

1956-57 Cmnd. 51 Nigeria. Tribunal of inquiry appointed by warrant of appointment dated the fourth day of August, 1956. Report of the tribunal appointed to inquire into allegations reflecting on the official conduct of the premier of, and certain persons holding ministerial and other public offices in, the Eastern Region of Nigeria



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NIGERIA

TRIBUNAL OF INQUIRY APPOINTED
BY WARRANT OF APPOINTMENT
DATED THE FOURTH DAY OF AUGUST, 1956

Report of the Tribunal appointed to
inquire into allegations reflecting on the Official
Conduct of the Premier of, and certain persons
holding Ministerial and other Public Offices
in, the Eastern Region of Nigeria

*Presented by the Secretary of State for the Colonies to Parliament
by Command of Her Majesty
January 1957*

LONDON
HER MAJESTY'S STATIONERY OFFICE
THREE SHILLINGS NET

Cmnd. 51

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STATUTORY INSTRUMENTS

1956 No. 1210

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WEST AFRICA

THE NIGERIA (TRIBUNALS OF INQUIRY) ORDER IN COUNCIL, 1956

Made - - - - - 3rd August, 1956

Laid before Parliament - - - 3rd August, 1956

Coming into Operation - - - 4th August, 1956

At the Court at Arundel Castle, the 3rd day of August, 1956

Present:

The Queen's Most Excellent Majesty in Council

Her Majesty, by virtue and in exercise of the powers in that behalf by the Foreign Jurisdiction Act, 1890(a), or otherwise in Her Majesty vested, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered as follows:—

1.—(1) This Order may be cited as the Nigeria (Tribunals of Inquiry) Order in Council, 1956. Citation commencement and interpretation.

(2) This Order shall come into operation on the fourth day of August, 1956.

(3) Save as is in this Order otherwise provided or required by the context, the Interpretation Act, 1889(b), shall apply for the purpose of interpreting this Order as it applies for the purpose of interpreting an Act of Parliament.

(4) In this Order "Nigeria" has the meaning assigned to it by sub-section (1) of section 2 of the Nigeria (Constitution) Order in Council, 1954(c).

2. Where a tribunal for inquiring in Nigeria into any matter is appointed by a Secretary of State, the instrument by which the tribunal is appointed, or any instrument supplemental thereto, may provide that any or all of the provisions of the Commissions of Inquiry Ordinance(d) of Nigeria, as from time to time amended, or any other law for the time being in force in Nigeria relating to tribunals of inquiry shall apply in relation to that tribunal with such adaptations and modifications (if any) as the Secretary of State may specify in any such instrument. Application of Nigerian laws to tribunals of inquiry appointed by Secretary of State.

W. G. Agnew.

(a) 53 & 54 Vict. c. 37. (b) 52 & 53 Vict. c. 63.
(c) S.I. 1954/1146 (1954 II p. 2829).
(d) Laws of Nigeria, 1948. Revised Edition, Chapter 37, Vol. I, p. 375.

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EXPLANATORY NOTE

(This Note is not part of the Order, but is intended to indicate its general purport.)

This Order provides that where a Secretary of State appoints a tribunal of inquiry in Nigeria, the provisions of any Nigerian law relating to tribunals of inquiry may be applied thereto with any necessary adaptations.

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WARRANT APPOINTING SIR STAFFORD FOSTER-SUTTON AND OTHERS TO
INQUIRE INTO CERTAIN MATTERS CONCERNING NIGERIA.

I, the Right Honourable, ALAN TINDAL LENNOX-BOYD, Member of Parliament, one of Her Majesty's Principal Secretaries of State, by virtue and in exercise of all powers enabling me in that behalf, do hereby direct and declare as follows:—

1. I HEREBY APPOINT Sir Stafford William Powell Foster-Sutton, Knight, Companion of the Most Distinguished Order of Saint Michael and Saint George, Officer of the Most Excellent Order of the British Empire, Chief Justice of the Federation of Nigeria, and Sir Joseph Henri Maxime de Comarmond, Knight, Chief Justice of the High Court of Lagos and Chief Justice of the High Court of the Southern Cameroons, and Vincent Akinfemi Savage, Esquire, a Chief Magistrate in the Eastern Region of Nigeria, at present acting as a Judge of the High Court of that Region, and George Forrest Saunders, Esquire, Fellow of the Institute of Chartered Accountants in England and Wales, Justice of the Peace, to be a Tribunal of Inquiry for the purpose of inquiring into the matters set out in the First Schedule to this Warrant.

2. AND I FURTHER APPOINT Sir Stafford William Powell Foster-Sutton to be the Chairman of the said Tribunal of Inquiry.

3. I DIRECT that the Chairman may appoint a person to be the Secretary of the said Tribunal of Inquiry and such other persons to assist the said Tribunal of Inquiry as he may consider necessary.

4. AND I FURTHER DIRECT that the Chairman and any two of the other members of the said Tribunal of Inquiry shall form a quorum for the purpose of discharging any of the functions (including therein reporting) of the Tribunal.

5. AND I FURTHER DIRECT, in pursuance of the powers vested in me by the Nigeria (Tribunals of Inquiry) Order in Council, 1956, that the following provisions of the Commissions of Inquiry Ordinance of Nigeria, as amended by the Adaptation of Laws Order, 1954, and the Adaptation of Laws (Judicial Provisions) Order, 1955, that is to say, sub-section (3) of section 2, section 5, section 6, section 7, section 8, section 9, section 10, section 11, section 12, section 13, section 14, section 15, section 16, section 17, section 18, section 19, section 20, and the Schedule thereto, shall apply in relation to the said Tribunal of Inquiry subject to the adaptations and modifications set out in the Second Schedule to this Warrant.

6. THIS Warrant, including the Schedules thereto, may be amended, added to or revoked by any further Warrant supplemental thereto under the hand of one of Her Majesty's Principal Secretaries of State.

GIVEN under my hand this fourth day of August, 1956.

ALAN LENNOX-BOYD,

*Her Majesty's Principal
Secretary of State for the Colonies.*

FIRST SCHEDULE

Matters to be inquired into by the Tribunal of Inquiry

1. Allegations of improper conduct on the part of Dr. Nnamdi Azikiwe, Premier of the Eastern Region of Nigeria, in connection with the affairs of the African Continental Bank Limited.
2. The circumstances in which securities, or the proceeds of securities, belonging to the Eastern Regional Marketing Board were transferred to the Eastern Region Finance Corporation and the circumstances in which such proceeds were invested in or deposited with the African Continental Bank Limited by the Eastern Region Finance Corporation.
3. The relationship, direct or indirect, between Dr. Nnamdi Azikiwe and the African Continental Bank Limited, its Directors, shareholders or officers, at all times, whether before or after such investment or deposit as aforesaid, material to the circumstances as aforesaid.
4. The relationship between the Eastern Region Finance Corporation and the African Continental Bank Limited at all material times as aforesaid.
5. The relationship between any body or organisation, corporate or unincorporate, in which Dr. Nnamdi Azikiwe has or had at any material time as aforesaid an interest, whether direct or indirect, and the African Continental Bank Limited.
6. The use made of the resources of the African Continental Bank Limited whether before or after the investments and deposits referred to in paragraph 2 were made, in so far as any such use appears to the Tribunal to be material for the foregoing purposes.
7. Whether in respect of any of the aforesaid matters any person holding Ministerial or other public office has infringed the standards of conduct demanded of the holder of such office and if so in what respect.

SECOND SCHEDULE

Adaptations and modifications to the provisions of the Commissions of Inquiry Ordinance applied in relation to the Tribunal of Inquiry

1. For the references to the commissioners appointed under the Ordinance, or to any such commissioner, there shall be substituted references to the Tribunal of Inquiry, or any member of that Tribunal, as the case may require.
2. For the references to the Governor-General of the Federation of Nigeria or the Governor of a Region, as the case may be, other than the reference to the Governor-General in subsection (2) of section 5 of the Ordinance, there shall be substituted references to Her Majesty's Principal Secretary of State for the Colonies.
3. For the references to the commissioners sitting in commission there shall be substituted references to the Tribunal of Inquiry sitting as such.
4. For the references to a commission issued under the Ordinance there shall be substituted references to this Warrant, as from time to time amended, and any further Warrant supplemental thereto.

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**Inquiry into Allegations reflecting on the Official Conduct of the Premier,
and certain other persons holding Ministerial and other Public Offices
in, the Eastern Region of Nigeria**

REPORT OF THE TRIBUNAL APPOINTED BY A WARRANT OF APPOINTMENT
DATED THE 4TH DAY OF AUGUST, 1956

*To The Right Honourable Alan Lennox-Boyd, P.C., M.P., Her Majesty's
Principal Secretary of State for the Colonies*

We, Stafford Foster-Sutton, Chief Justice of the Federation of Nigeria, Joseph Henri Maxime de Comarmond, Chief Justice of the High Court of Lagos and of the High Court of the Southern Cameroons, Vincent Akinfemi Savage, Esquire, a Chief Magistrate in the Eastern Region of Nigeria, and George Forrest Saunders, Fellow of the Institute of Chartered Accountants in England and Wales, Justice of the Peace in the City of Liverpool in the County of Lancaster, were appointed to be a Tribunal, by Warrant of Appointment dated the fourth day of August, 1956, for the purpose of inquiring, *inter alia*, into allegations of improper conduct on the part of Dr. Nnamdi Azikiwe, Premier of the Eastern Region of Nigeria, in connection with the African Continental Bank Limited, and whether any person holding Ministerial or other Public Office has infringed the standards of conduct demanded of the holder of such office in connection with the investment of funds of the Eastern Region Finance Corporation in, and the transfer of funds from that body to, the African Continental Bank Limited.

CHAPTER I

Nature of Allegations, Sittings and Procedure

1. From the evidence before us the allegations made against Dr. Nnamdi Azikiwe, by Mr. Effiong O. Eyo, formerly Chief Whip of the National Council of Nigeria and the Cameroons, the political party from which the Government of the Eastern Region of Nigeria is formed, of which Dr. Azikiwe is the Premier, and by the Leader and Members of the Opposition in the Eastern Region House of Assembly, shortly put, are, abuse of office and corruption in connection with the deposit and investment of public monies of the Eastern Region in the African Continental Bank in which Dr. Azikiwe had a substantial pecuniary interest.

2. We had to consider how evidence could best be placed before us. In view of the field to be covered by the investigation and the complex nature of it we came to the conclusion that it would not merely be inconvenient, but physically impossible within a reasonable time for the Tribunal to undertake the task of collecting the evidence, taking statements from witnesses, and examining them upon their proofs. In these circumstances we reached the conclusion that the Inquiry could not be satisfactorily conducted without the assistance of Counsel to place the facts before us and call the witnesses. Mr. Brian MacKenna, Q.C., Mr. W. A. B. Forbes (of Counsel) and Mr. Cyril Russell, Solicitor, a Partner in the firm of Solicitors, Messrs. Charles Russell & Company, London, were accordingly retained by the Tribunal to assist in that respect. Any person who appeared to us to have such an interest in the matters into which we were inquiring as to justify such representation we allowed to be represented by counsel. Eleven persons or institutions were so represented.

3. Every person whose conduct is the subject of comment in this report was invited to give the Tribunal a statement and to appear before it and give evidence.

4. In accordance with our Appointment we sat in public in the lower portion of the Chamber of the House of Representatives, Lagos, on the 27th August, 1956, to decide questions of procedure and thereafter for a further fifty days between that date and the 16th November, 1956, to hear evidence and arguments. Thirty witnesses gave oral evidence before us and one witness gave evidence by affidavit. A list of the witnesses is to be found at Appendix "A."

5. On the 3rd September, 1956, Mr. MacKenna, Q.C., opened the facts. Thereafter he or Mr. Forbes called the witnesses and examined them in chief in cases where the witness had given a statement to the Tribunal and cross-examined them where they had not. In some instances the counsel who had examined the witness in chief was then permitted to cross-examine him. Counsel appearing for any person who might reasonably be said to have been affected by the witness's evidence was then given the opportunity of cross-examining him, and in cases where the witness giving evidence was represented by counsel, his counsel was then given the opportunity of examining him. In every case there was a final examination of the witness by counsel representing the Tribunal, and in most cases questions were put to the witness by us. Of the thirty witnesses called before us twenty gave statements to the Tribunal before they were called.

6. As in the case of the Inquiry presided over by Mr. Justice Lynskey in England, we conducted these proceedings on the footing that there was no

issue between parties for the Tribunal to decide, and no defendant to be tried. The Tribunal was appointed to find the facts and give the answers to the questions submitted to it.

7. The evidence of all persons who had knowledge of the transactions concerned was obviously relevant, but much of it would not be admissible in the case of an individual in proceedings against him or in litigation in which he was concerned. In coming to a conclusion as to the conduct of any individual, and in particular where any allegation of improper conduct has been made, we have had regard only to such evidence as would properly be admitted in a case in which he was a party and his conduct was in question.

8. The proceedings were unavoidably protracted for a variety of reasons, among them being the fact that many matters which appeared to all concerned as important, in the early stages of the Inquiry, lost their significance or became relatively unimportant as the evidence unfolded.

9. Mr. Effiong Eyo impressed us as being a witness who was, by and large, speaking the truth in so far as he saw matters. In view, however, of the admitted antagonism between himself and Dr. Azikiwe and his late colleagues in the N.C.N.C. Party, and his own admission that he was prepared to believe anything bad about Dr. Azikiwe, however flimsy the evidence, we considered that it would be unsafe to rely upon his evidence unless it is corroborated or made more probable by proved facts, and in reaching our conclusion we have been guided by that principle.

10. Owing to the extensive nature of the documentary evidence, for convenience of reference, in the case of the most important ones, we will quote from the documents themselves; and we will include in the appendices to this report, *inter alia*, condensed summaries of the principal accounts and other financial statements which appear to us to be material.

11. We now propose to deal with events which led up to this Inquiry, as far as possible, in chronological order; and for convenience of reference we have included, as Appendix "B", a short summary of evidence.

CHAPTER II

Background of the African Continental Bank Limited, and Dr. Nnamdi Azikiwe connection with it and the Associated Companies

12. The African Continental Bank Limited was originally incorporated under the Companies Ordinance on the 15th February, 1937, and was then known as "Tinubu Properties Limited". Its original nominal capital was £250 divided into fifty Ordinary shares of £5 each. Its promoters and the original Directors are of no concern to the subject matter of this Inquiry.

13. On the 30th March, 1944, Dr. Azikiwe bought all the shares in Tinubu Properties Limited for the sum of £250. At that time the Company had practically no assets, and the amount paid was by way of goodwill.

14. By a special resolution passed and confirmed on the 26th January, 1946, and the 9th February, 1946, respectively, the name of the Company was changed from "Tinubu Properties Limited" to "Tinubu Bank Limited", and at the same time the nominal capital was increased to £5,000 by the creation of 950 new Ordinary Shares of £5 each.

15. By a special resolution passed and confirmed on the 15th October, 1947, and the 29th October, 1947, respectively, the name of the Company was again changed from "Tinubu Bank Limited" to "African Continental Bank Limited"; and between that date and August, 1949, the nominal capital of the Bank was progressively increased until it became £250,000 divided into 200,000 Ordinary shares of £1 each and 50,000 8% Cumulative Preference shares of £1 each.

16. On the 22nd May, 1952, the Banking Ordinance, 1952, came into force. The sections of that Ordinance relevant to the subject matter of this Inquiry read as follows:—

" 3. (1) No banking business shall be transacted in Nigeria except by a company, and any person who acts in contravention of the provisions of this sub-section shall be liable on conviction to a fine not exceeding ten pounds for every day during which the offence continues.

(2) The incorporation of a company which has as its object or one of its objects the carrying on of banking shall not be registered unless its nominal capital is not less than twenty-five thousand pounds.

(3) The Registrar of Companies shall not certify that any company which has as its object or one of its objects the carrying on of banking is entitled to commence to carry on business in accordance with the provisions of section 88 of the Companies Ordinance, unless its nominal capital shall have been issued and paid up in cash to the extent of at least twelve thousand five hundred pounds, and it shall have complied with the provisions of section 6 of this Ordinance.

6. (1) Save as hereinafter provided, no company shall carry on banking in Nigeria unless it holds a licence granted by the Financial Secretary in such behalf.

(2) Every banking company in existence at the date of commencement of this Ordinance shall, before the expiry of three months from such commencement, and every other company shall, before commencing banking in Nigeria, apply in writing to the Financial Secretary for a licence under this section:

Provided that in the case of a banking company in existence at the date of the commencement of this Ordinance, nothing in sub-section (1) of this section shall be deemed to prohibit the company from continuing to carry on banking until it is granted a licence in pursuance of sub-section (2) of this section, or is by notice in writing informed by the Financial Secretary that a licence cannot be granted to it:

Provided further that the Financial Secretary shall not give a notice as aforesaid to a banking company in existence at the date of the commencement of this Ordinance before the expiry of the period of three years referred to in sub-section (1) of section 5 of this Ordinance."

The effect of the last proviso to this sub-section and section 5 of the Ordinance is that no such notice could be given by the Financial Secretary to any bank in existence on the date of the commencement of the Ordinance, that is to say, 22nd May, 1952, until the expiry of three years thereafter.

" (3) Before granting any licence under this section, or at any time or times after the granting of a licence, the Financial Secretary shall be entitled to cause an inspection of the books of the company to be made or to call for such other information as he may think fit in order to satisfy himself that the affairs of the company are not being conducted to the detriment of the interests of its creditors.

(6) In considering an application for a licence under this section, the Financial Secretary shall have regard to—

- (i) the amount of the bank's liquid resources in relation to its liabilities to depositors and other creditors;
- (ii) the amount of its issued and paid-up capital;
- (iii) the amount of its reserves,

and he shall not issue a licence under this section if, in his opinion, the circumstances render the issue of such licence undesirable in the public interest.

8. (1) Every banking company shall at all times maintain by way of cash reserve such amount as is necessary to ensure an adequate degree of liquidity and to provide adequate cash reserves against its commitments, and the Financial Secretary may from time to time require the banking company to furnish to the Financial Secretary a statement in writing setting out the cash reserve and the time and demand liabilities of the banking company at a date specified by him.

(2) If it shall appear to the Financial Secretary on examination of such statement that adequate cash reserves are not being maintained, he shall direct that steps be taken to increase the ratio of the cash reserves to the demand and time liabilities in such manner and within such time as shall be stated in the direction, and if such direction is not fully complied with he may at his discretion cancel any licence granted to the bank under section 6 of this Ordinance."

17. On the 13th October, 1953, the Financial Secretary, in reply to an application by the Bank for a licence, addressed a communication to the General Manager of the Bank, which reads as follows:—

"I have the honour to refer to your letters No. HO/58/5/52 dated 30th August, 1952, and No. HO/58/9/52 dated 6th October, 1952, in which you applied for a Banking Licence and to inform you that your application has recently been reviewed by me. The present financial position of the African Continental Bank Limited, as reflected in the statutory return for the quarter ending 30th June, is such that I am still unable to grant a licence to the bank under section 6 of the Banking Ordinance, No. 15, of 1952.

2. To enable your application to receive further consideration it will be necessary for the bank to follow up the various points set out below:—

- (a) It is noted that the ratio of cash reserves to time and demand liabilities, according to your latest return, is 9·8 per cent. This is low and, in my view, quite inadequate. It will be necessary for you to take steps to increase this ratio to a minimum of 30 per cent. within the next six months.
- (b) I shall be obliged if you will provide me with adequate information as to the current value of the investments of the bank, including the latest audited balance sheet of the companies in which the bank holds shares or debentures.
- (c) A copy of the latest audited balance sheet of the bank will be required in accordance with Section 12 (c) of the Banking Ordinance, 1952.
- (d) It will be necessary to complete the reconciliation of the Inter-Branch Account (your letters HO/58/31/52 dated 18th June, 1953, and HO/58/15/53 dated 13th February, 1953, refer).

3. When the above points have been settled satisfactorily, I propose to cause a formal inspection of the books and documents of the African Continental Bank to be carried out in order to satisfy myself that the affairs of the bank are not being conducted to the detriment of the interests of its creditors."

At that time Dr. Azikiwe was still actively associated with the Bank in his capacity as "Founder, Governing Director and Chairman".

18. On the 19th March, 1954, Mr. Blankson, the then General Manager of the Bank, addressed a circular letter to each of the fourteen branches of the Bank, marked "Strictly Confidential", which reads:—

"Dear Sir:

RESERVE OF LIQUID ASSETS

We are drawing near the end of the financial year. As you are aware, many returns covering our banking transactions for the year will be forwarded to the Government and, as we have since emphasised, they will be required to give an accurate picture of the general situation of our enterprise. As far as the accounting aspect is concerned, we have endeavoured in the past to secure uniformity among branches and geared our policy to the end of meeting the accounting requirements of the Banking Ordinance. The need for accuracy in branches' returns cannot therefore be overemphasised.

The main purpose of this letter is to draw the timely attention of branches to the absolute need for conserving sufficiently large reserves of liquid assets (cash) at the end of March, particularly on the 31st March, so that our overall percentage of cash on hand to the total of Current, Deposit and Other Accounts will, if not conform to the requirements of the Banking Ordinance, at least meet them half-way. To this end, branches are advised to conduct vigorous house to house campaigns for cash deposits by customers against the end of the month. Reliable and wealthy customers should be especially approached to deposit, even for one day on the 31st March, a substantial sum of money which can be withdrawn by them as soon after that date as they desire. In the course of the campaigns for funds, special care should be taken to avoid playing into the hands of those whose sole motive is to see the bank ruined. Not an inconsiderable number of them are customers, and their intrusion should be vigilantly guarded against.

