS foreign exchange window. This step helped to check further pressure on the country's dwindling foreign exchange; avert the emergence of multiple exchange rate regimes and to preserve Nigeria's foreign exchange reserves.

The CBN has also introduced the Development Bank of Nigeria, in partnership with the Federal Government in order to address the issue of high interest and long term funding for Micro Small and Medium Enterprises in Nigeria. In 2014, the CBN commenced the disbursement of funds under the Micro, Small and Medium Enterprises Development. So far about N 43.57 Billion has been disbursed.

The CBN also embarked on the introduction of additional development financing initiatives and the review of existing ones. For example, the N 300 Billion Real Sector Support Fund was established to help unlock the potential of the real sector as well as create more job opportunities as a means of reducing the high unemployment rate; N 213 Billion Nigerian Electricity Market Stabilisation Facility aimed at settling outstanding debts in the Nigerian Electricity Supply industry among others. In addition, the existing Commercial Agricultural Credit Scheme Guidelines were reviewed to enable Deposit Money Banks access the fund at 2 percent from CBN and lend at an all-inclusive interest rate of 9 percent, with a spread of 7 percent.

Due to the activities of the CBN, the Banks have mandatorily been mandated to adopt best practices in Corporate Governance and risk management. The CBN focused on creating an environment of transparency and accountability.

In January, 2015, the CBN conducted a risk asset examination on 24 Banks, a continuation of its efforts at ensuring proper supervision of the Banking industry. It also commenced the implementation of BASEL II ACCORD with the aim of promoting financial stability by ensuring that Banks are adequately capitalized and enhancing its risk management system.

Charges on Bank deposits were also removed and a customer protection scheme introduced geared towards resolution of consumers' complaints. The CBN set up a Consumer Complaint Management System with all Banks having a presence on this platform. About N 4.01 Billion was refunded to Banks customers as at 2015.

The CBN is focused on creating a safe and stable financial system in Nigeria as well as ensuring that Nigerian banks are fit to compete in the international financial market. Nigerian Banks



⁶ Vanguard News. www.vanguardngr.com/2015/06/emifele-one-year-in-the-CBN/; The African Economy. www.derlimited.com

are currently key players in the global financial markets with a number of the Banks ranking within the top 20 Banks in Africa and among the top 1000 in the world.

INSURANCE

The insurance industry in Nigeria is governed by the Insurance Act 2003 with the National Insurance Commission (NAICOM) as its regulatory body. The Insurance Act complies significantly with the International Association of Insurance Supervisors' (IAIS) core principles.

Government reforms in the insurance industry, through the process of recapitalisation and consolidation, are aimed at restoring public confidence in the market and enhancing international competitiveness of local operators.

To this end NAICOM introduced the Market Development and Restructuring Initiative (MDRI), a medium term reform plan targeted at enhancing industry capacity, market efficiency and consumer protection in the Nigerian insurance market. The MDRI focuses on the enforcement of compulsory insurance in six areas including group life insurance, employers' liability insurance, buildings under construction, occupiers' liability insurance, motor third party insurance and healthcare professional and indemnity insurance. It also focuses on the enforcement of compulsory insurance products in Nigeria, the modernisation of the insurance agency system, removing fraudulent insurance institutions and the introduction of risk-based supervision.

The entrance of banks into the insurance industry under the now abolished Universal Banking System helped to boost the growth of the sector.

STRATEGIC GROWTH INITIATIVES BY GOVERNMENT/ PRIVATE SECTOR

The country has a dynamic private sector. The new Government is committed to improving the country's economy and its long term strategy is to build a stable economy led by a strong and responsible private sector⁷. The Government has recognised the strong need to reduce the poverty rate in Nigeria and is willing to provide the necessary infrastructures as well as introduce new policies to boost its economic growth. Considering the recent decline in oil prices, the main focus of the Nigerian Government, is to diversify the nation's economy, as an alternative to its revenue from oil.

MEMBERSHIP OF INTERNATIONAL AND REGIONAL ORGANISATIONS

Nigeria is a member of the African Union (AU), United Nations (UN), Organisation of Petroleum Exporting Countries (OPEC), British Commonwealth, Economic Community of West African States (ECOWAS), the New Partnership for Africa's Development (NEPAD), World Bank, International Monetary Fund (IMF), World Trade Organisation (WTO), International Labour Organisation (ILO), African Development Bank Group

(AfDB), International Bank for Reconstruction and Development (IBRD), International Chamber of Commerce (ICC), International Criminal Court (ICC), International Criminal Police Organisation (Interpol), International Development Association (IDA), International Finance Corporation (IFC), International Maritime Organisation (IMO), International Mobile Satellite Organisation (IMSO), International Olympic Committee (IOC), International Organisation for Migration (IOM), International Organisation for Standardisation (ISO), Islamic Development Bank (IDB), Organisation of Islamic Cooperation (OIC), Organisation for the Prohibition of Chemical Weapons (OPCW), United Nations Conference on Trade and Development (UNCTAD), United Nations Educational, Scientific, and Cultural Organisation (UNESCO) and World Health Organisation (WHO) amongst many others.

