CENTRAL BANK OF LIBERIA

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2003

PAGE: CONTENTS

CENTRAL BANK OF LIBERIA
Names of Governors and registered Offices
For the year ended December 31, 2003

GOVERNORS:

1.	Elie E. Saleeby	Executive Governor and Chairman Board of Governors
2.	Charles A. Greene	Governor
3.	Willie Belleh	Governor
4.	Dr. Charles Clarke	Governor
5.	Nathaniel Barnes	Governor

REGISTERED OFFICES: Central Bank of Liberia
Post Office Box 2048
Warren and Carey Streets
Monrovia Liberia, West Africa

SECRETARY: In House

LAWYERS: In House

AUDITORS: PANNELL KERR FORSTER
(CERTIFIED PUBLIC ACCOUNTANTS)

CENTRAL BANK OF LIBERIA

Statement of responsibilities – Board of Governors

Year ended December 31, 2003

The Act of Legislature establishing the Central Bank of Liberia (approved into law on March 18, 1999) and the Bye Laws of the Central Bank of Liberia (adopted on December 16, 1999) require the Board of Governors to cause to be prepared financial statements for each financial period which give a true and fair view of the state of affairs of the Bank and of the results of its operations for two year period. In preparing those financial statements the Board of Governors is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Ensure that the financial statements are prepared on going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Central Bank of Liberia, which enable them to ensure that the financial statements comply with the Act of Legislature establishing the Bank and the Bye Laws pertaining to its operations. The Board is also responsible to put in place the relevant mechanism for safeguarding the assets of the Bank and accordingly takes reasonable steps for the prevention and detection of fraud and other irregularities, if any.

The above statement, which should be read in conjunction with the statement of the Auditors' responsibilities set out on page 3, is made with a view to distinguishing for the benefit of the Shareholder and other interested third parties the responsibilities of the Board of Governors and those of the Auditors in relation to the financial statements of the Central Bank of Liberia.

At the conclusion of the audit for 2003 the Executive Governor Hon. Elie E. Saleeby had resigned as of May 11, 2004 and succeeded by the Hon Charles A. Greene, who acted until he was subsequently confirmed.

Hon Charles A. Greene

Acting Executive Governor and Member
Board of Governors

Independent Auditors' Report

To the Board of Governors
CENTRAL BANK OF LIBERIA

We have audited the accompanying balance sheet of the Central Bank of Liberia as at December 31, 2003 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Governors and the management of the Central Bank of Liberia. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Fixed assets include an amount of L$304,5 million representing the book balance of the cost of construction in progress of the new Central Bank office building situated in central Monrovia. The current status of the property is as good as abandoned and the question is now being called regarding its carrying value, which is also believed to reflect a substantial overvaluation. The management of the Bank in recognition of these concerns commissioned a reassessment of all its real properties in 2004. Work in this regard has not been fully completed, and the relevant adjustments are expected to be made in 2005 upon completion. We refer to note 2.5.1, which fully explains this matter.

In our opinion, except for the matters discussed in the preceding paragraph, the financial statements referred to above, present fairly in all material respects the financial position of the Central Bank of Liberia as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

We draw attention to note 3.1 in respect of the indebtedness of the Government of Liberia to the Central Bank of Liberia. The total amount in question is L$11.3 billion and it attracts interest at a special negotiated rate of 3%. Interest earned but not collected as at December 31, 2003 is L$1.0 billion, an indication that the loan is generally non performing. However, no provisions have been made.

Pannell Kerr Forster
CERTIFIED PUBLIC ACCOUNTANTS

Monrovia

Balance sheet, Income statement, statement of General Reserves, and statement of cash flow – December 31, 2003

1.0 Establishment and operations

1.1 Establishment

The Act of Legislature establishing the Central Bank of Liberia (CBL) was approved into law on March 18, 1999. However, the Board of Governors and other officers of the Bank were appointed several months later. They officially took office on October 20, 1999. The Central Bank of Liberia is the successor in business of the erstwhile National Bank of Liberia.

1.2 Capital

The minimum authorized capital of the Bank is L$400 million. The amount may be increased by an amendment to the Act, as shall be proposed to the National Legislature by the Board of Governors of the Bank. Per the provisions of the Act, the Bank is required to have a minimum paid-up capital of L$100 million.

1.2.1 Paid up capital

The total Paid up capital of the Central Bank of Liberia as at October 20, 1999 of L$7.4 billion represents the book value of the net assets taken over from the erstwhile National Bank of Liberia. The principal assets which underlie the capital transfer of L$7.4 billion are two long-term loans denominated in L4 and US$ due from the Government of Liberia. The amounts are a result of transactions between the Government and the National Bank prior to the formation of the Central Bank in 1999.