Branch managers are reminded of their responsibility in this important subject. Their future will depend largely upon the measure of efforts directed towards accumulating substantial cash balances on the day in question, for the purpose of our Statutory Returns. Redoubled efforts should also be employed to treat all outstanding entries in the Inter-Nigerian Branches Account before the end of the month so that all adjustments may be taken into the books.

Please acknowledge receipt.

Sincerely yours,

A. K. BLANKSON,

General Manager."

The object of that letter was, no doubt, to ensure that the balance sheet of the Bank as at the 31st March, 1954, which Mr. Blankson knew would be the last one available before the expiry of the three years of grace allowed by the Ordinance, 22nd May, 1955, presented as favourable a position as possible bearing in mind the Financial Secretary's requirement that the ratio

of cash reserves to time and demand liabilities should be a minimum of 30 per cent.

19. At this juncture it seems to us relevant to observe that Dr. Azikiwe has, on more than one occasion, placed on record the fact that the African Continental Bank "was founded primarily to finance the activities of the Zik Group whilst at the same time protecting the interests of the public so far as it is compatible with banking practice."

20. At the end of 1953, that is to say, immediately before Dr. Azikiwe became a Minister of State, he and members of his family held the following shares in the Bank:—

Dr. N. Azikiwe	...	...	28,000	£1 Ordinary shares.
Mrs. C. E. Arinze (his sister)	...	...	4,000	do. do.
Miss E. O. Arinze (a niece)	...	...	4,000	do. do.
Miss V. I. Arinze (a niece)	...	...	4,000	do. do.
Mr. O. C. Azikiwe (his father)	...	...	4,000	do. do.
Mr. J. O. Nwosisi (a cousin)	...	...	100	do. do.

Mrs. C. E. Arinze, Mr. O. C. Azikiwe and Mr. J. O. Nwosisi were Directors of the Bank. In addition the following shares in the Bank were held by Companies in the "Zik Group":—

Zik Enterprises, Ltd.	...	...	49,900	£1 Ordinary shares.
African Book Co., Ltd.	...	...	2,000	do. do.
Nigerian Paper Co., Ltd.	...	...	2,000	do. do.
Nigerian Printing Supply Co., Ltd.	...	...	2,000	do. do.

Dr. Azikiwe held an effective interest of 44·9 per cent. in Zik Enterprises Limited, 45 per cent. in the African Book Company Limited, 45·4 per cent. in the Nigerian Paper Company Limited, and 63 per cent. in the Nigerian Printing Supply Company Limited. To the extent, therefore, of his effective interest in these Companies Dr. Azikiwe held that further stake in the African Continental Bank.

21. A list of the principal shareholders as at 31st March, 1955, and 31st July, 1956, is to be found in Appendices "C" and "D," respectively.

CHAPTER III

Financial History of the African Continental Bank Limited, and the Zik Group of Companies

22. Appendix "E" contains a statement, setting out in condensed form the balance sheets of the Bank for the seven years 1950–1956, from which it will be seen that there was a steady growth of deposits during that period, but a very much slower growth in paid up capital until a substantial investment was made in the Bank by the Finance Corporation in 1955.

23. Throughout the period, 1950–1955 the capital of the Bank was inadequate to cover the cost of establishing and building up the business, and it was necessary to have recourse to customers' deposits to enable this to be done. This is reflected in the losses which accumulated throughout that period, with an exceptional increase in the year ending 31st March, 1955, due to a more conservative view having been taken at that date of the realizable value of the loans and advances.

24. It is not possible to indicate a true trend of the losses during this period as extraneous items were included in the accounts of each year. In particular, the year ending 31st March, 1954, included the receipt of two and a half years' interest on the debentures amounting to £12,627, and a charge for establishment expenses of £9,157, relating to earlier years, whilst the heavy provision for bad and doubtful debts made in 1955 should have been spread over earlier years.

25. Included with the loans is an amount of £205,000 which in the balance sheets is described as an investment. This relates to advances which were made by the Bank in the year 1951 to the following Companies in the Zik Group:—

	£
Zik Enterprises Limited	135,000
Comet Press Limited	5,000
Nigerian Printing Supply Company Limited	15,000
Nigerian Real Estate Corporation Limited	50,000
	205,000

secured by debentures charged upon land and machinery, in many instances belonging to third parties, and repayable in 1971. Interest on these debentures is at the rate of 2 per cent. in some instances and 3 per cent. in others. This favourable rate of borrowing money can only be regarded as another aspect of the close relationship which applied between the Bank and the Zik Group of Companies.

26. In addition to the amounts owing under these debentures, the Zik Group of Companies were further indebted to the Bank to the extent of £112,173 at 31st March, 1955, and £162,402 at 31st March, 1956, secured by guarantees of third parties.

27. Appendix "F" sets out a summary of the profits and losses of the Companies in the Zik Group for the four years ending in 1955. It was stated in evidence that Zik Enterprises Limited (at that time known as Zik's Press Limited) had earned profits and paid dividends during the period 1948 to 1949. During subsequent years almost continuous losses were incurred by most of the Companies which accumulated to a figure in excess of their issued capital. It is not, we think, irrelevant to point out here that having regard to the close relationship of the Zik Group of Companies with the African Continental Bank, these losses constituted an additional drain on the liquid resources of the Bank.

28. The real capital invested in the Group is less than half the figure of £63,602 (shown in Appendix "F") as inter-company holdings amounted to £30,467, and Dr. Azikiwe's holding of £4,695 in the Nigerian Real Estate Corporation was merely charged to his loan account with that Company and did not represent any increase of capital.

29. At Appendix "C" we have set out the principal shareholdings in the African Continental Bank at 31st March, 1955, from which it will be seen that almost the whole of the unpaid capital relates to shares held by Dr. Azikiwe and his family and the Companies of the Zik Group. The majority of the other shareholders were called upon to pay for their shares in full. Dr. Azikiwe stated in evidence that he had given Mr. Blankson instructions that certain shareholders, mostly members of his family, were only to be called upon to pay 1s. in the pound.

30. We should, however, say that not all Dr. Azikiwe's shares are partly paid as those originally purchased by him in Tinubu Properties Limited in 1944 were fully paid, but it is not possible from the records of the Company to determine how much has been paid up on any one share. The amount shown in the Appendix, therefore, indicates the sum paid in respect of the total holding of each shareholder.

31. Although Dr. Azikiwe had, by his own holding and through the shares owned by the Zik Group of Companies, a major interest in the Bank, on the basis of capital invested, the voting power he controlled was greater still, as under the Articles of Association each ordinary shareholder was, and still is, entitled to one vote per share irrespective of whether it was fully paid or not.

CHAPTER IV

General Election, 1953, Dr. Azikiwe becomes a Minister of State, Eastern Region, discloses his business interests to the Lieutenant-Governor and resigns his Directorships

32. Towards the end of 1953 there was a General Election in the Eastern Region which was won by the National Council of Nigeria and the Cameroons Party (N.C.N.C.), and early in January, 1954, Dr. Azikiwe, as National President and Leader of the Party, was appointed "Leader of Government Business and Minister of Local Government" by the then Lieutenant-Governor, Sir Clement Pleass, and invited to form a Government.

33. During the course of the interview on that occasion, Dr. Azikiwe, who was aware of the contents of a despatch from the Secretary of State for the Colonies, dated 1st December, 1951, which formulated certain principles to be observed by persons appointed to Ministerial Office in relation to their personal and private interests (Appendix "G"), in answer to a question put to him by the Lieutenant-Governor, fully disclosed the Directorships and other interests held by him in the Bank and the Zik Group of Companies.

34. After his appointment as a Minister of State Dr. Azikiwe, on the 30th January, 1954, resigned from the offices of Chairman and Governing Director of the African Continental Bank, and from his Directorships in the Zik Group of Companies. The letters of resignation read as follows:—

"January 30, 1954

The Secretary,
African Continental Bank Limited,
76 King George Avenue,
Yaba, Nigeria.

Dear Sir:

Please accept this letter as my resignation from the offices of Chairman and Governing Director of your Company.

The effect of this resignation is intended to be immediate, in view of my appointment as a Minister in the service of the Eastern Government, following the results of the last general elections to the Eastern House of Assembly.

I have in the meantime appointed Mr. Adoiphus Kofi Blankson, also a Director of the Company, to act in my stead and to exercise all powers and enjoy all privileges appertaining to these offices excepting that of

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Shareholder, until your Company has had opportunity to make necessary arrangements in accordance with your Memorandum and Articles of Association.

Sincerely yours,

NNAMDI AZIKIWE,

Founder, Governing Director and Chairman.”

“ January 30, 1954

The Secretary,
African Book Company Limited,
African News Agency Limited,
Associated Newspapers of Nigeria Limited.
Comet Press Limited,
Nigerian Commodities Limited,
Nigerian Paper Company Limited,
Nigerian Printing Supply Company Limited,
Nigerian Real Estate Corporation Limited,
Suburban Transport Limited,
West African Pilot Limited,
Zik Enterprises Limited,
34 Commercial Avenue,
Yaba, Nigeria.

RESIGNATION OF DIRECTORSHIPS

Dear Sir :

Please accept this letter as my resignation from the offices of Chairman and Director of the above-named Companies.

The effect of this resignation is intended to be immediate, in view of my appointment as a Minister in the service of the Eastern Government, following the results of the last general elections to the Eastern House of Assembly.

I have, in the meantime, appointed Mr. Adolphus Kofi Blankson, who is also a Director of these Companies, to act in my stead and to exercise all powers and enjoy all privileges appertaining to these offices, excepting that of Shareholder, until these Companies have had opportunity to make necessary arrangements in accordance with their Memoranda and Articles of Association.

Sincerely yours,

NNAMDI AZIKIWE,

Chairman and Director ”

and on the same date he executed an instrument appointing Mr. Adolphus Kofi Blankson to be Governing Director and to act as Chairman of the Bank in his stead. The instrument reads:—

“ APPOINTMENT OF GOVERNING DIRECTOR AND CHAIRMAN AND TRANSFER OF INTEREST RIGHTS PRIVILEGES ETC.

Consequent upon the successful outcome of the Eastern elections and to my appointment as a Minister, necessitating a declaration of my interest in the Company, which I had done to the Lieutenant-Governor of the Eastern Region, I, Nnamdi Azikiwe, Founder, Governing Director and Chairman of the African Continental Bank Limited, hereby appoint you, Mr. Adolphus Kofi Blankson, of 27 McNeil Road, Yaba, to be Governing Director and to act as Chairman of the said Company.

Furthermore, I hereby appoint you to act in the said capacities in my stead and to exercise all the powers appertaining thereunto and to enjoy all the privileges and rights accruing thereto.

I further transfer to you all my interests in the said Company, excepting that of Shareholder, on the understanding that this authority shall remain valid so long as I continue to be a Minister of State or the Company is otherwise reorganised or sold.

Dated at Yaba this 30th day of January, 1954.

NNAMDI AZIKIWE,

Founder, Governing Director and Chairman."

35. On the 1st October, 1954, the new Nigerian Constitution came into force and Dr. Azikiwe became Premier of the Eastern Region.

CHAPTER V

N.C.N.C. Party Policy in regard to Banking

36. The original policy of the N.C.N.C. was, upon attaining self-government, to nationalise all banks in Nigeria. In the meantime, since legislation on banks and banking is a subject exclusively reserved to the Federal Legislature under the Constitution, the policy formulated by the Government of the Eastern Region is stated to be based on the following principles:—

- "(1) To discourage monopoly of monetary transactions by any one bank;
- (2) to liberalise credit facilities for Nigerian entrepreneurs;
- (3) to encourage the development of indigenous Nigerian banking;
- (4) to plan for the eventual establishment of a State bank;"

and in their Manifesto for the Federal elections of 1954 the policy is further amplified by the following passages appearing therein:—

"Banking. Although the N.C.N.C. believes in the development and expansion of Nigerian banking, yet it is uncompromisingly opposed to the use of such Banks for the furtherance of party interest, particularly where public funds form part of its resources.

The N.C.N.C. would found state Banks to finance Commerce and Industry as a matter of business, such Banks to be controlled by Boards appointed by the Federal and State Governments. Such Banks will co-operate with the Agricultural and Co-operative Banks as well as Finance Corporations. A Federal Bank of Nigeria, with over-all control of all the banks and Finance Corporations will also be created."

37. In December, 1954, as one step in the process of giving effect to this policy, the Eastern Region House of Assembly enacted the Eastern Region Finance Corporation Law, 1954, the date of commencement of which was fixed as 1st February, 1955. That Law vested the Finance Corporation with power to finance agricultural, trading, commercial and industrial projects by granting loans or subsidies or by the taking up of loan or share capital in any government agency, statutory corporation, local government body, co-operative society, or limited liability company.

38. Before its introduction into the House of Assembly the measure required the approval of the Eastern Region Executive Council, and it was

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brought before that body at a meeting held on the 11th December, 1954, when it was approved subject to the following express limitation:—

“Agreed that it should be understood that Council had approved the text of the Bill only on the understanding that, when it became Law, the Minister of Finance should exercise the powers it conferred upon him only in consultation with and with the approval of Executive Council.”

39. A good deal of argument was addressed to us by Counsel as to the legality or otherwise of the restriction placed by the Executive Council upon the exercise by the Minister of Finance of the powers conferred upon him by the Law, but we are satisfied that there is no legal impediment to a “gentleman’s agreement” (as it was referred to at the hearing) of this nature.

40. That the gentleman’s agreement was understood and accepted, both by the Minister of Finance, Mr. Ojike, and the Premier, is abundantly clear from passages in speeches made by them in the Eastern House of Assembly on the 14th December, 1954, which read:—

“The Minister of Finance—

Although named by the Bill as the sole authority, he is, of course, under the Constitution personally responsible to Executive Council for his actions. In all important matters he would, of course, seek and act on the advice of Executive Council. If he did not do so he would not remain a Minister for long. Moreover, the Minister’s acts can always be the subject of discussion in Executive Council, and Executive Council can give instructions to the Minister which he must obey or resign.”

“The Premier—

Having clarified this point, may I join issues with my friend, when he mentioned that clause 14 of the Bill has given the Minister excessive powers. With respect, Sir, I submit that this was lifted by us from a model legislation, which is based on the practice in the United Kingdom. By this I do not mean that because any practice is prevalent in Britain, therefore, it is a paragon of perfection; what I want to point is that it was drafted by the Chief Legal Adviser of the Colonial Office, and it has been incorporated in the Northern Region Marketing Board Law, the Western Region Marketing Board Law, and also the Eastern Region Marketing Board Law, which we passed here, last October.

As my friend knows, the present Constitution has given Ministers responsibility with power. It is no use giving Ministers responsibility without power. My friend, the honourable Minister of Finance has given assurance that powers vested in him by this law will not be exercised without consulting his colleagues and obtaining their consent. After all, they will have to defend him here in case anything goes wrong.”

41. The only indigenous banks operating in the Eastern Region at the end of 1954 and early in 1955 were the African Continental Bank and the National Bank of Nigeria. The latter had only one branch there. On the other hand, the African Continental Bank had five branches in the Region, and we are satisfied that the obvious vehicle for the N.C.N.C. to select in giving effect to their policy of supporting an indigenous bank was that one. In any event, we are of the opinion that it would be unreasonable to have expected them to select the National Bank of Nigeria because, apart from the fact that it only had one branch there, it was an institution backed by the Action Group, the Party from which the Government of the Western Region is formed, which is the major party in opposition to the N.C.N.C. in that Region.

**Deposit of £30,000 by the Eastern Region Production Development Board
in the African Continental Bank and matters relevant thereto**

42. Mr. Effiong Eyo gave evidence that towards the end of November, 1954, Dr. Azikiwe asked him to use his good offices in persuading the Production Development Board to deposit a substantial sum of money in the African Continental Bank. He said that several sums were mentioned among them being £30,000, and that, pursuant to Dr. Azikiwe's request, at a meeting held by the Board on the 2nd December, 1954, he made a proposal that the Board should resolve to open current and fixed deposit accounts with the African Continental Bank, Enugu, of £5,000 on current account and £25,000 on fixed deposit. The minutes of that meeting disclose that the proposal was made and that it was carried, eight members voting for it, three against, and one abstaining.

43. Dr. Azikiwe denied that he ever had the conversation alleged by Mr. Eyo, but we are satisfied that it took place.

44. At this juncture we think it relevant to refer to a letter dated 2nd November, 1954, addressed to the General Manager of the African Continental Bank, by Mr. Colin Obih, the Head Office Accountant of the Bank. That document is exhibited to an affidavit made by John Alphonse Holt, Chairman of John Holt and Company (Liverpool) Limited, and a Director of Martins Bank Limited, which was put in evidence by Dr. Azikiwe's Counsel, and reads as follows:—

“ African Continental Bank Limited,
November 2, 1954.

The General Manager,
African Continental Bank, Ltd.,
Head Office,
Yaba.

Strictly Confidential.

Dear Sir,

REVIEW OF FINANCIAL POSITION

The following is the position of the bank on October 15, 1954:—

	£
1. Demand Liabilities	598,719
2. Time Liabilities	55,614
	654,333
Total Liabilities	654,333
Liquid Asset (Cash)	35,000

Demand Liabilities are public deposits payable on demand. Time Liabilities are Fixed Deposits. More than 1/5 of these time liabilities will be payable before or on December 31, 1954. That is £11,000. The present figure of liquid asset represents less than 6 per cent. of demand liabilities and less than 5 per cent. of total liabilities.

The liquidity of the bank is therefore in a very dangerous position. The figure of liquid asset has since been reduced considerably. It must have gone down by about $\frac{1}{3}$ after October 15, the date at which the present statistics were computed. A very serious financial crisis looms ahead. The

bank has had similar crisis in 1952 and 1953 between October and January. During these two periods the percentages of liquid assets were approximately 10 per cent. and 11 per cent. respectively and yet there were crises. Contrasted with the present awfully low figure of less than 6 per cent., the graveness of the situation and the possible consequences can be better imagined than described.

To put the position more succinctly, I subjoin in a tabular form the positions of the most important branches of the bank and those upon which demands during the above four months' period are usually heavy :

	<i>Demand Liabilities</i>	<i>Cash Holding</i>
	£	£
1. Yaba	151,399	700
2. Kano	88,834	1,613
3. Jos	66,038	3,773
4. Aba	51,991	3,199
5. Lagos	52,073	189
6. Onitsha	48,615	3,172
7. Port Harcourt	36,774	2,981
8. Calabar	30,594	1,015
9. Ibadan	15,218	600
	541,536	17,242

Head Office Central Reserve Account has been reduced to only £2,401. This is woefully inadequate to meet emergency calls for financial aid from branches.

Before the end of October, we received advice from our London Agents that our balance with them was only £25 and that outstanding payment instructings from branches amounted to £952. We ordered for cash remittances to London from Branches. At the time of this review advices received from branches showed that only £750 had been remitted to London. This means that payment instructions to the tune of £202 were still outstanding. Just as this review is being prepared, there is another telegraphic advice from our Enugu branch that the Nigerian Engineering & Manufacturing Co., Ltd., their customers, have ordered a transfer of £8,000 to London. Enugu branch could remit cash cover of only £2,000. It is most probable that this payment instruction cannot be executed unless funds from sources outside the bank are obtained.

It is needless to stress that our reputation, locally and overseas, is at stake in view of the present happenings. A run on the bank is predicted before or immediately after the end of November, unless financial aid to the tune of £30,000 is received before December 15, 1954. This figure will bring the percentage of the bank's liquidity to approximately 11 per cent., basing the computation on the total demand liabilities of the bank at October 15, 1954. The figure when added to the present cash holding will by no means avert crisis, but it will merely prevent the crisis assuming dangerous proportions.

Sincerely yours,

COLIN OBIH,

Head Office Accountant."

45. There is no evidence before us to prove that Dr. Azikiwe ever saw or received a copy of Mr. Obih's letter which according to Mr. Blankson, General Manager of the Bank, was sent by him to Mr. Holt, but we are satisfied from the surrounding circumstances that he was aware of the situation disclosed by it.

46. The question of the deposit of £30,000 by the Production Development Board in the African Continental Bank was then submitted to the Executive Council of the Eastern Region for its approval, and it came before that body at a meeting held on the 13th December, 1954, presided over by Mr. C. J. Mayne, C.M.G., who was then the Officer Administering the Government.

47. In the early stages of his evidence before us, Dr. Azikiwe was asked whether he had taken any part in the Executive Council discussion regarding the deposit of the £30,000 at that meeting, and he stated most positively that he had not. Counsel for the Tribunal questioned him very closely on this subject, and it was not until manuscript notes taken at the meeting by Mr. Saville, the then Clerk of the Executive Council, which Dr. Azikiwe was not, up to that stage, aware existed, were produced that he modified his position regarding the part he had played.

48. Since what took place at the Executive Council meeting of the 13th December has an important bearing on several aspects of this matter, the whole of Mr. Saville's manuscript notes taken at that meeting are reproduced in Appendix "H," but the following passage gives an indication of the important part played by Dr. Azikiwe in the discussion:—

"AZ. The Bank is not licensed. But nothing in the Ord. to prevent it being a depository of funds. When last in Lagos I saw the Gen. Manager of the Bank. They had interview with Fin. Sec. They were given to end of Jan. 1956 to satisfy conditions of Ord. They told Fin. Sec. that it was their intention to ask British Bank to take over Managing Agency of the Bank—Do not press me for the name. Two banking orgs. were interested—one British—the other German. The Af C. Bank chose the British one so as to avoid international complications. Did not give further details to Fin. Sec. He gave Bank up to end of Jan. to satisfy requirements.