KEY INDUSTRY SECTORS

Nigeria's key investment sectors are agriculture, banking and finance, power generation, oil and gas, information and communications technology, telecommunications, mining, trade and investment and real estate.

OIL AND GAS

The oil and gas sector in Nigeria has attracted the most interest for investors in the Nigerian economy. Foreign companies are involved in the oil and gas sector, but mostly as contractors to the Nigerian Government. Major oil companies are active in the up-stream sectors of the oil industry.

Apart from investing directly in the up-stream sector of the oil industry, foreign investors can invest in lucrative down-stream industries like crude oil refining, transportation and storage and the production of liquefied natural gas.

POWER GENERATION

In 2005 the Federal Government embarked on an Electric Power Sector Reform Program. One of the key aspects of the program was the unbundling of the Power Holding Company of Nigeria (PHCN). This has led to the establishment of eighteen successor companies, including eleven distribution companies and six generation companies. Fifteen of these small successor companies have been handed over to new owners.

This sector provides investment opportunities for foreign investors in the generation, transmission and distribution of electricity. This also includes the local manufacture of cables, transformers and other electricity equipment, appliances and component parts.

A new Minister has been appointed to oversee the Power sector and the said Minister recently released a 13 point agenda towards reviving the power sector. Top on the agenda are public engagement on collection of tariffs, debts, power generation, maintenance, ancillary services, dispatch orders and discipline.



⁷ Vanguard News. August 25, 2015. www.vanguardngr.com

Other areas are gas requirement and constraints, transmission constraints, 33KV loads offtake overload, safety, service quality, new captive and embedded generation, franchising and other issues relevant to the growth of the sector.

BANKING AND FINANCE

The country has a highly developed financial services sector with a mix of local and international banks, asset management companies, brokerage houses, insurance companies and brokers, private equity funds and investment banks.

REAL ESTATE

Like other emerging markets, the rapid growth of the Nigerian economy has led to rapid growth in the demand for real estate with positive trends in investment in the sector.

INFORMATION AND COMMUNICATION TECHNOLOGY

Nigeria has one of the largest and fastest growing telecommunications markets in the world, with this sector being one of the most attractive for investors. The Nigerian telecommunication industry has grown tremendously with the entry of several operators into the market. According to the Nigerian Communication Commission, Nigeria's teledensity is the highest ranked in Africa⁸.

MINING

The Nigerian Government's policy focus on the mining sector is based on the need to develop a private sector led mining industry, with Government restricting its role to that of a regulator. Nigeria is blessed with 34 different types of minerals but the Government has prioritised the development of this industry to only 7 minerals, namely coal, bitumen, limestone, iron ore, baryte, gold and lead-zinc. This reflects their strategic importance to the country's economy and their availability in quantities which can sustain mining operations for many years.

In a bid to diversify the country's economic base, the Government has introduced a regulatory framework for the exploration and exploitation of mineral resources by the enactment of the Nigerian Minerals and Mining Act, 2007. Opportunities now exist for the exploitation and export of natural gas, bitumen, limestone, coal, tin, columbite, gold, silver, lead-zinc, gypsum, glass sands, clays, asbestos, graphite and iron ore.

AGRICULTURE

The discovery of crude oil in the late 1960s and early 1970s led to the abandonment of food exports as a Government priority. The country now depends largely on food imports. However the Government has made efforts to rejuvenate the agricultural sector and has created several incentives to encourage private investment in this sector.

TRADE AND INVESTMENT

The Nigerian economy is dominated by crude oil exports which account for about 90% of its foreign exchange earnings and 65% of its budgetary revenues. Other exports are cocoa, palm oil, groundnuts, cotton, timber and rubber. Major import commodities include machinery, chemicals, transport, equipment, manufactured goods and live animals.

THE NIGERIAN LABOUR MARKET

With a labour force of about 55 million people, skilled and unskilled labour is available in Nigeria at a relatively cheap rate, compared to other parts of the world. The country has several labour laws that govern the labour market such as the Factory Act, Labour Act and Trade Dispute Act. The National Industrial Court has exclusive jurisdiction in civil causes and matters relating to or connected with any labour or employment matter, trade unions, industrial relations and other matters arising in the workplace and the conditions of service, including health, safety, welfare and other related matters.



⁸ Summary Report on Telecommunication for National and international regions : 201 (National Bureau of Statistics)