1.2.2 Ownership

In keeping with the relevant provisions of the Act, all paid-up capital shall be subscribed to and held exclusively by the Government of Liberia and shall not be transferable or subject to encumbrance. "No reduction of capital shall be effected except by amendment" of the Legislative Act which created the Bank.

1.3 Functions of the Bank

Per the provisions of the Legislative Act under which it was created, the Central Bank of Liberia has "functional independence, power and authority" to:

- issue legal tender banknotes and coins;
- administer the currency laws and regulate the supply of money;
- provide credit to bank-financial institutions on a discretionary basis;
- act as fiscal agent for the Government of Liberia;
- administer the New Financial Institutions Act of 1999 and regulate banking activities;
- regulate bank and non-bank financial institutions, as well as non-bank financial services

institutions;

- hold and manage the foreign exchange reserves of Liberia, including gold;
- advise the Government of Liberia on financial and economic matters;
- conduct foreign exchange operations;
- play an active role, in collaboration with bank-financial institutions, in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public.

1.4 Powers of the Bank

The powers of the Central Bank of Liberia include but are not limited to:

- supervision of bank-financial institutions, non-bank financial institutions and authorized non-bank financial services dealers and brokers;
- formulation and implementation of monetary policies;
- handling external banking affairs of the Government;
- determination of an appropriate foreign exchange regime, formulation and implementation of foreign exchange policy; holding and managing foreign exchange reserves; and
- management of aggregate credit in the economy by indirect means, by loan securitization, purchase and sale of securities, transactions in derivatives and foreign exchange and through the establishment of required reserves of commercial banks under its jurisdiction;

2.0 Significant accounting policies

2.1 Bases of accounting and reporting

These financial statements have been prepared in accordance with US generally accepted accounting principles under the historical cost convention.

2.2 No Price-Level Adjustments

No procedures have been adopted for specific price changes or for changes in the general price levels.

2.3 Currency

These financial statements are expressed in Liberian dollars.

Transactions denominated in foreign currencies other than the United States dollars are translated into Liberian dollars based on the rate of exchange prevailing at the time of the transactions. Except for those transactions relative to the IMF funds, which are later explained in these notes, all other assets and liabilities denominated in other currencies are translated into Liberian dollars at their respective year-end rates of exchange. The United States dollar is legal tender in Liberia and it operates freely alongside the Liberian dollar.

CENTRAL BANK OF LIBERIA
Notes to the financial statements
For the year ended December 31, 2003

The net effect of the various exchange rates used in the translation of the United States dollar account balances into equivalent Liberian dollars gives rise to a translation difference which is reflected in the Statement of Changes in General Reserves. Gains and losses resulting from foreign exchange transactions are included in the Income Statement for the year.

The United States dollar is legal tender in Liberia and it operates freely alongside the Liberian dollar.
The translation rates used in the preparation of these financial statements are:

		2003	2002
1)	balance sheet monetary items (year end rate)	50.50	65.00
2)	balance sheet fixed assets (historical rates)	various	various
3)	income statement (average rate)	54.58	60.47

2.4 Income determination

The income of the Central Bank of Liberia is derived principally from interest on long term loans and capital notes receivable due from the Government of Liberia. While the interest on capital notes at 10% per annum is recognized fully as income, those relative to the long term loans of 3% are apportioned. 1% of the chargeable interest is recognized as income in the current year and 2% is deferred. The deferment is consistent with the terms of the loan agreement between the parties. The amount of the deferred income is shown as an offset against the interest receivable, thereby having no direct effect in the balance sheet.

2.5 Fixed assets

2.5.1 Valuation of real properties (Land & buildings)

The basis for the valuation of real property of the Bank has been changed from cost to fair value as of the financial year commencing 2004. The property of particular concern is the proposed premises of the Bank under construction in central Monrovia. Work on this building was suspended in 1989 due to the interruption of the civil war and has not resumed for the past 14 years. The carrying value of the main Bank building, referred to above and in note 13 of L$304.5 is suggested to be overpriced. Management in response to that concern has commissioned in 2005 the appraisal of all of its real properties to reflect their respective fair values

The valuation of the building referred to above has been completed in 2005. The current fair value derived from the exercise, which is being undertaken by a competent and registered architectural firm, is L$192.0 million or US$4.8 million. However, valuation of other similar properties is still on going and is expected to be completed in 2005. It is also expected that when the exercise shall have been fully completed within that time period, all the appropriate adjustments shall be made accordingly in the financial statements for the year ended December 31, 2005.