Bank cannot come in for penalties until later. Main point—the non-licensing of the Bank cannot prevent Bank from becoming financial depository. If it were no new Bank ever could be licensed. Agency interested in acquiring both share and loan capital."

49. We have no doubt that Mr. Saville was a witness of truth, and we gained a clear impression that his manuscript notes had been carefully and correctly kept and that, in addition, he had a clear recollection of what actually took place. Confirmation that Dr. Azikiwe did take part in the discussion is also to be found in the Executive Council minutes of the meeting held on the 20th June, 1956, paragraph (d) of which refers to the meeting when the deposit of £30,000 was considered, and contains the following passage:—

"it was not until towards the end of the discussion that the Premier answered questions clarifying certain points raised."

All the relevant Executive Council minutes were put in evidence.

50. The upshot of that Executive Council meeting was that Mr. Mayne declined to agree to the deposit of the £30,000 until he had had an opportunity of considering a report on the Bank from the Federal Financial Secretary, for which he indicated his intention of calling.

51. The Financial Secretary's Report was duly received by Mr. Mayne and the matter was again referred to the Executive Council at a meeting held on the 30th December, 1954.

52. It is in evidence that Mr. Mayne showed the Report to Dr. Azikiwe before that meeting and that the former read the "pertinent" parts of the Report to the meeting, and handed Dr. Azikiwe a copy of it after the meeting was over.

53. A copy of the Financial Secretary's Report is to be found at Appendix "J," but since they are of particular importance we set out here paragraphs 6 and 7, which read:—

6. The balance sheet to the 31st March, 1953, which was published in the press on the 25th of February, 1954, indicated to the Financial Secretary that the Bank requires further capital and the Bank has been so advised.

7. On the 8th December the General Manager of the Bank saw the Financial Secretary and stated that negotiations were now near to finality for amalgamation of the Bank with a U.K. banking house. This arrangement would involve a large injection of U.K. capital and a full audit by a U.K. firm of chartered accountants, appointed by the U.K. banking institution, would be carried out. Representatives of this firm would begin work in Nigeria in January next and the General Manager was prepared to state categorically that there would, by the end of January, 1955, be a large increase in the paid up capital of the Bank sufficient to put it on a thoroughly sound footing. The Financial Secretary stated he was prepared to accept the promises made and he looked forward to receiving next January evidence that the Bank's affairs had been restored to health as a result of the pending reorganisation."

54. During the course of his evidence before us, Mr. Blankson, Dr. Azikiwe's nominee as Governing Director and acting Chairman of the African Continental Bank, repeatedly denied ever having discussed any of the affairs of the Bank or the Zik Group of Companies with Dr. Azikiwe after the latter had resigned from those concerns on the 30th January, 1954. Indeed, he stated that on one occasion when he attempted to mention a matter connected with one of the Companies, Nigerian Commodities Limited, Dr. Azikiwe practically turned him out of his office, on the footing that it was improper for a Minister of State to have any such discussion; and in the early stages of his evidence before us Dr. Azikiwe took the same line. On one occasion he said "I did not discuss this matter or any affair of the Bank with him," and again "I do not mind his coming on social visits, but to discuss banking business, I do not like so much."

55. As we have already said, this attitude was persisted in by Dr. Azikiwe until extrinsic evidence became available which made further adherence to that story untenable, and he then said that what he had really intended to convey was that he had never discussed day-to-day management affairs with Mr. Blankson, as distinct from matters of high policy. In fairness to Dr. Azikiwe, however, it is a fact that in the proof of his evidence he gave to the Tribunal before he went into the witness box, he said "From that time onwards I took no part either directly or indirectly in the management of the affairs of the Bank" (seeming to draw a distinction between management and matters of policy). We feel, however, bound to observe that, in our opinion, Dr. Azikiwe was being less than candid with us in the early stages of his evidence. No doubt Mr. Blankson's categorical denial that he was ever

able to discuss any business matters with Dr. Azikiwe placed the latter in a difficult position.

56. One example of the extrinsic evidence is the passage in Mr. Saville's manuscript notes of the Executive Council meeting of the 13th December which makes it clear that Dr. Azikiwe had seen Mr. Blankson (referred to as General Manager of the Bank) in Lagos and been informed by him of his interview with the Financial Secretary on the 8th December regarding the Bank, referred to in paragraph 7 of the Financial Secretary's Report which has already been reproduced here.

57. Before us Mr. Blankson denied ever having told the Financial Secretary that there was ever any question of "amalgamation of the Bank with a U.K. banking house." A copy of the minutes of the meeting was, however, sent to Mr. Blankson, and the portions with which he did not agree are indicated in the reply, dated 10th January, 1955, signed by Mr. Obih, the Head Office Accountant, and it contains no correction on the point. We do not accept the explanation given by Mr. Blankson and Mr. Obih of their failure to make such an important correction, and are of the opinion that paragraph 7 of the Financial Secretary's Report contains an accurate account of the representations made by Mr. Blankson at the meeting on the 8th December, 1954.

58. At this stage it is, we think, relevant to observe that Mr. Blankson's representations to the Financial Secretary that:—

"negotiations were now near to finality for the amalgamation of the Bank with a U.K. banking house. This arrangement would involve a large injection of U.K. capital and a full audit by a U.K. firm of chartered accountants, appointed by the U.K. banking institution, would be carried out. Representatives of this firm would begin work in Nigeria in January next and the General Manager was prepared to state categorically that there would, by the end of January 1955, be a large increase in the paid-up capital of the Bank sufficient to put it on a thoroughly sound footing."

were untrue, and we are satisfied beyond doubt that Dr. Azikiwe knew them to be false when the Financial Secretary's Report was discussed in Executive Council on the 30th December, 1954.

59. Mr. Blankson assured us that he had been given the information he passed on to the Financial Secretary either by Mr. Ojike, Minister of Finance, or by Mr. Ojukwu, a leading Nigerian business man who accompanied Dr. Azikiwe on an Economic Mission abroad in 1954. Both these witnesses denied this, and Mr. Blankson was quite unable to explain to us, when invited to do so, firstly, why he, the acting Chairman and Governing Director of the Bank, should have had to be told by them this important news, and secondly, how they could possibly have come by it.

60. At that juncture the only contact that any representative of the African Continental Bank had had with any United Kingdom banking institution was a casual conversation that Dr. Azikiwe had with Mr. J. A. Holt and others after a luncheon which was given for Dr. Azikiwe and Mr. Ojukwu (during the course of their Economic Mission in the middle of 1954) by the Directors of Martins Bank Limited, when, according to Mr. Holt's affidavit,

"Dr. Azikiwe mentioned for the first time that he was interested in the African Continental Bank Limited, an organisation which did not have a very liquid Balance Sheet. He asked casually, whether we thought there was any possibility of an English Joint Stock Bank coming to its assistance

with funds or management. He told us that the reason for his question was that some of his colleagues in the Eastern Region Government were pressing him to use the Bank as a depository of Government funds."

Very flimsy material, or so it seems to us, upon which to base Mr. Blankson's assertions to the Financial Secretary.

61. Dr. Azikiwe's only comments, at the Executive Council meeting of the 30th December, 1954, as disclosed by Mr. Saville's manuscript notes, were "I do not want to contribute to discussion" and, referring to the Financial Secretary's Report, "did help—it confirmed much of what was said here." It is clear, therefore, that Dr. Azikiwe allowed the false information to stand, presumably in his anxiety that nothing should be said to prevent the Executive Council agreeing to the deposit of £30,000 by the Production Development Board.

62. Before us Dr. Azikiwe maintained that in 1954 his colleagues were pressing him to use the African Continental Bank as a depository for Government monies, and that for a long time he resisted the pressure because he felt it would be wrong to place Government funds in an indigenous bank unless he was completely satisfied that it was being run on proper lines, which he was not.

63. It is true that on the 18th March, 1955, Dr. Azikiwe followed up informal conversations he had had with Mr. Holt, regarding the possibility of obtaining Managing Agents for the Bank, with a letter in which the following paragraphs appear:—

"In other words, if you could assist in arranging for a reputable British banking firm to accept the managing agency of this Bank on mutually agreeable terms, then the concern which I refer to above will invest over half a million pounds to enable the Bank to satisfy the requirements for licensing, and the Bank then can proceed to discharge its functions on the basis of efficiency and integrity.

I have it on authority that if the above requirements are fully complied with, that the Eastern Government will feel safe in using the Bank as one of its depositories. Of course, you appreciate as well as I do that in the present circumstances it will be highly improper for it to do so, or for me to insist, directly or indirectly, that it should do so. Personally, I feel very strongly about it, and I have made it clear to my political friends and supporters that I will not be a party to such a suggestion."

but in view of the active part that he played, at the Executive Council meetings on the 13th and 30th December, 1954, in endeavouring to persuade Mr. Mayne to agree to the deposit of the £30,000 in the Bank, we think his alleged opposition to using the Bank as a depository for public funds was more imaginary than real.

CHAPTER VII

Dr. Azikiwe's knowledge of the position of the African Continental Bank Limited when it first became a depository for public monies

64. In considering the part played by Dr. Azikiwe in these transactions, we have taken into consideration only the information relating to the Bank's affairs which could be fairly regarded as coming within his knowledge at the time public monies were first placed in the Bank. He could not, for example,

have known the state of affairs revealed by the balance sheet at 31st March, 1955, which was audited by Akintola Williams and Co., as this was not completed until 9th December, 1955.

65. The balance sheet as at 31st March, 1954, was not issued until 23rd December, 1954, some months after Dr. Azikiwe had resigned his position as Chairman and Governing Director of the Bank, but he admitted in evidence that he had seen that document. It showed a debit balance on profit and loss account of £40,042, after writing off the debts separately described on the balance sheet as bad. This compared with the paid-up capital of £31,081, and thus suggested that the Bank was insolvent at that date even if the outstanding capital shown in that balance sheet (described as in arrears) could be collected. This was no new situation as the balance sheet for the previous year reveals that almost the whole of the paid-up capital at that date had been lost. At 31st March, 1954, the outstanding capital is shown as £4,422 although in 1955 it was pointed out by Akintola Williams and Co. that this had been incorrectly shown in the past and should have been approximately £90,000.

66. Furthermore, Dr. Azikiwe told us that he was aware of the circumstances relating to the accounts of the Colony Commercial Trading Company which "had swindled the Bank" and resulted in £38,413 being written off in the accounts to 31st March, 1955, although it related to periods prior to 31st March, 1954. In addition to this, as we have already said, we are satisfied that Dr. Azikiwe was aware of the contents of the Report of the Financial Secretary to His Excellency the Governor of the Eastern Region, dated 15th December, 1954, and of the situation revealed by the letter of Mr. Colin Obih, the Bank's Head Office Accountant, dated 2nd November, 1954.

CHAPTER VIII

Circumstances in which Securities belonging to the Eastern Region Marketing Board were transferred to the Finance Corporation and the realization of them by the latter

67. At a meeting of the Executive Council of the Eastern Region on the 17th March, 1955, it was decided that the Finance Corporation should be financed by a grant of £2 million from the Eastern Regional Marketing Board, which the latter body were empowered to make under section 19 (h) of the Eastern Regional Marketing Board Law, 1954. Section 21 of that Law empowers the Minister of Trade (at that time Mr. I. U. Imeh), after consultation with the Marketing Board, to direct the Board to make the type of grant approved by the Executive Council.

68. At its meeting on the 17th March the Executive Council were informed that the Minister of Trade had already consulted the Marketing Board, that they had agreed to make the grant, and that the Minister of Trade had in fact already given the Board a direction to pay the sum of £2 million to the Finance Corporation. At that time the Minister of Trade had in fact only consulted the Chairman of the Marketing Board, and during the hearing before us it was suggested that he had misled the Executive Council regarding the position, but we are satisfied that he *bona fide* believed that the requirement of the law regarding consultation had been adequately complied with by his consultation with the Chairman.

69. The last interview that the Minister of Trade had with the Chairman of the Marketing Board had been on the 21st February, 1955, and by the

end of March the matter had not been formally discussed at a meeting of the Board, although the Minister had, on more than one occasion, sent reminders to the Chairman. In these circumstances Dr. Azikiwe agreed to visit the Chairman with the Minister of Trade, and a meeting took place on the 2nd April, 1955.

70. In view of the fact that the first meeting of the Finance Corporation was scheduled to take place on the 6th April, 1955, it appears to us natural for there to have been a feeling of urgency over the question of putting the Corporation in funds (although Dr. Azikiwe stated that the main object of his visit was to effect a reconciliation between the Minister of Trade and the Chairman of the Board, whose relations appear at that time to have been strained). We think that no adverse inference should be drawn from the incident.

71. There may well have been some hesitancy on the part of the Chairman of the Marketing Board, natural we think, in disposing of the Board's funds for a purpose other than was originally intended. The money came from the sale of farmers' products and had originally been retained with the object of cushioning the price of certain primary products when the market price became unduly low.

72. The question of the grant was put to the Marketing Board on the 14th April, 1955, and was then agreed to.

73. The Marketing Board then transferred to the Finance Corporation £2 million of 3% Savings Bonds. The first million was realized and fetched £916,873, and the second £906,248, and since the arrangement was that a grant of £2 million should be made, the Marketing Board made up the balance by the payment of two sums of £83,127 and £93,752, respectively.

74. The propriety of realizing these securities was called in question at the hearing. It was suggested that the capital loss was unnecessary, and that in addition there was a loss of interest of £60,000 per annum. We do not, however, think there is any real cause for such criticism. If the securities had been held for a longer period, and then sold, there would have been a greater capital loss because the Savings Bonds progressively decreased in value, and it was intended that at least some of the money should bear interest when lent by the Finance Corporation.

75. It is clear that everyone concerned regarded the 22nd May, 1955, as the zero date for complying with the Financial Secretary's requirements regarding the liquidity ratio and additional capital, and that considerable anxiety was felt in this respect. In view of Mr. Blankson's false representations to the Financial Secretary regarding the prospect of amalgamation with, and investment by, a United Kingdom banking institution, his anxiety, anyway, can readily be appreciated.

76. On the 18th May, 1955, there was a meeting of the Board of Directors of the African Continental Bank at which the following resolution was passed:—

“RESOLVED that Mr. Adolphus Kofi Blankson, General Manager of African Continental Bank Limited be, and is hereby, instructed to proceed to the United Kingdom with a view to making effective arrangements for conversion into cash of the £2,000,000 Savings Bonds Certificates

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issued to the Eastern Region Finance Corporation, which has appointed the African Continental Bank, Limited, as their Bankers.”

77. The general anxiety would seem to have been shared by the Minister of Finance, Mr. Ojike, because on the following day, 19th May, at a meeting of the Finance Corporation, he suggested that Dr. Mbanugo, the Chairman, and Mr. Blankson, should immediately visit the United Kingdom with the object of obtaining a speedy transfer of the £2 million to the Finance Corporation's account with the African Continental Bank. The visit by these two gentlemen was duly made at the expense of the Finance Corporation.

78. The Nigerian press gained the wrong impression that their visit was in connection with obtaining a loan from the Colonial Welfare and Development Fund, and published a statement to that effect. No one who knew the true position, however, seemed to think it necessary to correct that erroneous impression.

CHAPTER IX

Appointment of Members of the Finance Corporation, agreement to use the African Continental Bank as a depository for the Corporation's funds, and to make a substantial investment in the Bank

79. Sub-section (1) of section 5 of the Eastern Region Finance Corporation Law, 1954, provides that the Corporation shall consist of a Chairman, a Deputy Chairman, and such number of other Members not being more than eight or less than four as the Minister of Finance may from time to time determine; sub-section (2) of the section requires that the Chairman, Deputy Chairman, and Members of the Corporation shall be appointed by the Minister from persons appearing to him to be qualified as having had experience and having shown capacity in matters relating to finance, industry or trade; and section 9 (1) of the law empowers the Minister of Finance, after consultation with the Corporation to give them directions of a general or specific character as to the exercise and performance of their functions. The Corporation is required to give effect to any such directions.

80. For reasons best known to himself Mr. Ojike chose to mislead us regarding the manner in which the list of Members for appointment to the Corporation, which was eventually submitted for the approval of the Executive Council on the 17th March, 1955, was prepared and Mr. Blankson and Mr. Okoye, who was eventually appointed Deputy Chairman, contributed to the effort. We think that their reason for doing this may have some connection with the peculiar circumstances in which the agreement, eventually entered into between the Finance Corporation and the African Continental Bank, came into being.

81. Two Ministers of State, Dr. Esin A. Esin, Minister of Welfare, and Dr. Michael I. Okpara, Minister of Health, gave evidence that the question of the membership of the Finance Corporation was debated at a Ministers' caucus held on the 9th March, 1955, and that the list to be submitted to Executive Council was then agreed to. We believe their evidence on the matter, and reject the evidence relating to it given by the other witnesses mentioned.

82. The list was finally submitted to, and approved by, the Executive Council on the 17th March, 1955, and the appointments were made on the following day, 18th March. Dr. G. C. Mbanugo was appointed Chairman, Mr. C. C. Okoye, Deputy Chairman, and eight other persons appointed Members, among them being Mr. R. D. Nyamsi who is mentioned here because he was the only other Member of the Corporation who gave evidence before us.

83. The Finance Corporation held its Inaugural Meeting on the 6th April, 1955. Mr. Ojike, as Minister of Finance, was in attendance throughout and made an address of welcome.

84. A number of matters were discussed at that meeting which are not relevant to the subject we have to consider. The relevant ones are indicated in the following extracts from the minutes:—

“The Honourable the Minister of Finance stated that funds to the order of £2,000,000 were being made available to the Corporation. He added that the process of obtaining this money was long but that every effort was being made in every direction, to see that the Eastern Region Marketing Board concerned paid this money over to the Corporation with as little delay as possible. In this connection he assured the members that the Honourable the Minister of Trade and himself were pressing forward in the matter and that it should not be long before the £2,000,000 would become available to the Corporation.

Agendum 8: Appointment of Bankers.—The Chairman said that in view of what was happening in some other Regions, the African Continental Bank should be preferred to the other banks. He said that if the African Continental Bank was not yet licensed, then members of the Corporation would see to it that this was done since it would be to the best interests of the Corporation to have this Bank built up. In allaying the fears of some members who suggested that consideration should be given to licensed banks, the Honourable the Minister of Finance stated that the Bank of British West Africa was a monopoly in that it alone banks all our Eastern Regional Government money. The Eastern Regional Government was not in favour of monopolies. Continuing, he said that Government had officially informed the B.B.W.A. of its decision not to exclude other Banks from its financial transactions. The Eastern Region Development Corporation had passed a resolution appointing the African Continental Bank their bankers, and the Minister felt the Eastern Region Finance Corporation should do the same.

The Minister further explained that what the African Continental Bank required most for purposes of being licensed were capital and reserves. He said that funds placed on fixed deposit in the bank would not solve the problem since the bank would not thereby be increasing its capital or reserves, but money invested in the bank in the purchase of shares would surely build up the resources of the bank. If the Eastern Region Finance Corporation did this, the Minister said, it would have discharged one of its functions, which was to apply its funds by investment in order to assist in every field of development—agricultural, industrial, commercial or quasi-governmental. In so doing, the Minister added, the Corporation would help the African Continental Bank to advance money to Cocoa farmers, produce buyers and other creditors for the furtherance of their particular fields of development. Accordingly it was moved by Dr. G. Okojie, seconded by Mr. E. A. Ekanem and adopted ‘that the African Continental Bank Limited shall be the bankers for the Eastern Region Finance Corporation.’”

The Chairman then called for a motion regarding taking of shares in the African Continental Bank. Mazi H. N. Udoh moved, supported by Mr. C. C. Okoye, 'that the Eastern Region Finance Corporation shall invest £ $\frac{3}{4}$ million of its funds in the purchase of shares in the African Continental Bank Limited of which sum, £ $\frac{1}{2}$ million shall be paid in cash immediately and the balance of £250,000 later in Securities.' This was unanimously adopted."

85. Dr. Mbanugo gave evidence that earlier in the morning on the 6th April, at the Minister of Finance's invitation, he went to the Minister's office where the latter handed him a copy of the Agenda for the Corporation's meeting and a general discussion took place on it, including the desirability of giving effect to the N.C.N.C. policy of supporting indigenous banks, and using as the medium the African Continental Bank.

86. Dr. Mbanugo was certain that the minutes of the meeting correctly reflect what took place, and that it was the Minister of Finance who suggested that there should be an investment of money by the Corporation in the African Continental Bank.

87. The next step in the story is a meeting which took place between Mr. Blankson, Dr. Mbanugo and Mr. Okoye on or about the 16th May, 1955. On that occasion Mr. Blankson visited Dr. Mbanugo at the latter's hospital in Enugu, Mr. Okoye arriving a little later.

88. Before Mr. Okoye arrived on the scene, Dr. Mbanugo and Mr. Blankson discussed the proposal that the Finance Corporation should make an investment in the Bank, and Mr. Blankson informed the Doctor that he had a draft agreement with him which he would discuss when Mr. Okoye arrived. That was done, and the document produced by Mr. Blankson was exactly the same in its terms as the agreement which was eventually entered into between the Finance Corporation and the African Continental Bank.

89. The manner in which the draft agreement came into being is shrouded in mystery, since no witness who could have elucidated the matter chose to tell us the truth. We disbelieve Mr. Blankson's Mr. Okoye's and Mr. Ojike's versions of the matter.

90. What is certain, however, is that the draft agreement, in the exact form which it was eventually entered into on 20th May, 1955, found its way into the minutes of a meeting of the Board of Directors of the African Continental Bank held at Onitsha on the 5th March, 1955. This was before even the membership of the Finance Corporation had been determined, and over one month before the Inaugural Meeting of the Corporation took place.

91. The next meeting of the Finance Corporation took place on the 20th April, 1955, the Minister of Finance being present.

Paragraph 8 of the minutes of that meeting reads as follows:—

"The Corporation understood that the Eastern Regional Marketing Board had by a Resolution agreed to pay over the grant of two million pounds to the Corporation. It was therefore agreed that the chairman should insist that half of the grant or as much of it as possible be paid in cash while the balance could be paid in short-term Government securities. The Corporation's Bankers, the African Continental Bank Limited would readjust the number of their shares and make necessary arrangements to enable the Eastern Region Finance Corporation invest its money by the purchase of as many shares as it would want to."

Agreement by the Finance Corporation to purchase 877,000 £1 shares in the African Continental Bank entered into by the Chairman of the Corporation and Mr. Blankson

92. On the 19th May, 1955, the Finance Corporation held another meeting, the Minister of Finance again in attendance; and the Chairman, Dr. Mbanugo, is recorded as having opened the proceedings with the following remarks:—

“The Chairman apologised for having changed the date of the meeting as previously notified. He had had discussions with the Honourable the Minister of Finance and the Honourable the Premier on the question of grant of £2 million to the Corporation by the Eastern Regional Marketing Board; and there had been certain developments which had made it necessary to send for the Chairman of the African Continental Bank Limited, and to summon the meeting of the Corporation immediately afterwards.”

93. The Chairman stated that the meeting of the 19th May, originally scheduled to take place on 23rd May, was advanced to the 19th because of the Minister of Finance's suggestion that he, the Chairman, and Mr. Blankson should go to London in order to expedite the transfer of the £2 million.

94. Mr. R. D. Nyamsi gave evidence that at the meeting of the 19th May, the question of the terms upon which the Corporation should purchase shares in the African Continental Bank was generally discussed. To use his own words “Our Chairman had some of the headings of this agreement on a sheet of paper which he read out at the meeting and we discussed it.”

95. Mr. Nyamsi went on to say that some of the Members of the Corporation protested about some of the terms that were read out, as being too unfavourable to the public, and that he was under the impression that the Chairman had taken note of their protests and made the necessary amendments, and that he thought, and was under the impression that the other Members thought the same, that a finished document would later be laid before them for consideration, thus enabling them to ensure that their views had been taken note of.

96. We formed the impression that Mr. Nyamsi was a witness of truth, and we have no hesitation in accepting his account of what actually took place at the meeting.

97. It is abundantly clear that no amendments were made, because as has already been said, the agreement which was actually entered into was exactly the same in its terms as the draft agreement which found its way into the minutes of the Board Meeting of the African Continental Bank on the 5th March, 1955.

98. The meeting of the Corporation on the 19th May was adjourned at 6·48 p.m., and resumed again at 9·20 a.m. on the 20th May. It continued on that day until 5·30 p.m.

99. Dr. Mbango gave evidence that, either on the night of the 19th May or the morning of the 20th May, that is to say while the Finance Corporation was still in session, he took the draft agreement to the Minister of Finance who inspected it, and that he then had it faired without referring it back to the Corporation.

100. On the 20th May the agreement was duly executed by Dr. Mbanugo, on behalf of the Finance Corporation, and by Mr. Blankson, on behalf of the African Continental Bank. It reads as follows:—

“ THIS AGREEMENT made this 20th day of May, 1955, between EASTERN NIGERIA FINANCE CORPORATION (through its Chairman, Godwin Chinwendu MBANUGO) hereinafter called the Corporation of the first part and AFRICAN CONTINENTAL BANK LIMITED (through its Acting Chairman, Adolphus Kofi BLANKSON) hereinafter called the Bank of the other part.

Witnesseth as follows:—

1. The Corporation shall purchase from the Bank 784,000 fully paid Ordinary Shares of £1 each, provided that a commission of ten per cent. will be paid to the Corporation by the Bank in consideration of the Corporation agreeing to subscribe the aforesaid Shares.

2. The Corporation shall purchase from the Bank 93,000 fully paid Preference Shares of £1 each, provided that a commission of ten per cent. will be paid to the Corporation by the Bank in consideration of the Corporation agreeing to subscribe the aforesaid Shares.

3. The Corporation shall purchase at par any Ordinary or Preference Share/s from any Shareholder/s of the Bank willing to transfer same to the Corporation.

4. The Corporation shall be at liberty whenever necessary to appoint a Banking company incorporated in or any Banker/s recognised in the United Kingdom or elsewhere to act as Managing Agent/s of the Bank, for and on behalf of the Corporation and other Shareholders so long as the Corporation has controlling shares in the Bank.

5. The Corporation shall use the Bank as a main depository of the funds of the Corporation.

6. The Corporation shall persuade its beneficiaries and customers to use the Bank as one of the main depositories of its funds.

7. The Bank shall increase its nominal Share Capital of £250,000 (divided into 200,000 Ordinary Shares of £1 each and 50,000 Preference Shares of £1 each) to £1,000,000 (divided into 900,000 Ordinary Shares of £1 each and 100,000 Preference Shares of £1 each).

8. The Bank shall bear the preliminary expenses entailed in increase of capital, that is to say, stamp duty on capital, fees and deed stamp.

9. The Bank shall sell to the Corporation 784,000 fully-paid Ordinary Shares of £1 each, provided that a commission of ten per cent. shall be paid to the Corporation by the Bank, in consideration of the Corporation agreeing to subscribe the aforesaid Shares.

10. The Bank shall sell to the Corporation 93,000 fully-paid Preference Shares of £1 each, provided that a commission of ten per cent. shall be paid to the Corporation by the Bank, in consideration of the Corporation agreeing to subscribe the aforesaid Shares.

11. The Bank shall sanction any transfer of Ordinary or Preference Share/s from any Shareholder/s of the Bank to the Corporation, provided that same is negotiated at par value per Share.

12. The Bank shall accept without any reservation the appointee of the Corporation as Managing Agent/s of the Bank for and on behalf of the Corporation and other Shareholders so long as the Corporation has controlling shares in the Bank.

13. The Corporation shall nominate five out of the nine Directors of the Bank and the Bank shall nominate four Directors including the Chairman who shall always be the Founder of the Bank and/or the Governing Director or the nominee of the Founder; provided that the four Directors to be nominated by the Bank shall be appointed by the Founder of the Bank and/or the Governing Director or the nominee of the Founder.

14. The Corporation and the Bank shall adjust all outstanding obligations of the Bank to its Directors and Shareholders to mutual satisfaction.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first above written.

Signed and delivered by the within-named EASTERN NIGERIA FINANCE CORPORATION (through its Chairman Godwin Chinwendu Mbanugo) in the presence of: } G. C. MBANUGO.
 C. C. OKOYE, Dep. Chairman.
 (Witness)

Signed and delivered by the within-named AFRICAN CONTINENTAL BANK LIMITED (through its Acting Chairman Adolphus Kofi Blankson) in the presence of: } A. K. BLANKSON.
 COLIN OBIH,
 Head Office Acct. ACB Ltd."

It will be observed that Dr. Mbanugo's signature was witnessed by Mr. C. C. Okoye, the Deputy Chairman, and Mr. Blankson's by Mr. Colin Obih, the Head Office Accountant of the Bank.

101. From the foregoing it is clear that the Minister of Finance, the Chairman of the Finance Corporation, his Deputy, and Mr. Blankson were in the know as to what was actually taking place, but we are quite satisfied that none of the other Members of the Finance Corporation were kept informed. That fact emerges clearly from the evidence, and is underlined by the fact that although the agreement provided for the purchase of a specific number of shares, that is to say 877,000, the Chairman considered it necessary at a meeting of the Corporation held on the 27th July, 1955, to ask his colleagues to pass a new resolution increasing the Corporation's purchase of shares in the Bank to 877,000. The relevant minute reads as follows:—

"*Eastern Region Finance Corporation's Shares in the African Continental Bank Ltd.*—The Chairman pointed out that a new resolution to increase the Corporation's shares in the bank to 877,000 was required to replace the one made during the inaugural meeting of the Corporation on 6th of April, 1955. The need had resulted from the discount made by the Bank on the original investment and in compliance with its regulations. On the motion of Dr. Okojie seconded by Mr. Abang it was resolved that 877,000 shares instead of the original 750,000 be bought in the African Continental Bank Ltd."

102. If the agreement had been finally approved by the Members of the Finance Corporation on the 19th May, it would obviously have been unnecessary to pass the further resolution on 27th July, and one would have expected, in an important matter of that kind, to find a record in the minutes of the

meeting of the 19th that the terms of the agreement to be entered into had been approved, but there is none.

103. Mr. Nyamsi said that he had never seen a copy of the final agreement. We are satisfied that one was never placed before a full meeting of the Finance Corporation, and that their consent to the terms of the agreement actually entered into was not obtained. In this connection it is important to bear in mind that the purchase of shares involved an investment of approximately 40 per cent. of the total capital available to the Corporation.

104. Pursuant to the agreement, the Bank issued, on the 16th June, 1955, share certificates for 784,000 Ordinary shares of £1 each and 93,000 Preference shares of £1 each, and on the 21st June, 1955, the Finance Corporation paid to the bank £789,300 which was the full amount owing for the shares taking into account the 10 per cent. commission allowed to the Corporation under clauses 9 and 10 of the agreement.

105. In our view, having regard to the financial position of the bank at that time, the agreement was unduly favourable to the existing shareholders. That, and the fact that it was obviously not intended to change any clause in the draft agreement to meet the views of other members of the Finance Corporation is, we think, the reason why it was executed in the circumstances described.

106. The Minister of Finance attended every meeting of the Finance Corporation up to and including the one on the 21st June, 1955, that is to say up to the date when the money for the purchase of the shares in the bank was paid over. We formed the impression that his purpose in doing this was to make quite certain that no hitch occurred, and that the transaction was put through. Thereafter he attended none of the meetings.

107. In concluding this aspect of the matter we would observe that, in spite of the decision of the Executive Council at its meeting on the 11th December, 1954, that the Minister of Finance should exercise his powers under the law "only in consultation with and with the approval of Executive Council," he failed to refer the matter of this substantial investment to that body before it was made. It is obvious that his conduct in the matter was tantamount to a direction.

108. It was tentatively suggested that he did not refer the investment to the Executive Council for its approval because of an opinion given by the Attorney-General of the Eastern Region, to the effect that it was *ultra vires* the Law to fetter the discretion of the Minister which it conferred upon him, but Mr. Ojike did not seriously put that forward as his reason. The Attorney-General would also seem to have expressed the opinion that there was no objection to a "Gentleman's agreement," of the nature already referred to.

109. Mr. Ojike was closely questioned on this subject, and when it was pointed out to him that it had been considered necessary to refer the question of the deposit by the Production Development Board of £30,000 in the African Continental Bank, to the Executive Council, he said that he had considered the investment of over £750,000 a mere detail.

110. Finally, Mr. Ojike admitted that he had not referred the investment to the Executive Council because he feared that objections might be raised.

111. We think his fear was well-founded, because it is probable that if the matter had been referred to the Executive Council that body would have wanted to know the terms of the agreement that it was proposed should be entered into by the Finance Corporation with the bank.

112. Dr. Okpara, who at that time lived next door to the Minister of Finance, stated that the latter had informally mentioned to him the fact that the Finance Corporation was making an investment in the bank, but it seems clear from the evidence that, in addition to his omission to refer the matter to the Executive Council, the Minister also refrained from submitting it to a Ministers' caucus for consideration.

113. In his proof which he gave to us before we commenced hearing evidence, Dr. Azikiwe said:—

“On the 10th November, 1955, the Secretary of State told me about the agreement dated 20th May, 1955, above referred to and called my attention to the contents of Clauses 6 and 13 of the agreement although to the best of my recollection he did not actually show me the agreement. This was, I think, the first time that I ever heard of the agreement. On my return to Nigeria on the 30th November, 1955, I asked for and obtained a copy of the agreement. I had definitely not seen the agreement before this time. Very shortly after my return and before I had obtained a copy of the agreement I saw Mr. Blankson in Lagos and told him that the Secretary of State had informed me of the contents of Clause 13. As I was extremely pressed with work I asked Mr. Blankson to give me a week or so's breathing space and then to come and see me and explain how the whole thing came about;”

and he gave much the same evidence on oath before us, although he did say that the Minister of Finance had, he thought on the 7th April, 1955, informed him that the Finance Corporation had agreed to make a substantial investment in the Bank, but he would have had us believe that was the sum total of his knowledge of the transaction.

114. There is no evidence before us upon which we would be justified in reaching the conclusion that Dr. Azikiwe had seen the actual agreement long before his meeting with the Secretary of State on the 10th November, 1955, but we are satisfied beyond doubt that he knew of it, and we feel justified in concluding that he was aware of its general purport.

115. Dr. Azikiwe's letter to Mr. Holt, dated 18th March, 1955, contains the following passage:—

“I told you” (referring to a meeting which he had with Mr. Holt on the 2nd March, 1955) “that the directors of the African Continental Bank have negotiated with a certain concern which will invest over half a million pounds in the Bank. Both parties agree that in the interest of efficiency, and in order to leave no doubt in the minds of the general public both here and abroad regarding the integrity of the Bank, that a responsible banking institution in the United Kingdom should serve as managing agents of the Bank.”

116. That passage seems to us to have some significance, because the “certain concern” mentioned therein could be no other than the Finance Corporation which, at that date, had not yet held its inaugural meeting. As we have already mentioned it was not until the 18th March that the members of the Finance Corporation were notified of their appointment.

CHAPTER XI

Information which would have been available to the Finance Corporation before the Investment was made, had appropriate enquiries been instituted

117. It appears that at the time the heads of agreement were briefly discussed by the Finance Corporation, a bare minimum of information was laid

before the members. It is evident that they cannot have acquired a very extensive knowledge of the financial position of the Bank at that time, as on the occasion of their meeting on the 8th September, 1955, it was agreed to ask for an enquiry as to "what real assets the Bank at present possessed."

118. Inexperience in such matters might make the members unaware of all the information which they should have required before agreeing to a transaction of such a major character, but bearing in mind the knowledge which they must have had at that date of the many failures of indigenous banks which had taken place in the preceding years, the closest enquiries into the up-to-date position of the African Continental Bank, even though it had survived difficulties which had overcome so many of its competitors, ought to have been made.

119. If appropriate enquiries had been made the information which subsequently came to light in the accounts audited by Akintola Williams and Co. up to 31st March, 1955, which were completed on the 9th December, 1955, Appendix "K," could have been obtainable by the members of the Corporation, and the decision to make an investment of so large an amount should have been reserved until the fullest information was available.

120. The information arising out of such enquiries would have shown:—

- (a) That the Bank was insolvent and had incurred very substantial losses due to bad debts arising in earlier years for which provision had not previously been made. (Although it was suggested that the provision which had been made was excessively cautious, the fact remains that since the 31st March, 1955, only £1,489 has been recovered in respect of debts written off to a total of £128,591, indeed, Mr. Wilkins held the view that far from the provision being unduly conservative it would have been prudent to increase it by a further £50,000.)
- (b) That assuming the assets set out in the balance sheet were worth their book figures, the paid up capital of £31,646 had been completely lost and a deficiency of £136,837, over and above the paid up capital, was being borne by the depositors and other creditors.
- (c) That there were calls in arrears of £90,600. (There seems some doubt whether this is the correct term to be applied as from evidence, which was given, no calls appear to have been made, and this outstanding sum related to uncalled capital.)
- (d) That £41,100 of the unpaid calls (set out in Appendix "C") was due from Companies of the Zik Group and this sum could only have been obtained by borrowing more money from the Bank and so increasing the liability under the guarantees of Mr. Ojukwu and Mr. Ugochukwu, referred to in paragraph 153.
- (e) That the shares of the Bank at 31st March, 1955, of both classes, were worthless. (This opinion was shared by both Mr. Wilkins and Mr. Akintola Williams. Indeed the shareholders far from being possessed of an asset were faced, in many cases, with a liability to meet their outstanding calls.)
- (f) That the effect of making the investment under the terms of the Agreement was to increase the value of the shares held by other shareholders in the Bank from nil to 14s. 10d. (In his evidence Mr. Wilkins attributed this value to all the shares in the Bank, both Preference and Ordinary, whilst Mr. Akintola Williams attributed a value of 20s. to the Preference shares and 13s. 10½d. to the Ordinary shares.)

121. Whatever view is taken of the value of the shares, either before or after the event, it cannot be denied that the effect of the transaction was that

the Finance Corporation immediately assumed 87 per cent. of the losses amounting to £168,483, which had been incurred prior to its investment. Furthermore, the discount which was allowed against the cost of the shares was not borne *in toto* by the other shareholders, 87 per cent. of it being borne by the Finance Corporation.

122. Statements were laid before us to show the position of the Bank and the Zik Group of Companies at 31st March, 1955. From these it was clear that the state of insolvency which then existed throughout the whole organisation (with one exception) could only result in the liquidation of the Bank and the Companies in the Group, unless substantial amounts of new capital could be provided.

123. The statements, supported by evidence given by Mr. Woolmer, revealed that the whole of the capital of the organisation (Zik Group and Bank) had been lost, and in the event of liquidation the creditors of the Bank would have received a dividend of 15s. in the pound, the secured creditors and unsecured creditors of the Zik Group of Companies an average dividend of 8s. in the pound and 4s. in the pound, respectively.

124. We were told by Dr. Azikiwe and other witnesses, that the question of liquidation would never have arisen as the African Continental Bank possessed "immeasurable goodwill" which would enable it to raise any capital required in the event of a crisis.

125. Examples of the willingness of Mr. Ojukwu and Mr. Ugochukwu to guarantee the overdrafts of the Zik Group of Companies with the Bank were quoted. Mr. Ojukwu told us that he gave his guarantee because he was satisfied that he would be able to recover any sum he might be called upon to pay out of the realisation of Dr. Azikiwe's properties, within a very short time. Willingness to give guarantees of this nature is very different from providing large amounts of cash capital. The fact remains that no serious attempt was ever made to obtain new capital from any source other than the Finance Corporation.

126. Dr. Azikiwe on being asked why no attempt had been made to call up the outstanding and uncalled capital, stated that it did not occur to anyone. As the amount due from the Zik Group of Companies, £41,100, could only be paid by increasing the loans from the Bank, to that extent the receipt of uncalled capital would not have improved the liquidity ratio.

127. Bearing in mind the policy of the N.C.N.C. in connection with the use of an indigenous bank, and the suitable vehicle which the African Continental Bank provided for this purpose, we can see no objection to negotiations for the Finance Corporation to invest in the Bank on reasonable terms taking place, provided suitable safeguards were introduced for improvement in the management of the Bank, which was obviously in the mind of Dr. Azikiwe in his endeavours to obtain the assistance of a British bank as Managing Agents.

128. Although the shares of the Bank were worthless, a reasonable figure might have been offered to the existing shareholders for the transfer of their shares in consideration for the advantage of the ready-made organisation which the Bank provided. This would have been at least one step towards carrying out the policy of the N.C.N.C. to establish a State Bank.

129. It must not be overlooked that the shareholders were faced with the serious alternative of liquidation if the Bank did not obtain a licence, and it is probable that any new investor would, at that stage, have made the fullest

enquiries before accepting without qualification a share of the losses which had been incurred up to date. In any negotiation, therefore, the scales were by no means weighted in favour of the existing shareholders.

130. Following the completion of the Agreement between the Bank and the Finance Corporation, shares which had previously been worthless increased in value to 14s. 10d. per share, and (if the benefits of clause 3 of the Agreement are taken into account) became worth 20s. per share.

131. The financial benefits accruing to the holdings of Dr. Azikiwe, his family, the Directors of the Bank, and the Companies of the Zik Group, were therefore as follows:—

	at 14s. 10d. per share £	at 20s. per share £
Azikiwe, N.	20,770	28,000
Azikiwe, O. C.	2,966	4,000
Arinze, Mrs. C. E.	2,966	4,000
Arinze, Miss E. O.	2,966	4,000
Arinze, Miss V. I.	2,966	4,000
Nwosisi, J. O.	74	100
Okonkwo, F. E.	742	1,000
Blankson, A. K.	1,558	2,100
Zik Enterprises Ltd.	37,010	49,900
Nigerian Commodities Ltd.	2,966	4,000
African Book Co. Ltd.	1,483	2,000
Nigerian Paper Co. Ltd.	1,483	2,000
Nigerian Printing Supply Co. Ltd.	1,483	2,000

As already pointed out, Dr. Azikiwe's effective interest in the Companies of the Zik Group averaged about 45%.

CHAPTER XII

Appointment of new Directors to the Board of the African Continental Bank, and events immediately subsequent to the investment by the Finance Corporation in the Bank

132. On the 2nd April, 1955, an Extraordinary General Meeting of the shareholders of the African Continental Bank was held and the following paragraph appears in the minutes of that meeting:—

“ That this meeting do hereby ratify and approve the draft agreement reached whereby the Eastern Region Finance Corporation would appoint five (5) out of the nine (9) Directors of the Bank (*vide* clause 19 of the Articles of Association of the Company), and which further vests the Founder of the Bank and/or his nominee with the power to nominate the other four (4) Directors of the Bank and hereby sanctions and approves of the appointments made by the Founder's nominee as under:

ADOLPHUS KOFI BLANKSON—*Chairman*,
OBED-EDOM CHUKWUEMEKA AZIKIWE,
CECILIA EZIAMAKA ARINZE, and
FELIX EZEJIOFO OKONKWO.”

It will be noted that this occurred four days before the Inaugural Meeting of the Finance Corporation, and that Dr. Azikiwe's father and sister were

among those reappointed (they had been Directors continuously since the time the Bank was known as "Tinubu Properties Ltd.").