There are plans to complete the construction of the building as soon as the conditions become favorable to do so.

2.5.2 Depreciation and amortization

Fixed assets and other long-term assets are reported at cost/valuation less accumulated depreciation and amortization. The straight line method of depreciation is being used to write off the full cost of assets over their useful lives. In the case of leasehold improvements, amortization is computed on the straight line basis over the terms of the respective leases or the estimated useful lives of the improvements, whichever is less.

The cost of repairs and maintenance are charged against income when incurred while improvements are capitalized. Gains and losses from the disposal of fixed assets are reflected in current operating results.

2.5.3 Depreciation rates

The Principal annual depreciation and amortization rates used in these financial statements are:

	Percent (%)
Leasehold improvements (life of lease or)	2.50
Office furniture, fixtures and fittings	10.00
Household furniture and equipment	20.00
Machinery and equipment	16.67
Vehicles	33.33

2.5.4 Amortization rates

Banking software	20.00
Staff training	50.00
Deferred currency expense Liberian bank notes	20.00
Deferred currency expense coins	10.00

2.6 Taxation

The Central Bank of Liberia is exempt from the payment of Liberian Government taxes except for those relative to employee earnings.

2.7 Contribution to employees' pension

Contributions are paid to a National Pension Scheme for the provision of non-contributory pensions for all staff of the Bank. The Bank also has in place other retirement benefit plan for its staff, to which both the staff and the Bank make monthly contributions. These exclude payments under the Law as explained in 2.8 immediately below.

2.8 End of service awards

Under the Law of the Republic of Liberia, and as implied in the employment agreements, staff of the Bank are entitled to a severance pay at the termination of their employment, except in the case of wrong doing leading to dismissal. The benefit in question is calculated at the basic pay rate applicable at the date of such termination, graduated on the basis of the number of years of service of the affected employee. Expenditures in these regards are recognized as and when incurred. Accordingly, no provisions are made in advance for this obligation.

3.0 Disclosure of other matters

3.1 Government of Liberia Long Term Loans

3.1.1 The Government of Liberia is indebted to the Central Bank of Liberia in the amount of US$206 million and L$873 million as at December 31, 2003 excluding interest and charges. The loans in question represent advances to the Government by the erstwhile National Bank of Liberia, predecessor of the Central Bank. The combined value in Liberian dollars of the total obligations of Government to the Bank is L$11.3 billion as at December 31, 2003. The amount represents the largest single asset of the Bank and accounts for 85.2% of its total assets excluding the IMF/GOL offset accounts. It attracts interest at a special rate of 3% per annum, 1% of which is recognized as current year income, while 2% is computed but deferred for future recognition.

3.1.2 As explained earlier in note 1.2.1, the loan came about through a special restructuring arrangement between the Bank and the Government of Liberia as part of the process of a capital transfer from the erstwhile National Bank of Liberia for the formation of the Central Bank in 1999. The loans are substantially non performing and the unpaid interest stands at L$1.01 billion as at December 31, 2003. Payment on the loan principal is expected to commence in 2010. Partial payments of the interest were suspended in 2004. No provision has thus far been made in respect of the past due interest. The Debtor is a sovereign Government and the exclusive owner of the Bank.

3.1.3 The loan balances were not confirmed by the Government as at December 31, 2003, though the request was made for same.

3.2 Investments

The Central Bank of Liberia does not have any trading investment or investment of other classification, except for those relative to a small real estate in Liberia intended for rent and income generation.

3.3 Related Party transactions

The Bank (CBL) is the official depository and Fiscal Agent of the Government of Liberia, who also owns the Bank exclusively. It performs official banking services to the Government and a number of its agencies and wholly owned enterprises. Related Party transactions reflected in the Bank's operations are therefore in respect of these banking services, in addition to loans and advances granted the Government prior to 1999 and 2003.

3.0 Contingencies

The Bank is a defendant in a pending litigation involving a local service station in Monrovia. Counsel for the Bank believes that a probable loss of L$560,000 (Five Hundred and Sixty Thousand Liberia Dollars) is likely to be incurred in the final outcome of the case. However, there are no indications as yet regarding the final determination in the matter. There has been no provision in these financial statements in respect of this case.

The Bank is also a party to five other cases either as a fiduciary, receiver or by reason of its regulator duties. According to representation from counsel, cases of this nature do not constitute any risk of loss to the Central Bank of Liberia.

Notes to Financial statement for the year ended December 31, 2003