133. Pursuant to clause 13 of the Agreement, the Finance Corporation at a meeting held on the 21st June, 1955, appointed five of their number to be Directors on the Board of Directors of the African Continental Bank. Among those appointed were Dr. G. C. Mbanugo and Mr. C. C. Okoye.

134. On the 29th June, 1955, a Circular was sent out from the Head Office of the African Continental Bank convening an Extraordinary General Meeting of shareholders of the Bank for the 20th July, 1955. The object of the meeting is stated in the Circular to be as follows:—

“to pass the following as Extraordinary Resolutions:—

(1) That Article 15 be deleted and that the following be substituted therefor:

‘15(A) The Founder of the Company (Dr. Nnamdi Azikiwe) shall be the Governing Director and Chairman during his life-time unless he shall fail to hold shares of the Company of the nominal value of at least £100.’

‘15(B) The Chairman of the Board of Directors shall preside at every General Meeting, but if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as a Chairman, the members present shall choose some Director, or if all the Directors present shall decline to take the chair, they shall choose some member present to be Chairman of the Meeting.’

(2) That Article 19 be deleted and the following substituted therefor:

‘The number of Directors shall be not less than three nor more than nine provided that the Founder and Governing Director shall nominate not less than four Directors.’

135. The Extraordinary General Meeting was held on the 20th July and the Resolutions set out in the Circular were duly passed.

136. Although, by this time, the Finance Corporation was the largest shareholder in the Bank it was not considered necessary to send it a copy of the Circular convening the meeting. When questioned about this omission Mr. Blankson was unable to give a satisfactory explanation.

137. The new Article 15(A) introduced for the first time the word “Founder” into the Articles of Association of the Bank and clarified the position as to who that was by going on to say “(Dr. Nnamdi Azikiwe).”

138. Dr. Azikiwe gave evidence that he was unaware of this change in the Bank's Articles, even in his capacity as a shareholder. His Counsel submitted that it was a case of “May the Lord protect me against my friends; against my enemies I can protect myself,” referring to Mr. Blankson's evidence which was to the effect that he alone was responsible for introducing the amendment to the Articles, and there is no evidence before us to the contrary.

139. As soon as the amendment to the Articles of Association of the Bank, by the addition of the new Article 15(A), came to the notice of the Finance Corporation, they protested about it and insisted that the name of “Dr. Nnamdi Azikiwe” be deleted therefrom.

140. Pursuant to this protest a meeting of the Board of Directors of the Bank was held on the 10th September, 1955, which was attended by the five Directors appointed to represent the Finance Corporation, and the following resolution was passed:—

Chairman and Founder: RESOLVED that the name of Dr. Nnamdi Azikiwe, appearing in the first line of amendment to Article 15(A) be deleted and that the clause be amended to read as follows:—

The Founder of the company shall be the Governing Director and Chairman during his life-time, unless he shall fail to hold shares of the company of the nominal value of at least £100.”

141. The insistence by the Finance Corporation on the deletion of Dr. Azikiwe's name from the Article in question clearly did not alter the position. It still provided that the “Founder of the Company shall be the Governing Director and Chairman during his life-time”, and since Dr. Azikiwe was the “Founder” the position remained the same, but we are satisfied that the members of the Corporation genuinely believed that their amendment had put the matter right.

142. On the 13th August, 1955, the Financial Secretary informed the African Continental Bank that he was now prepared to issue a licence, and it was issued by him on the 15th August, 1955.

143. Following the investment by the Finance Corporation, the Bank, on the 25th August, 1955, paid to its Directors outstanding fees of £10,092, which had accumulated at the 31st March, 1955.

144. At a meeting of the Board of Directors of the Bank on the 2nd March, 1951, it was resolved that “in view of the limited resources of the bank, fees due to the directors be suspended”, and at a meeting of the Board on the 19th April, 1952, it is recorded that “the accumulated fees shall be paid to the Directors in due course when the financial position warrants same”, and on the 4th October, 1954, that fees “be paid to Directors so entitled, plus any arrears due, subject to improvement of the financial position of the Bank”. These resolutions were, no doubt, required owing to the inadequate working capital then available to the Bank, and the improvement in the financial position, which eventually enabled the fees to be paid, was due entirely to the investment by the Finance Corporation, and not to any other introduction of capital or profits arising by reason of any action of the Directors before that date.

145. Out of the sum of £10,092, Dr. Azikiwe received £5,252, Mr. O. C. Azikiwe £2,000, Mrs. C. E. Arinze £1,550, and Mr. Blankson £1,150.

146. During the period in respect of which the outstanding Directors' fees were paid, Mr. O. C. Azikiwe personally attended two meetings of the Board, and Mrs. Arinze four.

147. Owing to age and infirmity, Mr. O. C. Azikiwe was unable to give evidence before us, but Mrs. Arinze did, and we are satisfied that it is fair to describe her as a mere figure-head in so far as the Bank was concerned.

148. There is, of course, nothing wrong in the payment to directors of outstanding fees due to them, but in the circumstances here, and bearing in mind that the payment was only rendered possible by the injection of public money into the Bank, we think the transaction is open to question. It is relevant here to observe that the payment was made without the knowledge or

consent of the Members of the Board appointed by the Finance Corporation, despite the provisions of clause 14 of the agreement.

149. In view of the conclusion we shall later record regarding the conduct of the Chairman of the Finance Corporation in connection with the signing of the Agreement between the Corporation and the Bank, we think it only fair to say that once the investment had been made he appears to have used his best endeavours to ensure that the Bank was properly and efficiently run, as the following extracts from a Secret and Personal letter written by him, as Chairman of the Corporation, to the General Manager of the Bank, Mr. Blankson, on the 23rd January, 1956, indicate:—

“ My only concern is that as the Chairman of the Finance Corporation appointed by the East and through whose work this Bank was placed on its present firm position by investing nearly one million pounds of the tax-payers’ money, I have the grave responsibility of accounting for the satisfactory working of the Bank. The tax-payer whose money was invested into the Bank has every right to expect a secure and regular treatment from the Bank.”

and again,

“ what is more, I do not want myself to be used as a tool in life; and I do not want to be looked upon as a man whose Corporation did a faulty investment and thereby lost the tax-payers’ money.”

150. From the high-handed attitude adopted by Mr. Blankson in his replies to correspondence from the Finance Corporation, he would appear to have felt himself to be in a very secure position.

CHAPTER XIII

Use made of the Resources of the African Continental Bank after the Investment and Deposits by the Finance Corporation

151. As shown in Appendix “ L ” between 31st March, 1955, and 31st July, 1956, the paid-up capital of the Bank had been increased by £880,530 including the new investment made by the Finance Corporation, amounting to £877,000. After deducting the 10 per cent. commission allowed under the Agreement of 20th May, 1955, there was a net addition to capital of £792,830. During the same period customers’ deposits had increased by £1,340,400, of which £854,236 (shown in Appendix “ M ”) arose directly from the unexpended portion of the grant from the Eastern Region Marketing Board of £2,000,000, which remained either to the credit of the Statutory Boards to whom loans had been made or of the Finance Corporation itself.

152. These additional resources available to the African Continental Bank, Limited were broadly disposed of as follows:—

Increase in loans and advances of £959,343 of which the principal ones were:

	£
Companies of the Zik Group (being an increase from £112,173 to £170,770)	58,597
N.C.N.C. (being an increase from £12,844 to £50,500)	37,656
A. G. Leventis & Co., Ltd.	300,000
Eastern Region Development Corporation	50,451
Industrial Chemists, Ltd.	46,428

153. The overdraft of the Zik Group was secured by the personal guarantees of Mr. L. P. Ojukwu for £200,000 and Mr. M. N. Ugochukwu for

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£50,000 which were originally verbal, but, at the request of the Auditor, Mr. Akintola Williams, were confirmed in writing in November, 1955, and although it was suggested that these written guarantees were not in proper legal form, Mr. Ojukwu in the course of his evidence confirmed that he considered himself bound by his undertaking, and we believe that he would have honoured it.

154. The overdraft of the N.C.N.C. was secured by the personal guarantees of three persons supported by a charge on land and buildings.

155. During the course of the evidence before us it was suggested that the loan to A. G. Leventis & Co. Ltd., which was repayable on demand and bore interest at the rate of 3 per cent., was unduly favourable to that Company, and that for so large a proportion of the Bank's resources to be invested in this way was financially unsound. Dr. Azikiwe in his letter to Mr. Blankson, dated 30th January, 1954, said:—

“ But for Leventis the Pilot would have had a terrible time since it is obvious that it could not have continued to pay £2,000 monthly on the U.A.C. plan of ‘cash and carry.’ The Leventis plan has given us a breathing space and we should be grateful to this firm for its considerateness in extending credit facilities to this young Nigerian company.”

We are of opinion that the criticism of this transaction is not well founded.

156. The advance was made out of funds in London and was repayable in Nigeria and so effected a substantial saving to the Bank in transfer charges when it wished to repatriate the funds to Nigeria. Indeed, Mr. Woolmer, in his evidence, recorded that between 17th April and 15th June, 1956, £650,000 had been remitted from London to Nigeria through the medium of A. G. Leventis & Co. Ltd. in a similar manner, although in that case the funds were merely transferred through their account and did not remain outstanding on loan account for any period.

157. The remainder of the increased resources referred to above enabled the Bank to improve its liquid position as cash in hand was augmented by £443,681, and balance with banks on deposit and on demand increased by £671,152. Payment was also made of outstanding Directors' remuneration as set out in paragraphs 143 to 145.

158. During the hearing, various suggestions of a derogatory nature were made regarding the loan by the Finance Corporation of £100,000 to the Nigerian Engineering and Manufacturing Co. Ltd., a company set up to manufacture cement. This suggestion was made under the belief that Dr. Azikiwe had at one time been a director of this company. We do not accept that view, and consider that there was good ground for the belief, held by the Ministers concerned, that it was in the interests of the Region to have a cement company on the spot. Nor do we believe that Dr. Azikiwe was ever effectively a director.

CHAPTER XIV

Dr. Azikiwe has an interview with the Secretary of State at which the former's connection with the African Continental Bank is discussed. The Chairman of the Finance Corporation informs the public of the investment in the Bank

159. On the 10th November, 1955, Dr. Azikiwe had an interview with the Secretary of State in London. During the course of the interview the Secretary of State raised the question of Dr. Azikiwe's association with the African

Continental Bank, and informed him that it would be quite unthinkable in the United Kingdom for a bank, which was set up by the Chief Minister, "to receive £1 million from public funds to keep it solvent, and that there could, of course, be no question of the Chief Minister of the Eastern Region of Nigeria retaining rights to the chairmanship or to nominate directors." The Secretary of State suggested that the least Dr. Azikiwe could do would be to drop the provisions in the Agreement (clause 13) in regard to his own position as Chairman, and the right to nominate "three" of the Directors, and Dr. Azikiwe agreed to do that.

160. Dr. Azikiwe's part in the discussion is set out in the proof of his evidence which he gave to us, and reads as follows:—

"When I spoke to the Secretary of State in London on the 10th November, 1955, in reply to a question by him, I pointed out that I was in fact not a Director and had no legal claim whatsoever to be taken back into the service of the Bank. It was, as a matter of fact, likely that after I ceased to be a Minister I would, if I expressed a desire to be taken back, be invited to go back and serve again with the Bank. In my opinion, as I had on all relevant occasions made the fullest disclosure of my interest in the Bank and had in January 1954 completely severed my connection with it except as a shareholder, there would have been no ground for criticism in this situation."

and Dr. Azikiwe goes on in his proof to make the following comments in regard to the position:—

"I agree that it would be entirely different if I had preserved any legal right to go back or had made any stipulation with anybody that I would be taken back. This I definitely had not done and I had no legal claim whatever. Accordingly there could, in my opinion, have been no objection to a situation in which as a Minister of the Crown I knew that it was likely that I might be at the end of my Ministry invited to serve again, I, in fact as stated, having made full disclosure and having abstained completely from participation in any Government decision to make use of the Bank. It cannot be open to objection that any Minister in any Government should have the hope while in office that he may be invited after relinquishing office to serve as a Director of a large public company, the fortunes of which have in fact prospered under the administration of the Government of which he is a member, so long as whilst being a Minister he has no connection with it otherwise than as a shareholder, and so long as he acts in any decision in the making of which he takes part by the Government to which he belongs in a desire to promote public welfare and not in the desire either partly or wholly to make it certain or likely that a lucrative position in the undertaking concerned will or may be open to him when he relinquishes office. This was my situation and I am most emphatic that in my attitude towards the building up of Eastern Nigerian economy and indigenous banking in Nigeria I was wholly actuated by considerations for public welfare and not at all actuated by the considerations of my own private advantage. I may perhaps observe that there are in the Eastern Region and in Nigeria generally, no doubt many Companies which have thrived and which I hope will thrive or be constituted if not already in being in which after leaving office I could, if I so desire, be invited to take up positions on the Board. It surely cannot be said, in my opinion, that this being so, there could be any objection to my participating in Government decisions which would have the effect of stimulating investment public and private in such companies provided always that I act in such

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decisions single-mindedly in what I would believe to be the public interest and maintained no connection whatever except as a shareholder with those companies when holding office as a Minister."

161. In view of the active part it was later proved Dr. Azikiwe played in at least one "Government decision to make use of the Bank," we are of opinion that Dr. Azikiwe's comments in his proof place an unduly favourable complexion on the matter.

162. Dr. Azikiwe returned to Enugu, the capital of the Eastern Region, on the 2nd December, 1955, and on the 5th December the following Press release was made on his authority:—

" EASTERN PREMIER'S RELATIONSHIP WITH CONTINENTAL BANK LIMITED
SEVERED SINCE JANUARY 1954 "

Dr. Nnamdi Azikiwe, Premier of Eastern Nigeria, transferred all his rights and privileges as Founder, Governing Director and Chairman of the African Continental Bank Limited, as soon as he was appointed a Minister of State in January, 1954. This was disclosed by an official of the office of the Premier this morning.

The spokesman said that this statement was made in order to remove doubts and to define more clearly the relationship of the Premier with the African Continental Bank. It will be recalled that Dr. Azikiwe was the Founder, Chairman and Governing Director of the Bank from its inception.

Recently this Bank concluded an agreement with the Eastern Nigeria Finance Corporation which enabled the Corporation to gain control of the Shareholding and policy of the Bank."

163. In view of the fact that the investment by the Finance Corporation in the Bank achieved one of the N.C.N.C.'s major points of policy, we think there was a surprising reticence in publicizing the matter. It was not until unfavourable comments had appeared in the Press that the Chairman of the Corporation, on the 9th December, 1955, authorised the following Press release:—

" CHAIRMAN OF FINANCE CORPORATION REFUTES ALLEGATIONS "

The Chairman of the Eastern Region Finance Corporation, Dr. G. C. Mbanugo, has stated in Enugu today that the Corporation has acquired controlling shares, both Preference and Ordinary, in the African Continental Bank and also has a wide majority on the Board of Directors. This, he said, had placed the Corporation in a position to control the policy and the internal working of the Bank. Dr. Mbanugo was refuting allegations which appeared in a Lagos newspaper recently seeking to give the wrong impression that the Bank was still in any way under the control of Dr. the Honourable Nnamdi Azikiwe, Premier of the Eastern Region.

The Corporation, he added, was chiefly interested in making the Bank serve the needs of the Region by providing expanded credit facilities to African traders and business men and had evolved plans and programmes to this end. He ended by saying that the collection of dividends from the Bank was not and had never been the primary aim of the Corporation as was alleged."

164. We think this reticence was due to a feeling, on the part of those concerned, that the Agreement entered into by the Corporation was not as favourable to the public as it ought to have been.

Mr. Eyo's Motion asking for an independent Commission of Inquiry to enquire into the investment and deposit of public funds in the African Continental Bank, and circumstances connected therewith

165. On the 17th May, 1956, Mr. E. O. Eyo, Member for Uyo Division, forwarded the following Notice of Motion to the Clerk of the Eastern House of Assembly :—

“ BE IT RESOLVED :

That this House humbly requests that an independent Commission of Inquiry be appointed forthwith to enquire into the circumstances surrounding the investment and/or deposit of public funds of the Eastern Region totalling nearly £2 million in June, 1955, in the African Continental Bank Limited, in which Dr. Nnamdi Azikiwe, the Premier of the Eastern Region, has an interest, and to submit a report of its findings and recommendations to His Excellency the Governor, after the accounts of the said Bank shall have been audited by an independent and reputable firm of Auditors appointed by the Governor; the reports of the said Commission of Inquiry and the firm of Auditors to be laid on the table of this House.”

166. As a result of Mr. Eyo's Motion, on the 20th June, 1956, a draft White Paper, which subsequently became Sessional Paper No. 4 of 1956, entitled “ Report on Banking and Finance in Eastern Nigeria,” was considered in the Executive Council of the Eastern Region, Sir Clement Pleass, the Governor, presiding.

167. The draft White Paper contains a chapter headed “ The Role of the Premier,” the object of which was to meet criticism levelled at the investment made by the Finance Corporation in the Bank, with particular reference to the Premier's connection with the Bank.

168. That chapter was prepared on the instructions of Dr. Azikiwe by Mr. D. O. Ibekwe, Legal Adviser to the Premier, and it contained a reference, subsequently deleted, to clause 13 of the Agreement which made it appear that Dr. Azikiwe's statement that, up to the time of his meeting with the Secretary of State on the 10th November, 1955, he had never seen the Agreement, was untrue.

169. Mr. Ibekwe gave evidence that he had included that particular passage, not on Dr. Azikiwe's instructions, but owing to a wrong surmise made by him. Both Dr. Azikiwe and Mr. Ibekwe were closely questioned about the matter, and we think it sufficient here to say that we accept Dr. Azikiwe's denial that he gave Mr. Ibekwe any such instructions, and Mr. Ibekwe's explanation as to how the passage came to be included.

170. There are, however, two passages in the draft White Paper which we feel constrained to mention.

171. Early on the morning of the 26th March, 1955, just before a meeting of the Executive Council which was held on that day, Dr. Azikiwe had an informal discussion with the Governor, Sir Clement Pleass, in the course of which they discussed the question of helping African banks, and the Governor suggested that the first step should probably be to take such measures as

would assist the African Continental Bank to obtain a licence. A suggestion to which Dr. Azikiwe agreed.

172. The meeting of the Executive Council was then held, and the following passage occurs in one of the minutes of that meeting:—

“ Was there not perhaps some misunderstanding. For example, was not the real aim to assist African banks, particularly the African Continental Bank. And, if so, was this suggestion of dividing the business of Government between a number of banks the best way of helping the African banks. Should not the first step be to take such measures as would assist the African Continental Bank to obtain a licence.”

It was not in dispute that those words were spoken by the Governor.

173. It is clear from Dr. Azikiwe's letter to Mr. Holt of the 18th March, 1955, to which we have already referred, that the former was aware of the draft agreement which the African Continental Bank had “ negotiated with a certain concern ” which would “ invest over half a million pounds in the bank,” and we are satisfied that Dr. Azikiwe was then aware of the fact that it was intended to insist upon the Finance Corporation being “ that certain concern,” but he did not see fit so to inform the Governor.

174. The first passage in the draft White Paper to which we wish to refer, reads:—

“ When the problem of investing public funds in an indigenous bank confronted the Government, it was decided, on the initial advice of His Excellency the Governor, that the Eastern Region Finance Corporation should invest sufficient funds in the African Continental Bank Limited to enable it to have the capital and reserves necessary to bring its liquidity ratio up to the required 30 per cent. This advice became the basis of one aspect of the policy of this Government.”

175. That passage in the draft White Paper had reference to the statement, made by the Governor in Executive Council on the 26th March, 1955, and he agreed to its being incorporated in the Sessional Paper, but it is abundantly clear that he did so in complete ignorance of the fact, well known to Dr. Azikiwe, that the policy of the Finance Corporation of investing a large sum in the African Continental Bank was not in fact initiated by him, but by Dr. Azikiwe and his colleagues.

176. That statement in the White Paper can only be described as false, and a misrepresentation of the facts. In our view the statement was made by Dr. Azikiwe in an attempt to give the investment transaction a cloak of respectability, which he did not think it otherwise possessed.

177. It is also relevant to observe that the false statement contained in the White Paper was originally made by Dr. Azikiwe in a passage of a letter he wrote to Sir Clement Pleass on the 14th January, 1956, which reads as follows:—

“ I do not propose to go into detail over the affairs of the Government of the Eastern Region and the African Continental Bank. Your Excellency will remember that the suggestion to fund that Bank with the resources of the Finance Corporation, to enable the latter to own controlling shares, came from you. At no time was the question of the solvency of the Bank ever in doubt.”

178. The second passage in the draft White Paper to which we wish to refer, reads:—

“ although the Bank operated at a loss, yet it was solvent, as reference to its balance sheets and its ability to survive the ordeal of bank closures in 1952 testify.”

179. On the 14th April, 1955, Dr. Azikiwe was sent a report on the African Continental Bank, made by a banker in England. The report was put in evidence, it is headed—

“ Private and Very Confidential

X.Y.Z. Bank, Limited,”

and paragraphs 2 and 3 read:—

“ The balance sheet as at 31st March, 1954, suggests that the Bank is insolvent and in the absence of adequate cash resources and a sound liquid position it is a little surprising that the Bank has been able, during the last twelve months, to meet the calls made upon it by its customers. The Head Office Accountant's report dated 2nd November, 1954, shows that there had been a further deterioration in the cash position and that liabilities to depositors had arisen to £654,333 of which only £55,614 was held as time deposits. It is probable that a large proportion of the savings deposit balances (£430,129 on 31st March, 1954) will remain with the Bank on a more or less permanent basis and the first concern, therefore, must be to provide adequate cash cover to meet calls in respect of the current account credit balances (£162,961 on 31st March, 1954). The experience of the officers concerned will dictate the cash requirements needed to meet calls by savings account customers.

In this matter something needs to be done as a matter of urgency if the confidence of both customers and the general public is to be maintained. The suggestion that the management should be taken over by one of the Joint Stock Banks in the United Kingdom is most unlikely to find acceptance in any direction, and it is felt that the sending out to Nigeria of bank officials from the United Kingdom, who do not understand local customs, and the African approach to the granting of loans and the taking of securities, etc., would not provide a solution to the immediate requirements of the Bank.”

180. To say in the White Paper, therefore, “ Although the Bank operated at a loss, yet it was solvent,” as Dr. Azikiwe did, and in his letter of the 14th January, 1956, to Sir Clement Pleass, “ At no time was the question of the solvency of the Bank ever in doubt,” seems to us to have been putting an unduly favourable complexion on the position.

181. Mr. Eyo's Motion came up for debate in the Eastern House of Assembly on the 26th June, 1956. When it was reached on the Order Paper, and Mr. Eyo rose to move, Mr. N. W. Abengowe, one of the N.C.N.C. Party Whips, raised a point of Order, referring to Rule 25 (3), of the Standing Rules and Orders of the House, which provides that “ Reference shall not be made to any matter on which a judicial decision is pending, in such a way as might in Mr. Speaker's opinion, prejudice the interests of the parties thereto,” and he went on to say “ Sir, I have it on authority that a Writ has been taken on this matter and it is pending in Court and a Summons has been served on Mr. Eyo.”

182. As we have already said, Mr. Eyo's Notice of Motion was sent by him to the Clerk of the Eastern House of Assembly on the 17th May, 1956. On the

5th May, 1956, Mr. Eyo had written a letter to Dr. Azikiwe in which he charged the latter with abuse of office and corruption in connection with the investment of public funds in the African Continental Bank, which he described as "your Bank," and he sent a copy of that letter to His Excellency the Governor, Eastern Region, and the Nigerian Press.

183. It was known that Mr. Eyo's Motion was likely to be debated on or about the 26th June.

184. On the 20th June, 1956, Dr. Azikiwe caused an application to be made to the High Court, Calabar, for a Writ of Summons, claiming damages for libel in connection with the letter Mr. Eyo had sent to the Governor and the Press, and the necessary fees payable in respect of the writ were paid on that day.

185. The writ was not in fact issued until the 6th July, 1956, and it follows that on the day Mr. Eyo's Motion came up for debate that the writ had not then been served upon him.

186. Several Members of the House, including the Premier, Dr. Azikiwe, and Mr. Eyo, spoke on the point of Order raised by Mr. Abengowe. The Premier intimated that the statement that action had been taken was correct, and Mr. Eyo stated that he had not been served with any writ and that he was not, apart from rumours he had heard, aware that any action had been filed against him.

187. After dealing with the point in some detail the Speaker of the House concluded his remarks by saying:—

"In my view the matter is *sub judice* for the reasons given and it would be unfair to let it proceed. In the result, the motion stands adjourned for such action as the members may care to take. Meanwhile they have their remedies in Court and if either Eyo or the Premier wishes at any time to make any statement on the subject he is free to do so. I rule the motion out of order."

188. The Hansard report of the debate was put in evidence, and it was suggested, at the hearing before us, that the effect of Dr. Azikiwe's speech was a plea that the Motion should be debated on that day.

189. It is the case that at the conclusion of the discussion, Mr. Eyo, in his reply said "If I may reply, Sir, there is no point, Sir, in appealing to you to waive standing orders. The point is correct and we cannot proceed with this motion because an action has been instituted," but in the light of the surrounding circumstances, and in view of the tenor of Dr. Azikiwe's speech, we have reached the conclusion that there was no genuine desire on the part of Dr. Azikiwe that the motion should be debated.

190. If Dr. Azikiwe was as anxious, as he told us he was, that a debate on Mr. Eyo's Motion should take place, it seems odd that he did not refrain from applying for his Writ of Summons for another week or two, since, by that time, it would have been reasonable to assume that the debate would have been concluded.

CHAPTER XVI

Conclusions

191. Whatever the legal effect of Dr. Azikiwe's letter dated January 30th, 1954, resigning from the offices of Chairman and Governing Director of the African Continental Bank, and of the instrument, made on the same date, appointing Mr. Blankson to act in his stead as Governing Director and

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Chairman of the Bank, we are satisfied that Dr. Azikiwe intended their effect to be that Mr. Blankson was appointed as his agent to act in his stead as Governing Director and Chairman of the Bank so long as he remained a Minister of State, and that upon relinquishing the office of Minister of State he would automatically resume the offices of Governing Director and Chairman of the Bank. In other words, that he intended those documents to create an agency, with himself in the background as principal, and we have no doubt that Mr. Blankson understood that to be the position.

192. We believe that Dr. Azikiwe's primary motive was to make available an indigenous bank with the object of liberalising credit for the people of this country, but we are satisfied that he was attracted by the financial power his interest in the Bank gave him.

193. Moreover, there can be no doubt that the control of the newspapers included in the Zik Group of Companies gave Dr. Azikiwe a degree of political power which we think he was anxious to retain. It is clear that the continued existence of the Bank was an important factor in the financing of the Zik Group of Companies.

194. In considering whether Dr. Azikiwe has been guilty of improper conduct, in his capacity as a Minister, in connection with the affairs of the African Continental Bank, we apply what we think would be the standards of right-thinking citizens, unbiased by their political opinions. Applying that test, we consider his conduct in this matter has fallen short of the expectations of honest, reasonable people.

195. It is a fact that the deposit of £30,000 by the Eastern Region Production Development Board was made at a most appropriate time in the affairs of the Bank, and that the purchase of the shares in the Bank by the Finance Corporation made Dr. Azikiwe's investments in the Bank and the Zik Group of Companies more secure.

196. It is not true that, except as a shareholder, Dr. Azikiwe severed his connection with the Bank in January 1954. It was clearly proved before us that, although he may not have interfered with day-to-day management of the Bank, he did his best to further its interests and kept his hands on the helm.

197. In the circumstances here, we are of the opinion that Dr. Azikiwe ought to have relinquished his financial interest in the Bank when the proposal to inject public monies into it was first mooted, and that he was guilty of misconduct as a Minister in failing to do so.

198. It is a fact that on the 3rd July, 1956, Dr. Azikiwe wrote to Sir Clement Pleass asking him to inform the Secretary of State that he agreed "that the offending parts of clause 13 of the existing agreement should be removed as well as the offending parts of clause 6", but this was long after the events which gave rise to the imputations made against him. Those clauses are in favour of the Bank, and his willingness to have the offending portions of them removed seems to us to indicate that even as late as the 3rd July, 1956, Dr. Azikiwe still considered that he could speak for the Bank.

199. We have already dealt with the circumstances in which proceeds of securities belonging to the Eastern Regional Marketing Board were transferred to the Finance Corporation, and we have nothing to add, except to say that there was undoubtedly a great deal of haste about the transaction, but after carefully considering all the relevant circumstances we have reached the conclusion that there is no good ground for imputing any impropriety in this connection.

200. The matter of the use made of the resources of the African Continental Bank, both before and after the investments and deposits, has already been dealt with, and we have nothing further to add.

201. Since the public sittings of the Tribunal we have heard, with regret, that Mr. Ojike has died, in these circumstances we have abstained, as far as reasonably possible, from mentioning him in this report, but we feel bound here to say that his failure to refer the matter of the investment, before it was made, to the Executive Council, after the clear directive given at its meeting on the 11th December, 1954, and his conduct in ensuring that an agreement which was so obviously more favourable to the existing shareholders of the Bank than to the public, was entered into by the Finance Corporation, did infringe the standards of conduct the public are entitled to expect from the holder of high Ministerial Office. We are, however, satisfied that his overriding motive was a desire to give effect to his Party's policy of taking the first step towards creating a State Bank.

202. Dr. Mbanugo's conduct as Chairman of the Finance Corporation, and that of his Deputy, Mr. Okoye, in connection with the Agreement is, in our view, also open to question.

203. They both failed to take their colleagues on the Corporation into their confidence, as they ought to have done, by informing them that it was the intention that the Agreement, the draft of which they had both seen beforehand, and which they failed to ensure was placed before their colleagues, was to be signed by the Chairman on the 20th May, 1955, without further reference to the other Members.

204. Their failure to cause a proper investigation to be made into the financial position of the Bank, in order to ascertain what sort of agreement it would be proper to enter into, before it was signed, was, we think, a dereliction of duty on their part as trustees of public monies.

205. We have already pointed out that after the investment was made the Chairman of the Corporation did his best to ensure that the Bank was properly run.

206. The evidence indicates that the other members of the Finance Corporation trusted their Chairman and his Deputy, and we do not feel that any real blame can fairly be attributed to them. Nor do we think that the evidence discloses any good reason for criticism of the other Ministers in the Eastern Regional Government.

207. We wish to place on record our appreciation of the great assistance rendered to us in this Inquiry by our Counsel, Mr. Brian MacKenna and Mr. W. A. B. Forbes, in presenting and testing the evidence before us, and assisting us in our endeavours to ascertain the truth. Our thanks also go to Mr. Cyril Russell, the Solicitor instructing them. We should also like to thank Sir Frank Soskice, Counsel for Dr. Azikiwe, and all the other members of the Bar who appeared before us and those instructing them, for their help throughout the Inquiry.

208. Finally, we should like to express to our Secretary, Mr. K. J. Hilton, his staff, and Mr. W. A. H. Duffus, who also assisted, our appreciation of the efficient help they so willingly gave us throughout.

Dated this 20th day of December, 1956.

S. FOSTER SUTTON.
M. de COMARMOND.
V. A. SAVAGE.
G. F. SAUNDERS.

APPENDIX A

Witnesses

1. Mr. A. K. Blankson,
Governing Director, Chairman and General Manager, African Continental Bank, Ltd.
2. Dr. G. C. Mbanugo,
Chairman, Eastern Region Finance Corporation. Proof.
3. Mr. C. C. Okoye,
Deputy Chairman, Eastern Region Finance Corporation. Proof.
4. Mr. S. P. Wilkins,
Chartered Accountant, Partner in the firm of Deloitte, Plender, Griffiths and Co. Proof.
5. Mr. A. H. Young,
former Chairman, Eastern Regional Marketing Board. Proof.
6. Mr. J. Young,
former Director of the Department of Marketing and Exports, Nigeria. Proof.
7. Mr. M. M. Ojike,
Member of the Eastern House of Assembly, former Minister of Finance—October, 1954 to January, 1956.
8. Mr. M. N. Q. Sagoe,
Acting Registrar of Companies, Nigeria. Proof.
9. Mr. L. P. Ojukwu,
Member of the House of Representatives, Company Director, Member of the Eastern Region Economic Mission, 1954.
10. Mrs. C. E. Arinze,
Director, African Continental Bank, Ltd.
11. Mr. J. O. Nwosisi,
Director, African Continental Bank, Ltd.—November, 1952 to April, 1955.
12. Mr. B. B. Salami,
Secretary, African Continental Bank, Ltd.
13. Mr. C. K. U. Obih,
Chief Accountant, African Continental Bank, Ltd.
14. Mr. E. O. Eyo,
Member of the Eastern House of Assembly, Deputy Speaker—October, 1954 to December, 1955, Government Chief Whip—January, 1954 to June, 1956, Chairman of the Eastern Region Development Corporation—February, 1955 to April, 1956. Proof.
15. Professor N. Chukwuemeka,
Managing Director, Nigerian Engineering and Manufacturing Co. Ltd.
16. Mr. M. N. Ugochukwu,
former Director, African Continental Bank, Ltd.
17. Mr. Edem Ita,
Employee, Post and Telegraphs Department, and brother-in-law to Mr. E. O. Eyo. Proof.
18. Professor Eyo Ita,
Member of and Leader of the Opposition Party in the Eastern House of Assembly. Proof.
19. Mr. R. D. Nyamsi,
Member of the Eastern Region Finance Corporation. Proof.
20. Mr. J. S. Déans,
Principal Government Valuation Officer. Proof.
21. Mr. H. C. Woolmer,
Chartered Accountant with Deloitte, Plender, Griffiths and Co. Proof.
22. The Hon. Dr. E. A. Esin,
Minister of Local Government, Eastern Region, former Minister of Welfare and Labour. Proof.
23. Mr. Akintola Williams,
Chartered Accountant, sole partner in the firm of Akintola Williams and Co. Proof.

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24. Mr. J. A. Holt,
Chairman, John Holt and Co. (Liverpool) Ltd., Director, Martins Bank,
Ltd. Affidavit.
 25. Mr. J. A. Nsirim,
Member of the Eastern Regional Production Development Board. Proof.
 26. Mr. B. C. Onyuike,
General Secretary, Ibo Youth League. Proof.
 27. Mr. D. O. Ibekwe,
Legal Adviser to the Premier of the Eastern Region. Proof.
 28. The Hon. Dr. M. I. Okpara,
Minister of Health, Eastern Region. Proof.
 29. The Hon. Dr. Nnamdi Azikiwe,
Premier and Minister of Internal Affairs, Eastern Region. Proof.
 30. Mr. A. G. Saville,
Clerk to the Eastern Region Executive Council—January, 1952 to April,
1955. Proof.
 31. The Hon. Mr. I. U. Imeh,
Minister of Welfare, Eastern Region, former Minister of Trade.
"Proof" against a witness' name indicates that the witness gave a statement to the Tribunal before he was called.

APPENDIX B

Short Summary of the Evidence

13th October, 1953.

Letter written by Financial Secretary to the General Manager, African Continental Bank, stating various conditions to be fulfilled by the Bank to enable its application for a licence to receive further consideration. One of the points was that the liquidity ratio of the Bank, which was then 9·8 per cent., should be increased to a minimum of 30 per cent.

1st January, 1954.

Dr. Azikiwe became a Minister of State.

30th January, 1954.

Dr. Azikiwe's letter to the African Continental Bank resigning his Chairmanship and Governing Directorship of that Bank. Dr. Azikiwe's letter to Zik Group of companies resigning his Chairmanship and Directorship of the various companies. Document purporting to transfer Dr. Azikiwe's rights and privileges to Mr. Blankson dated 30th January, 1954. Private and confidential letter dated 30/1/54 written by Dr. Azikiwe to Mr. Blankson giving the latter the history of the various companies in the Zik Group.

27th February, 1954.

The Financial Secretary's letter to Mr. Blankson pointing out :—

"That the Bank is continuing to operate in an insolvent state and is not in a position to meet its liabilities "on demand". The carrying on of banking business in such circumstances, the possible consequences of which are extremely serious, reveals a lack of sense of financial responsibility which could not be condoned."

19th March, 1954.

Mr. Blankson, General Manager of the African Continental Bank wrote to the Branch Managers of the African Continental Bank stating :—

"Branches are advised to conduct vigorous house to house campaigns for cash deposits by customers against the end of the month. Reliable and wealthy customers should be specifically approached to deposit, even for one day on the 31st March, substantial sums of money which can be withdrawn by them as soon after that day as they desire."

8th May to July, 1954.

Dr. Azikiwe and Mr. Ojukwu in Europe and the United States on their economic mission.

25th June, 1954.

Dr. Azikiwe had luncheon and informal discussion with some Directors of Martins Bank Ltd. in Liverpool.

29th July, 1954.

Mr. Obih, Head Office Accountant of the African Continental Bank, at a meeting with the Deputy Financial Secretary asked him what were the minimum requirements for the grant of a licence to the African Continental Bank Ltd, under the Banking Ordinance and was informed that :—

"(i) The cash liquidity ratio of assets to liabilities, at present of the order of 8 per cent. would need to be very considerably increased and a ratio of 30 per cent. was desirable.

(ii) The overall position of the Bank indicated that it was insolvent and there was need for a considerable increase in the paid up capital. If, as Mr. Obih agreed was quite probable, the item of £88,000 odd in respect of other accounts on the assets side of the first schedule of the return was likely to prove to be not an asset at all, then it would seem that if the capital paid up were increased from £31,000 odd to, say, £125,000, the Bank would be well under way to solvency always provided that the debentures referred to in item 4(a) (iii) of the assets were properly valued at current rates. If in fact they were of a lower value than that stated, then the suggested paid up capital figure of £125,000 would have to be increased by the amount by which the present value of the debentures fell below the value stated in the return."

1st October, 1954.

The new constitutional arrangements came into force.
The Eastern Region Marketing Board Law received the Royal Assent.

2nd November, 1954.

Letter written by Mr. Obih to the General Manager of the African Continental Bank pointing out an impending crisis in the following terms :—

" Review of Financial Position.

The liquidity of the Bank is therefore in a very dangerous position. The figure of liquid assets has since been reduced considerably. It must have gone down by about one-third after October 15, the date at which the present statistics were computed. A very serious financial crisis looms ahead . . . A run on the bank is predicted before or immediately after the end of November, unless financial aid to the tune of £30,000 is received before December 15, 1954."

2nd December, 1954.

Mr. Eyo's motion at the meeting of the Eastern Region Production Development Board for the deposit of £30,000 in the African Continental Bank—£5,000 on current account and £25,000 on fixed deposit.

8th December, 1954.

Interview between Mr. Blankson and officers of the Financial Secretary's Department. The note of the interview made by the Department reads :—

" Mr. Blankson said that negotiations were now nearing finality for the amalgamation of the Bank with a United Kingdom banking house. This arrangement would involve a large injection of United Kingdom capital and the taking over of the general direction and management of the Bank by expatriate personnel. It was not yet decided whether the African Continental Bank would continue to operate under its present name. The United Kingdom institution concerned had already examined the Bank's books and the conclusion of the present negotiations was in no way dependent on a further audit. Nevertheless a full audit by a United Kingdom firm of chartered accountants appointed by the other institution would be carried out. Representatives of this firm would begin work in Nigeria in January next."

11th December, 1954

Executive Council approved Eastern Region Finance Corporation Bill on the understanding that the Minister of Finance should " exercise his powers only in consultation with and with the approval of Executive Council "

13th December, 1954.

Executive Council advised Mr. Mayne, the Officer Administering the Government, to approve the resolution of the Eastern Regional Development Board to place £5,000 on current account and £25,000 on fixed deposit account with the African Continental Bank. Before accepting the advice Mr. Mayne wished to reassure himself by first consulting the Banking Authority, the Financial Secretary.

Dr. Azikiwe intervened and, *inter alia*, reported Mr. Blankson's meeting with the Financial Secretary on the 8th December, 1954.

30th December, 1954.

At Executive Council Mr. Mayne expressed the view that it would be better not to deposit the Eastern Region Production Development Board's funds with the African Continental Bank until the proposed association with a United Kingdom bank had become a reality and the bank had fulfilled the conditions necessary for it to be licensed. The Ministers argued against this view. Mr. Mayne accepted their advice. Mr. Mayne read to Executive Council " pertinent parts " of the report on the Bank from the Financial Secretary.

28th January, 1955.

Mr. Blankson wrote to the Financial Secretary stating that :—

" The British institution concerned has found it necessary for one of its directors to visit Nigeria and to conclude negotiations. Arrangements have been made by us for his arrival, which is imminent."

1st February, 1955.

Eastern Region Finance Corporation Law came into operation.

21st February, 1955.

Meeting between Mr. Imeh, Minister of Trade, and Mr. Young, Chairman of the Marketing Board, regarding grant of £2 million by the Marketing Board to the Finance Corporation.

2nd March, 1955.

Mr. Holt paid Dr. Azikiwe a courtesy visit in the morning. Dr. Azikiwe briefly discussed the affairs of the African Continental Bank with Mr. Holt. Mr. Holt attends cocktail party given in his honour at Premier's Lodge, when further discussion took place.

5th March, 1955.

Board meeting of the African Continental Bank resolved to increase capital to £1 million and to issue 784,000 ordinary and 93,000 preference shares to the Eastern Regional Finance Corporation at a commission of 10 per cent.

Terms of the Agreement as eventually entered into are attached to the Minutes of this meeting.

9th March, 1955.

Ministers' caucus held. Final list of members of Eastern Region Finance Corporation approved at the caucus of Ministers.

10th March, 1955.

Mr. Ojuka, Minister of Finance, met Dr. Mbanugo at a Moral Rearmament meeting held in Enugu and informs him of proposal to appoint him as Chairman of Finance Corporation.

15th March, 1955.

The Premier replied in the House of Assembly to Opposition's criticism of the deposit of Eastern Region Production Development Board's funds with the African Continental Bank.

"There is a world of difference between depositing money in a bank and investing money in a bank."

17th March, 1955.

Executive Council approved final list of members of the Eastern Region Finance Corporation.

18th March, 1955.

Members of Finance Corporation notified of their appointment.

... Dr. Azikiwe wrote to Mr. Holt :—

"This is to confirm the discussions we had recently . . . I told you that the directors of the African Continental Bank Ltd. have negotiated with a certain concern which will invest over half a million pounds in the Bank. Both parties agree that a responsible banking institution in the United Kingdom should serve as managing agents of the Bank.

"In other words, if you could assist in arranging for a responsible British Banking firm to accept the managing agency of the Bank on mutually agreeable terms, then the concern which I refer to above will invest over half a million pounds to enable the Bank to satisfy the requirements for licensing and the Bank then can proceed to discharge its functions on the basis of efficiency and integrity.

"I have it on authority that if the above requirements are fully complied with, that the Eastern Government will feel safe in using the Bank as one of its depositories. Of course, you appreciate as well as I do that in the present circumstances it will be highly improper for it to do so, or for me to insist, directly or indirectly, that it should do so. Personally, I feel very strongly about it, and I have made it clear to my political friends and supporters that I will not be a party to such suggestion."

21st March, 1955.

Mr. Blankson wrote to the Financial Secretary stating that arrangements have been concluded for the capital of the Bank to be increased to £1m.

"The understanding recently reached with Mr. John Holt, during his visit to Nigeria was that on his return to the United Kingdom he would inform us whether it is Martins Bank, Limited, which will actually undertake management of the African Continental Bank, Limited, or Deacons Bank, Limited, with which negotiations are also proceeding. Terms setting out the conditions under which British expatriate personnel are to be sent here as Managing Agents are to be made known to us later."

"A public company has undertaken to invest £750,000 in cash as soon as arrangements are concluded with Mr. Holt in the United Kingdom."

26th March, 1955.

Executive Council considered a proposal of the Minister of Finance to transfer certain Government accounts from the Bank of British West Africa to another bank.

His Excellency, who presided, said :—

"Was there not perhaps some misunderstanding. For example, was not the real aim to assist African banks, particularly the African Continental Bank Ltd. And if so, was this

suggestion of dividing the business of Government between a number of banks the best way of helping the African banks. Should not the first step be to take such measures as would assist the African Continental Bank to obtain a licence ?”

2nd April, 1955.

Extraordinary meeting of shareholders of African Continental Bank. Resolutions passed to increase capital and to sell 784,000 ordinary shares and 93,000 preference shares to Eastern Region Finance Corporation at 10 per cent. commission.

Appointment of four Bank's directors in accordance with terms of Agreement.

Dr. Azikiwe and the Minister of Trade met Mr. Young to discuss the proposed grant of £2 million to the Finance Corporation.

6th April, 1955.

First meeting of the Eastern Region Finance Corporation, Mr. Ojike, Minister of Finance, in attendance. He advises the Finance Corporation to make the African Continental Bank their bankers and to buy shares.

Resolution passed appointing the African Continental Bank the Finance Corporation's bankers. Resolution proposed by Mr. Udoh, seconded by Mr. Okoye, that the Finance Corporation should invest £750,000 in shares of African Continental Bank carried unanimously.

14th April, 1955.

Marketing Board resolved to grant £2 million to the Finance Corporation.

Mr. Holt wrote to Dr. Azikiwe enclosing in the letter a report on "X.Y.Z. Bank".

20th April, 1955.

Second meeting of Finance Corporation. Mr. Ojike present.

"It was therefore agreed that the Corporation should insist that half of the grant or as much of it as possible be paid in cash . . ."

12th May, 1955.

Meeting between Financial Secretary and Mr. Blankson. Mr. Blankson stated :—

"The Finance Corporation had decided to take up £2 million of share capital in the Bank, the nominal capital of which had been raised to £1 million. Negotiations for an investment from a United Kingdom source had therefore not been pursued . . ."

The Financial Secretary said he was interested to hear of these developments and that there was no possibility of a licence being issued to the Bank until the future was far more definite.

Finance Corporation write to Mr. Blankson asking him to come to a meeting on the 23rd May (later changed to 19th May) bringing documents.

18th May, 1955.

Meeting of Directors of African Continental Bank, Ltd.

Resolved to send Mr. Blankson to London in connection with the grant of £2 million.

19th May, 1955.

Third meeting of the Finance Corporation. Mr. Ojike and Mr. Blankson in attendance. Some terms of the Agreement discussed, but draft agreement not shown to members. Mr. Blankson told the Corporation that on the 16th May he received a telegram from Barclays saying that they would prefer the Finance Corporation to open an account with them directly. Mr. Ojike suggested that the Corporation should send representatives to London.

Resolved to send Dr. Mbanugo and Mr. Blankson to London.

It was decided that a letter should be written to the African Continental Bank in implementation of the Corporation's resolution to invest £750,000.

The Memorandum and Articles of Association of the African Continental Bank were circulated :—

" . . . The General Manager noted that in view of the large number of shares being purchased by the Finance Corporation, the Corporation would provide the greater proportion of directors of the Bank. This matter would be finalised later on."

20th May, 1955.

Agreement executed by Dr. Mbanugo and Mr. Blankson. Continuation of third meeting of Finance Corporation.

22nd May, 1955.

The three-year period under the Banking Ordinance expired.

2nd June, 1955.

Minute by his Permanent Secretary to the Minister of Finance :—

"You will recollect that just before you went on tour I discussed with you the arrangements which were being made which I happened to hear about . . . the Banking arrangements in connection with the £2m. grant by the Marketing Board . . . Finally, I invite attention to Executive Council's conclusion (d) . . . where it was decided that you should exercise the powers conferred upon you under Ordinance only in consultation with and

with the approval of the Executive Council . . . far more important is the directive which I understand you have issued to the Corporation to invest £750,000 in the Continental Bank. I was not consulted about this at the time or I would have drawn attention to the above directive of the Executive Council. I do most strongly urge that you take a very early opportunity to bring it before the Exco."

4th June, 1955.

Mr. Ojike minutes his Permanent Secretary :—

"As soon as I know the date of the grant, etc., I shall send a memo to the Exco."

16th June, 1955.

Shares issued to Finance Corporation by African Continental Bank.

21st June, 1955.

Fourth meeting of the Eastern Region Finance Corporation. Mr. Ojike present. Corporation's directors on African Continental Bank appointed. Resolved that the second £1 million of the grant should be realised and proceeds paid into Barclays Bank, London.

Letter of 16th June, 1955, from African Continental Bank read, proposing that difference between £789,300 and £750,000 be treated as calls paid in arrears.

Cash for purchase of shares by the Finance Corporation received by African Continental Bank.

20th July, 1955.

Extraordinary meeting of shareholders of African Continental Bank. New Article 15A inserted :—

"15A. The founder of this Company (Dr. Nnamdi Azikiwe) shall be the Governing Director and Chairman during his life-time unless he shall fail to hold shares in the Company to the nominal value of at least £100."

27th July, 1955.

Fifth meeting of Finance Corporation resolved that 877,000 shares be bought instead of 750,000.

13th August, 1955.

The Financial Secretary informed African Continental Bank that he was prepared to issue a licence.

15th August, 1955.

Licence under the Banking Ordinance issued to African Continental Bank.

18th August, 1955.

Executive Council approved a draft directive to Finance Corporation reference its lending policy.

23rd August, 1955.

Minister of Finance sent a memorandum to Executive Council asking for approval of grants to a number of Corporations and stated :—

"For the information of Council the Finance Corporation has invested £850,000 of the £2m. made available to it by the Marketing Board."

24th August, 1955.

Meeting of Executive Council—excerpt from minutes :—

"When it was known that the Ministry (of Finance) had had talks with the Finance Corporation the following points were made during the discussion :—

- (i) If consultation had taken place with the Finance Corporation, Council was entitled to know the views expressed by the Corporation. For instance, Council had the right to know in what companies the sum of £850,000 belonging to this Corporation was invested.
- (ii) At least the African Continental Bank and the N.E.M. Co. (the Nigerian Engineering and Manufacturing Company Ltd.) had benefited from the investments."

25th August, 1955.

Arrears of Directors' remuneration paid to the Directors of the African Continental Bank.

End of August, 1955.

Dr. Azikiwe leaves Nigeria to visit Europe and the United States.

8th September, 1955.

Sixth meeting of the Finance Corporation :—

" . . . in respect of the amendment to Article 15, it was necessary to define the 'life-time' of the Governing Director . . .

" . . . the meeting could not understand why the Corporation was not invited to the shareholders' meeting of the 20th July . . ."

Decision to enquire into what real assets the Bank possessed.

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10th September, 1955.

Board meeting of African Continental Bank. Resolved that Article 15A shall be amended by striking out, "(Dr. Nnamdi Azikiwe)".

10th November, 1955.

Interview between Mr. Lennox-Boyd, the Secretary of State for the Colonies, and Dr. Azikiwe in London.

30th November, 1955.

Extraordinary meeting of the shareholders of the African Continental Bank. Article 15A amended by striking out the words, "(Dr. Nnamdi Azikiwe)".

Dr. Azikiwe returned to Lagos from Europe.

5th December, 1955.

Dr. Azikiwe's Press statement about his relation with the Bank.

9th December, 1955.

Messrs. Akintola Williams & Co.'s report on African Continental Bank's accounts to 31st March, 1955.

Dr. Mbanugo's Press release regarding the investment by the Finance Corporation in the Bank.

16th December, 1955.

Dr. Mbanugo's broadcast over the Nigerian Broadcasting Service on the purpose and policy, the functions and achievements, of the Corporation in fostering the economy of the Region. He outlined *inter alia* the conditions governing applications for loans, and the extent of public control, through the Corporation, over the African Continental Bank.

20th March, 1956.

Bill to amend the Eastern Region Development Corporation dissolving the Finance Corporation and vesting its assets and liabilities in the Eastern Region Development Corporation, passed into law.

15th April, 1956.

Mr. Eyo's letter of resignation as Chairman of the Eastern Region Development Corporation sent to Dr. Azikiwe.

19th April, 1956.

Mr. Eyo first refers to Dr. Azikiwe and the African Continental Bank in a Press release.

5th May, 1956.

Copy of Mr. Eyo's letter to Dr. Azikiwe containing allegations against Dr. Azikiwe sent to Sir Clement Pless and the Nigerian Press.

17th May, 1956.

Mr. Eyo's motion sent to the Clerk of the Eastern House of Assembly.

20th June, 1956.

Mr. Eyo resigned as Chief Whip.

Writ of Summons against Mr. Eyo applied for.

Executive Council considers Mr. Eyo's motion;—excerpt from minutes of the meeting :—

"The brief prepared by the Minister of Finance showed that the approval of the Corporation's decision was given on the personal authority of the Minister of Finance (issued from one of the Minister's personal files, and not a Ministry file) without the prior sanction or knowledge of the Executive Council. That was so, for if the matter had been brought to Council, it would have been suggested that so much money should not be deposited or invested in the bank."

Executive Council also considered draft White Paper on Banking and Finance in Eastern Nigeria, containing, *inter alia*, an explanation of the Role of the Premier in connection with the investment and deposit of public funds in the African Continental Bank, designed to answer criticism which had been voiced, having regard to his connection with the Bank.

26th June, 1956.

Debate on Mr. Eyo's motion ruled out of order by the Speaker on the ground that the subject matter was *sub judice*.

6th July, 1956.

Writ issued and served on Mr. Eyo.

4th August, 1956.

Tribunal of Inquiry appointed by the Secretary of State for the Colonies.

APPENDIX C
African Continental Bank Ltd.
Shareholders at 31st March, 1955.

	Nominal	Paid up	Unpaid or uncalled
<i>8 per cent. Cumulative Preference Shares £1 each :</i>			
Ojukwu, L. P.	2,000	150	1,850
Wachuku, J. A.	1,000	100	900
4 Shareholders under 250 shares	340	149	191
59 Shareholders under 250 shares	2,971	2,971	—
	£6,311	£3,370	£2,941
<i>Ordinary Shares £1 each—Directors and their families :</i>			
Azikiwe, N.	28,000	1,550	26,450
Azikiwe, O. C.	4,000	755	3,245
Arinze, Mrs. C. E.	4,000	605	3,395
Arinze, Miss E. O.	4,000	200	3,800
Arinze, Miss V. I.	4,000	200	3,800
Nwosisi, J. O.	100	—	100
Okonkwo, F. E.	1,000	1,000	—
Blankson, A. K.	2,100	205	1,895
	47,200	4,515	42,685
<i>Zik Group :</i>			
Zik Enterprises Ltd.	49,900	14,500	35,400
Nigerian Commodities Ltd.	4,000	4,000	—
African Book Co. Ltd.	2,000	100	1,900
Nigerian Paper Co. Ltd.	2,000	100	1,900
Nigerian Printing Supply Co. Ltd.	2,000	100	1,900
	59,900	18,800	41,100
<i>Others :</i>			
Makenjuola, A. O.	3,250	—	3,250
Ita, Eyo	200	10	190
Udenta, E. U.	100	60	40
	3,550	70	3,480*
Opufou, T. E.	1,000	1,000	—
Ugochukwu, M. N.	1,000	1,000	—
8 Shareholders under 250 shares	575	181	394
34 Shareholders under 350 shares	2,710	2,710	—
	£115,935	£28,276	£87,659

* Subsequently paid between 31st March, 1955, and 31st July, 1956.

APPENDIX D

African Continental Bank, Ltd.

Shareholders at 31st July, 1956.

	Nominal	Paid up	Unpaid or uncalled
<i>8 per cent. Cumulative Preference Shares :</i>			
Ojukwu, L. P.	2,000	150	1,850
Wachuku, J. A.	1,000	100	900
4 Shareholders under 250 shares	340	149	191
59 Shareholders undc. 250 shares	2,971	2,971	—
Eastern Region Finance Corporation	93,000	93,000	—
	£99,311	£96,370	£2,941
<i>Ordinary Shares—Directors and their families :</i>			
Azikiwe, N.	28,000	1,550	26,450
Azikiwe, O. C.	4,000	755	3,245
Arinze, Mrs. C. E.	4,000	605	3,395
Arinze, Miss E. O.	4,000	200	3,800
Arinze, Miss V. I.	4,000	200	3,800
Nwosisi, J. O.	100	—	100
Okonkwo, F. E.	1,000	1,000	—
Blankson, A. K.	2,100	205	1,895
	47,200	4,515	42,685
<i>Zik Group :</i>			
Zik Enterprises Ltd.	49,900	14,500	35,400
Nigerian Commodities Ltd.	4,000	4,000	—
African Book Co. Ltd.	2,000	100	1,900
Nigerian Paper Co. Ltd.	2,000	100	1,900
Nigerian Printing Supply Co. Ltd.	2,000	100	1,900
	59,900	18,800	41,100

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<i>Others :</i>											
Makenjuola, A. O.	3,250	3,250	—	
Ita, Eyo	200	200	—	
Udenta, E. U.	100	100	—	
Opufou, T. E.	1,000	1,000	—	
Ugochukwu, M. N.	..	..	..	..	..	..	..	1,000	1,000	—	
8 Shareholders under 250 shares	..	..	..	..	..	..	..	575	181	394	
34 Shareholders under 350 shares	..	..	..	..	..	..	..	2,760	2,760	—	
								8,885	8,491	—	394
Eastern Region Finance Corporation	784,000	784,000	—	—
								899,985	815,806		84,179
								£999,296	£912,176		£87,120

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APPENDIX E

African Continental Bank, Ltd.

Condensed Balance Sheets at 31st March, 1950/1956.

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	1950	1951	1952	1953	1954	1955	1956
	£	£	£	£	£	£	£
Current Savings and Deposit Accounts	106,724	192,600	443,416	564,584	645,407	713,908	2,198,212
Paid up Capital	9,623	12,311	23,883	30,254	31,081	31,646	911,946(f)
	116,347	204,911	467,299	594,838	676,488	745,554	3,110,158
Less Accumulated Losses	5,282	12,989	17,044	28,545	34,995	168,483	261,343
	111,065	191,922	450,255	566,293	641,493	577,071	2,848,815
Cash in Hand and with Bankers	25,503	42,922	72,379	50,978	91,633	80,224	1,991,887
Loans and Advances including Debenture	79,350	146,150	373,203	445,195	522,819	471,874	829,871
Investments (in companies of the Zik Group)	2,850	2,850	2,850	3,500	3,500	3,750	3,750
Premises, Furniture, etc.	362	— (c)	— (c)	3,070	5,394	8,904	16,454
Other Assets less liabilities	3,000	— (c)	1,823	63,550	18,147	12,319	6,853
	111,065	191,922	450,255	566,293	641,493	577,071	2,848,815
Loss for year before charging :	390(a)	7,707	4,055	11,501	6,450	1,140	342
Exceptional Debits	4,169(b)	—	—	—	—	132,348(d)	92,518(e)
Liquidity Ratio	23·9	22·3	16·3	9·0	14·2	11·2	90·6

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NOTES TO APPENDIX E

(a) Profit.

(b) £4,169 described as Reserve for Contingencies but subsequently used to write off Bad Debts.

(c) Included with Loans and Advances as the separate item is not shown in the Balance Sheets for these years.

(d) Provision for Bad and Doubtful Debts	128,591
Expenses less earnings relating to previous years	3,757
	£132,348
(e) Commission on Issue of Shares	87,700
Expenses of Capital Increase	3,767
Expenses relating to previous years	2,088
	93,555
Less Bad Debts recovered	1,037
	£92,518

(f) Including new capital amounting to £877,000 invested by the Eastern Region Finance Corporation.

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APPENDIX F

Summary of Losses and Profits of Companies in the Zik Group for the years 1952-1955.

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	Brought forward	1952	1953	1954	1955	Total	Issued capital	Deficiency or surplus
	£	£	£	£	£	£	£	£
Zik Enterprises Ltd.	36,587	3,902	5,567	2,673	5,880	49,263	19,602	29,661
Nigerian Real Estate Corporation Ltd.	—	2,712	1,853	807	1,352	4,020	5,000	980
West African Pilot Ltd.	—	1,713	2,490	2,936	14,775	21,914	10,000	11,914
African Book Co. Ltd.	1,700(b)	431(b)	432	482	455(b)	3,500	1,000	2,500
African News Agency Ltd.	—	41	953	1,634	1,269	3,897	1,000	2,897
Associated Newspapers of Nigeria Ltd.	—	658	3,740	55	6,041	10,494	5,000	5,494
Comet Press Ltd.	4,627(a)	—	—	1,816(a)	1,800(b)	8,243	5,000	3,243
Nigerian Commodities Ltd.	—	1,719	305	650	158	2,832	5,000	2,168
Nigerian Paper Co. Ltd.	294	145	124	129	96	240	1,000	760
Nigerian Printing Supply Co. Ltd.	894	110	1,304	5,164	5,843	13,095	1,000	12,095
Suburban Transport Ltd.	—	73	675	767	515	2,030	10,000	7,970
	44,102	10,994	17,443	11,509	35,480(c)	119,528	63,602	55,926

NOTES :—

- (a) For the Comet Press Ltd. the only accounts available are a balance sheet dated 31st March, 1954, and a profit and loss account for the period April/May, 1952, and 1st October, 1953 to 31st March, 1954.
- (b) Approximate figures assumed for purposes of this statement in the absence of any accounts.
- (c) Per draft accounts subject to audit.

Despatch from the Secretary of State for the Colonies

" WAF 39/3/05

Colonial Office,
The Church House,
Great Smith Street,
London, S.W.1.

1st December, 1951.

Sir,

The occasion of the institution of a Council of Ministers under the Constitutional Instruments for Nigeria provides a suitable opportunity for me to address you on certain matters which I regard as being of fundamental importance to the successful working of the new Constitution.

2. The General Conference recommended, and His Majesty's Government agreed, that the Council of Ministers should consist, under the chairmanship of the Governor, of six *ex-officio* members and twelve members drawn from the representative members of the House of Representatives, and that nine of the twelve representative members should be charged with responsibility of varying degrees in respect of the parliamentary and executive business affecting certain subjects. Provision has been made accordingly in the relevant Chapter of the Constitution Order-in-Council. Similar provision has been made for an Executive Council in each Region with a composition including not less than six (seven in the case of the West) nor more than nine members drawn from the Regional Legislatures, and for all these members (with the possible exception of three members in each Region) to discharge specified responsibilities in the Regional Legislature and Executive.

3. Under these arrangements Representative Members of the Council of Ministers and of Regional Executive Councils will henceforth be responsible for a very great part of Government business. The Constitution provides that these members, whether or not they are charged with specific responsibility in respect of certain subjects, will be styled "Ministers" or "Regional Ministers", as the case may be. In the course of their duties these Ministers, as members of a Council, will be called upon to deal with and to take decisions upon a wide variety of subjects touching almost all aspects of the life of the community; and situations will no doubt arise from time to time where they may find that their public duties affect or even conflict with their personal and private interests. Situations of this nature could arise in a number of ways and I need mention here only the more obvious contributory factors such as the nature and extent of a member's private business activities, his financial interest in particular companies or schemes, or his activities and interests as an official of a trade union.

4. There are definite rules governing Ministerial conduct which have been laid down in the United Kingdom as a result of very long experience and which may be of assistance in the working of the new Constitution in Nigeria. In the United Kingdom, certain easily identifiable forms of misconduct, e.g., disclosure of official secrets and corruption generally, are the subject of legislation (the Official Secrets Acts and the Prevention of Corruption Acts). In addition there is a code of ethics prescribed by rules which have been laid down by successive Governments over a long period. These rules, which are summarised below, are based on custom and usage of the Constitution, and any serious infringement of them, even though not punishable by law, would incur the drastic penalty of dismissal from office.

- (a) All directorships held by Ministers must be resigned except honorary directorships and directorships in connection with philanthropic undertakings.
- (b) On assuming office, Ministers should cease to hold paid official positions in trades unions, and should cease from active full-time participation in their affairs.
- (c) Ministers ought not to enter into any transactions whereby their private pecuniary interests might, even conceivably, come into conflict with their public duty.
- (d) No Minister is justified in any circumstances in using official information which comes to him as a Minister for his own private profit or for that of his friends.
- (e) No Minister ought to put himself, or allow himself to be put in a position to use his official influence in support of any scheme or in furtherance of any contract in regard to which he has an undisclosed private interest.
- (f) No Minister should use his official influence to support the candidature of any person for admission to or promotion within the Civil Service except that when a candidate for first appointment is known to him personally there should be no objection to a Minister giving him a written testimonial.

- (g) No Minister ought to accept any kind of favour from persons who are in negotiation with, or seeking to enter into contractual or proprietary or pecuniary relations with the Government.
- (h) Ministers should scrupulously avoid speculative investments in securities in respect of which, from their position and their special means of early or confidential information, they have, or may have, an advantage over other people in anticipating market changes.
- (i) Ministers should not practice journalism while holding office. Exception may be made of works of a literary, historical, scientific, philosophical or romantic character.

5. The above rules are by no means exhaustive, but they serve to illustrate the manner in which, in the United Kingdom, the holders of high public office in the service of the Crown are expected and required to conduct themselves; and they may be regarded as "rules of obligation", the breach of which is regarded as exposing the Minister to removal from office. There are, in addition, certain "rules of prudence" which have never been formulated and which it would be very difficult to formulate in precise or universal terms. One of these rules, however, is that Ministers should carefully avoid all transactions such as the acceptance of gifts of substantial value from members of the public which can give colour or countenance to the belief that they are doing anything which the "rules of obligation" forbid.

6. The Nigerian Constitution does not provide for the disqualification for elected membership of a Legislative House of a director or manager of a Company which is a party to any subsisting Government contract for or on behalf of the public service. It is, however, to be expected that when a member of a Legislature is under consideration for appointment as a Minister, he should, if asked to do so, disclose to the Governor or Lieutenant-Governor in confidence a full list of his holdings in stocks and shares in all companies whether or not they are at the time parties to Government contracts; and, in addition, that he should use the strictest discretion in deciding, in circumstances where his private interest and his public duty conflict, whether he can properly continue to hold such stocks and shares. Since Ministers are to receive appropriate remuneration from public funds, I consider it reasonable that they should be called upon at the time of their appointment to divest themselves for their period of office of any outside interests which might conflict with their public responsibilities. So far as private businesses and professional practices are concerned, this ruling should in my view be interpreted as requiring a severance of active connection. In the absence of local precedent, persons considered for appointment as Ministers may require some guidance on this subject. I consider that before the name of any member of a Legislature is put before the Legislature for approval as a Minister, he should be asked to disclose, in confidence, details of his business or professional interests to the Governor or Lieutenant-Governor, and it should be for the Governor or Lieutenant-Governor to exercise his discretion in deciding on the degree of severance of active connection which will be necessary in each case.

7. I appreciate that in Nigerian circumstances it may be necessary to take special accounts of the position of Chiefs and members or officials of Native Authorities who become Ministers. As their salaries from Native Authority funds are paid on account of local public responsibilities, there should normally be no conflict between such responsibilities and in such cases I would see no objection to their retention of a part or the whole of their Native Authority salaries on such terms as you may consider proper.

8. I would ask that the considerations set out in this Despatch be brought to the notice of all members of the Central or Regional Legislatures who come under consideration for appointment to the Council of Ministers or to Regional Executive Councils, and I would express the hope that these bodies will find it appropriate to set out as a statement of policy the adoption of the standards which I have described as prevailing in the United Kingdom.

9. I shall be grateful if you will cause this despatch to be published.

I have the honour to be,
Sir,
Your most obedient, humble servant,
ALAN LENNOX-BOYD,
(for the Secretary of State)

THE OFFICER ADMINISTERING
THE GOVERNMENT OF NIGERIA

APPENDIX H

Mr. Saville's Manuscript Notes taken at the meeting of the Eastern Region Executive Council on the 13th December, 1954.

"E.R.P.D.B. Investments.

- Az —Shld be Min. of Finance.
- Ojike Should be African Continental Bank. Simple memo. To advise H.E. under existing Ord.
- Okpara E.R.P.D.B. to be congratulated for this resolution—better late than never. We know what has happened in other Regions. Surprised the sum is so small in view of popular opinion. Half a loaf better than no loaf at all.
- Even the International Bank is in favour of giving African Banks support—so long as investments are not too large. Think this amount too small. The E.R.P.D.B. is worth £6,000,000. Time has come when we must support the African Banks openly and without apology. I am prepared to defend this in any forum in the country.
- Esin If African is to be taught to manage finance, he must be given chance to learn how. Should be more. If A.C.B. has security and is competently run, it should be given a chance.
- Imeh Associate myself. No-one will oppose this at all. We must be grateful to E.R.P.D.B.
- Awgu The sum is too small. I think figure should be more—should ask E.R.P.D.B. to double it.
- Ojike We should approve bt also in our decision suggest this should be regarded as token.
- Emole Agree. Token sum to test feeling of Ex. Co. If they know we approve they will propose to invest £800,000.
- Okpara Even £1,000,000.
- Esin B.B.W.A. do not give loans to Africans—but to Syrians who contribute little to us. £1,000,000 would not be too much.
- H. E. Mayne Am keen on African Bank going ahead like any other Bank. But must do my duty. In the first place the Bank is unlicensed—even though application made to be licensed. The Bk published its accounts in Feb this year in the W.A. Pilot—Feb or March. There was criticism then from public. This is a question of public confidence. I must be sure, as you are advising me, that there is no lack of public confidence.
- I note your advice—but I do propose to contact the Banking Authy—as understand something/scrutiny? going on Federal Financial Sec. I do not oppose this. Bt if money did go wrong—in view of criticised balance sheets. If it did go wrong where should we be.
- Okpara We should resign—matter of confidence.
- H. E. You all appreciate my duty. There can be no harm done if I consult Bakng Authy.
- Onubogu No criticism.
- H. E. I must ascertain fr Bakng Authy—Federal Financial Sec.—if Bank is suitable for me to approve. Shall be delighted if I can give approval. Would be wrong for me to approve before being certain.
- Ojike This Council cannot accept conditional approval Procedure to notify Bakng Authy of decision of Council. The E.R.P.D.B. inform us for formality's sake. We consult Bakng Authy for formality's sake. We have fiscal autonomy.
- H. E. No one can accuse me of trying to retard your wishes. Bt to transfer large sums of money—I can understand—but I must satisfy myself that all is O.K. I'm not opposing—but it is for me to satisfy myself. I am last person to retard what the African wishes—to run own affairs. I am asked to authorize something of which I am not in my heart of hearts certain. Must make certain week or ten days delay can do no harm. I cannot take things on a chance. If the Bank licence is approved, all well. If it went down drain I should not have done my duty to you or Nigeria.
- Az The Bank is not licensed. But nothing in the Ord. to prevent it being a depository of funds. When last in Lagos I saw the Gen Manager of the Bank. They had interview with Fin. Sec. They were given to end of Jan 1956 to satisfy conditions of Ord. They told Fin. Sec. that it was their intention to ask British Bank to take over Managing Agency of the

Bank—Do not press me for the name. Two banking orgs. were interested—one British—the other German. The Af C. Bank chose the British one so as to avoid international complications. Did not give further details to Fin. Sec. He gave Bank up to end of Jan to satisfy requirements.

Bank cannot come in for penalties until later. Main point—the non-licensing of the Bank cannot prevent Bank from becoming financial depository. If it were no new Bank ever could be licensed. Agency interested in acquiring both share and loan capital. Fin. Sec. also said Chartered Accountant must audit accts of Bank. Told so few in this country and those there were would not help. But in Jan Chartered Acct will be flown out to audit the accts of the Bank. Even in Int. Bk. Report only a few weathered the strm then 20 banks failed in 1951-52. I did not want to make statement.

- Okpara You talked of Bankng Authy.
 H. E. Fin. Sec.
 Az He grants the licenses.
 H. E. Banking is a Federal subject.
 Premier has given us assuring news. I know what he says is correct. But I should get a favourable answer fr Fin. Sec.—that there is no objection. Delay in consulting him can do no harm.
 Az I cannot see the role of Fin. Sec. of Fed. in oppng decision of E.R.P.D.B. I see yr pt of view Const psn—he does not enter in.
 H. E. Once I am satisfied I can feel justified in doing what you ask me. But I cannot do something which will let me in for ? ing down you and the public.
 Okpara Fin. Sec. can do nothing about it, He cannot over-rule E.R.P.D.B.
 H. E. You must see with me. I am only going to safeguard you. On my head. We do not know for certain if Bank is secure—the only question.
 Okpara Only biassed newspaper criticism—Express and Service.
 H. E. I must be sure. I shall not let you down. I shall not fight you.
 Az Even on Board—the meeting held. The same man who attacked Bank in his paper—Dr. Udoma—attacked it there—and in Service—esp. in view of £2,000,000 pt by West in National Bank. J. N. Wachuku abstained. Mr. Guise and D of A opposed—for one hour. Udoma decided question should be asked in the House—I have seen them. Marcus Ubani—we can answer. If there is debate will do no harm. Criticism of Bank Report prejudiced. Do safeguard public funds.
 H. E. I am not a financial wizard, I looked at accts. Perhaps they were all right. But operated at a loss.
 Az If lost very. . . ?
 H. E. I want to safeguard you and I shall do so. I shall not let you down whatever you do.
 Esin Ex Co is unanimous.
 H. E. Sure it will be all right. What Premier has said resolves many of my doubts. But you must have confidence in me. I shall not let you down.
 Okpara If you do not approve eventually, it will not be because Fin. Sec. advises you. We are your Const. Advisers.
 H. E. I have listened what you say. Unless there is something really fantastic, I shall approve. I shall not use my reserve powers unless I feel in honour bound not to do so. All I want to do is to safeguard Ex Co.
 Ojike Bank nearly 7 years old. Many firms have transacted business and have not complained. This sum is paltry. It would be out of place for Gov. to ask Fin. Sec. when Ex. Co. has advised him.
 H. E. I think Premier sees my point. I am only trying to safeguard you. I am not disappng. I am taking note.
 Akpabio We do not like officials to take views of the Opp—even Sec. to Premier.
 Az He has two loyalties—he has asked to resign fr the Board.
 H. E. All I want is to do is to be certain—only a question of a fortnight or so. I stick by my guns.

Council advises H. E. to approve.”

(Note:—“Az” refers to the Premier, Dr. Nnamdi Asikiwe.)

Financial Secretary's report to Mr. C. J. Mayne, the Officer Administering the
Government, Eastern Region, made in December, 1954.

" SECRET

AFRICAN CONTINENTAL BANK LTD.

The Acting Governor, Enugu, seeks advice on the stability of the African Continental Bank and asks for a report on the bank from the Financial Secretary of the Federation. The request arises from a Resolution passed by the Eastern Regional Production Development Board to the effect that the Board should open current and fixed deposit accounts with the bank at Enugu.

2. Under the Banking Ordinance No. 15 of 1952, the Financial Secretary is the licensing authority of the banking companies—section 6. Every banking company is required to furnish certain returns to the Financial Secretary—section 11. Every banking company shall maintain an adequate degree of liquidity and the Financial Secretary is empowered to require a banking company to furnish certain statements in this connection—section 8.

3. The Eastern Regional Production Development Board operates under Ordinance No. 27 of 1951. It is an autonomous body—section 3. The funds and resources of the Board are by way of grant from the Marketing Boards; sums appropriated by any vote of the legislature or by resolution of the legislature; the moneys earned from investments and by sums which become payable in respect of any matter incidental to its functions, powers and duties—section 22. The investment of funds requires the approval of the Governor—section 21.

4. In view of the above it seems to me that my proper course is to give facts in the form of a report under confidential cover.

5. The facts are as follows:—

- (i) That the African Continental Bank has not been licensed under the Ordinance;
- (ii) That the African Continental Bank applied for a licence on the 30th of August, 1952 and was informed on the 9th September, 1952 that the Financial Secretary was unable to consider the grant of a licence for the present.
- (iii) That the bank was informed on the 13th of October, 1953 that prior to the issue of a licence the following would be required:—
 - (a) an increase in the cash liquidity ratio to at least 30 per cent. within the next six months;
 - (b) adequate evidence of the current value of the Bank's investments, including the latest audited balance sheets of the companies in which the Bank held shares or debentures;
 - (c) a copy of the latest audited balance sheet of the bank;
 - (d) a complete reconciliation of the Inter-Branch Account which at the 30th June, 1953 stood at £68,336;
 - (e) a formal inspection of the books and documents of the Bank.
- (iv) That there have been 5 interviews and 2 letters since the 13th October, 1953 and that as regards (iii) above:—
 - (a) the liquidity ratio: the last return showed virtually no improvement and this still remains at 8.6 per cent.
 - (b) the value of investments: the evidence sought has not yet been produced;
 - (c) the balance sheet to the 31st March, 1954 has not yet been received;
 - (d) the unreconciled balance of the Inter-Branch Account has been reduced to about £9,000 and will probably have to be written off;
 - (e) the suggestion that the Bank should call in a reputable firm of chartered accountants to report on its affairs has not yet been acted upon.

As regards the liquidity ratio which has varied from 8.3 per cent. to 14.1 per cent. over the period, the Bank have been informed that the "danger low" in the United Kingdom is considered to be 30 per cent. (at the present time it is 34 per cent).

6. The balance sheet to the 31st March, 1953, which was published in the press on the 25th of February, 1954 indicated to the Financial Secretary that the Bank requires further capital and the Bank has been so advised.

7. On the 8th December the General Manager of the Bank saw the Financial Secretary and stated that negotiations were now near to finality for the amalgamation of the Bnk with a U.K. banking house. This arrangement would involve a large injection of U.K. capital and a full audit by a U.K. firm of chartered accountants, appointed by the U.K. banking institution, would be carried out. Representatives of this firm would begin work in Nigeria in January next and the General Manager was prepared to state categorically that there would, by the end of January, 1955, be a large increase in the paid up capital of the Bank sufficient to put it on a thoroughly sound footing. The Financial Secretary stated he was prepared to accept the promises made and he looked forward to receiving next January evidence that the Bank's affairs had been restored to health as a result of the pending reorganisation."

APPENDIX K
African Continental Bank, Limited.
Balance Sheet as at 31st March, 1955.

	£	s.	d.	£	s.	d.		£	s.	d.
SHARE CAPITAL :										
<i>Authorised :</i>										
50,000 8 per cent. Cumulative Preference Shares of £1 each	50,000	0	0							
200,000 Ordinary Shares of £1 each	200,000	0	0							
	250,000	0	0							
<i>Issued :</i>										
6,311 8 per cent. Cumulative Preference Shares of £1 each	6,311	0	0							
Less Calls in Arrears	2,941	0	0							
	115,935	0	0	3,370	0	0				
115,935 Ordinary Shares of £1 each	115,935	0	0							
Less Calls in Arrears	87,659	0	0							
	28,276	0	0	31,646	0	0				
CURRENT, SAVINGS AND DEPOSIT ACCOUNTS				713,907	19	6				
ACCEPTANCES FOR ACCOUNT OF CUSTOMERS					1,298	6	3			
ACCRUED EXPENSES AND OTHER ACCOUNTS					6,061	16	2			
(Sgd.) O. C. AZIKIWE } (Sgd.) J. O. NWOSISI } <i>Directors.</i> (Sgd.) A. K. BLANKSON, } <i>General Manager.</i> (Sgd.) COLIN OBIH, } <i>Chief Accountant.</i>										
				£752,914	1	11				

CASH IN HAND AND BALANCES WITH BANKERS	80,224	4	4
LOANS AND ADVANCES TO CUSTOMERS	266,873	18	9
INVESTMENTS at cost :			
Debentures	205,000	0	0
Other Investments	3,750	0	0
	208,750	0	0
FURNITURE, EQUIPMENT AND STATIONERY STOCK	8,049	7	11
PREMISES at cost less amounts written off	855	0	0
CUSTOMERS' LIABILITY FOR ACCEPTANCES	1,298	6	3
PREPAYMENTS AND OTHER ACCOUNTS including Inter-Branch and Savings Suspense Accounts	18,380	8	10
PROFIT AND LOSS ACCOUNT including Bad Debts written off and Provision for Doubtful Debts	168,482	15	10

£752,914 1 11

We report that we have audited the above Balance Sheet and have obtained all the information and explanations which we have required for the purposes of our audit. Proper books of account have been kept and satisfactory returns have been received from those branches not visited by us.

Owing to inadequate accounting control prior to 1st April, 1954, discrepancies have arisen over a number of years in some of the Inter-Branch Accounts and as between Savings Control Accounts and Savings Ledger Balances in so far as the Lagos and Yaba Branches are concerned. These discrepancies, amounting to £11,263 12s. 5d. in the case of Inter-Branch Accounts and £4,946 14s. 3d. in the case of Savings Accounts, have been included as Suspense Accounts in the item "Prepayments and Other Accounts", appearing on this Balance Sheet.

Subject to the foregoing remarks, in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet which is in agreement with the Books of Account and the Returns from Branches, is properly prepared so as to exhibit a true and fair view of the state of affairs of the Bank as at 31st March, 1955.

Lagos, Nigeria,
9th December, 1955.

(Sgd.) AKINTOLA WILLIAMS & CO., *Auditors.*
Chartered Accountants.

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APPENDIX K (continued)

African Continental Bank, Limited.

Profit and Loss Account for the Year to 31st March, 1955.

	£	s.	d.		£	s.	d.		£	s.	d.		£	s.	d.
Staff Salaries and Allowances				17,393	17	7	Commission, Discount and Exchange Re-								
Directors' Fees				1,275	0	0	ceivable						6,797	7	11
Printing and Stationery				2,652	2	11	Interest Receivable						28,841	5	10
Interest on Deposits				6,076	4	4	Rents Receivable						666	15	6
Rents and Rates				3,661	12	6	Net Loss for the year carried down ..						1,140	0	0
Legal Charges				927	17	5									
Audit Fees and Expenses				1,080	0	0									
Other Charges and Expenses				4,378	14	6									
				<hr/>									<hr/>		
				£37,445	9	3							£37,445	9	3
				<hr/>									<hr/>		
Balance brought forward from previous year				34,995	4	8	Income earned prior to 1st April, 1954 not previously brought into account ..						368	9	4
Bad Debts written off				76,629	14	8	Balance, being Loss, carried forward in Balance Sheet						168,482	15	10
Provision for Doubtful Debts				51,961	8	11									
Expenses incurred prior to 1st April, 1954 not previously brought into account :															
Directors' Fees per Note (a)	2,700	0	0												
Audit Fee per Note (b)	210	0	0												
Other Charges and Expenses	1,214	16	11												
				<hr/>											
				4,124	16	11									
				<hr/>											
				167,711	5	2									
Net Loss for the year brought down ..				1,140	0	0									
				<hr/>									<hr/>		
				£168,851	5	2							£168,851	5	2
				<hr/>									<hr/>		

NOTES :

(a) Directors' Fees of £2,700 0s. 0d. relate to the three years 1st April, 1951 to 31st March, 1954.

(b) Audit Fee of £210 0s. 0d. is in respect of the audit carried out for the year to 31st March, 1954.

APPENDIX L

African Continental Bank, Ltd.

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Condensed Balance Sheets 31/3/55 and 31/7/56.

	31st March, 1955	31st July, 1956	Increase
	£	£	£
Customers' Deposits :			
Demand	635,554	1,889,783	1,254,229
Time	78,354	164,525	86,171
	713,908	2,054,308	1,340,400
Paid up Capital	31,646	912,176	880,530
Less accumulated loss to date	168,483	252,411	83,928
	136,837	659,765	796,602
	£577,071	£2,714,073	£2,137,002
Cash on Hand	59,664	505,345	445,681
Balance with Bankers :			
Demand	31,471	302,623	271,152
Time	—	400,000	400,000
Loans and overdrafts including debentures ..	471,874	1,431,217	959,343
Investments	3,750	3,750	—
Bank Premises	855	27,437	26,582
Other assets less liabilities	9,457	43,701	34,244
	£577,071	£2,714,073	£2,137,002

APPENDIX M

Eastern Region Finance Corporation.

Summary of Expenditure 1955/56.

Particulars	Rate of interest	Amount	Balance with African Continental Bank at 31/7/56
	Per cent.	£	£
<i>Investment :</i>			
African Continental Bank, Ltd.	—	789,300	—
<i>Grants :</i>			
E.R. Library Board	—	35,000	28,848
E.R. Information Service	—	100,000	89,707
E.N. Sports Commission	—	50,000	50,000
E.R. Economic Planning Commission	—	15,000	15,000
		200,000	
<i>Loans :</i>			
Nigerian Engineering and Manufacturing Co. Ltd.	6	100,000	13,781
Eastern General Contractors Ltd.	6	25,000	—
African Pioneer Co. Ltd.	6	10,000	—
F. O. Mbadiwe & Sons, Ltd.	6	5,000	—
E. C. I. Onuigbo Sons & Co. Ltd.	6	10,000	—
Eastern Produce and Transport Co. Ltd.	6	10,000	—
E.R. Pharmaceutical Corporation	4½	22,000	—
		28,000	24,980
L. O. Okoro & Co. Ltd.	6	10,000	—
Jinco Brothers Ltd.	6	3,000	—
Z. C. Obi Sons & Co. Ltd.	6	7,000	—
Okereke Brothers Ltd.	6	10,000	—
Africa Trading Co. Ltd.	6	2,000	—
Cinema Corporation of Nigeria	4½	100,000	99,386
E.N. Printing Corporation	4½	200,000	199,916
Tourist Corporation of Nigeria	4½	100,000	—
Eastern Civil Engineering Co. Ltd.	6	4,800	—
Affa Local Government Council	3	3,000	—
E.R. Development Corporation	3½	150,000	150,000
		799,800	
Miscellaneous Expenses	—	25,104	—
Bank Charges	—	3,179	—
Balance at Bank	—	182,617	182,617
		£2,000,000	£854,236
<i>Current Accounts</i>			
Savings Account (Interest at 2 per cent. p.a. subject to maximum of £5)	—	—	648,244
Fixed Deposit for 1 year at 2 per cent. p.a.	—	—	105,992
Fixed Deposit for 6 months at 1 per cent. p.a.	—	—	50,000
			50,000
			£854,236