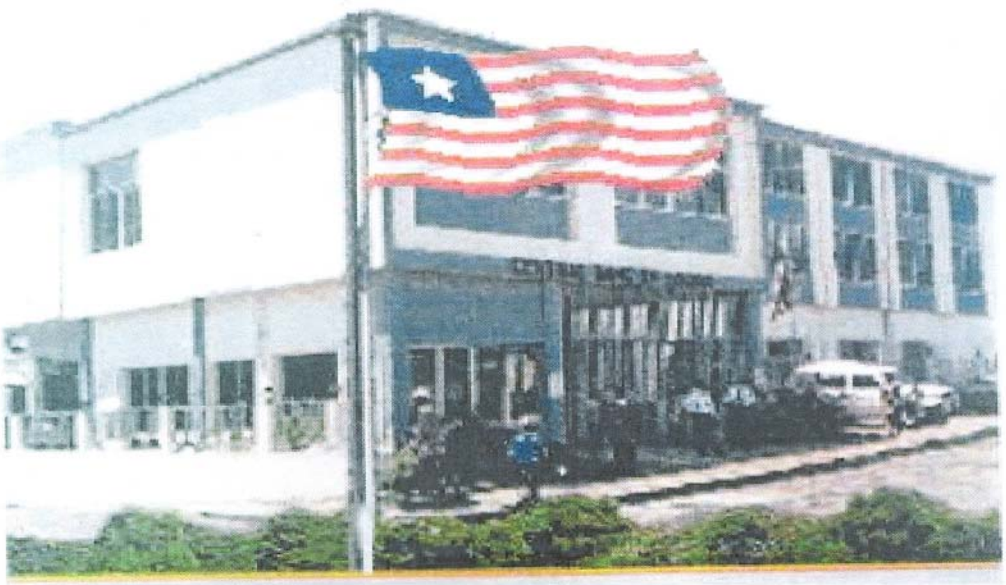
CENTRAL BANK OF LIBERIA

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2007



PRICEWATERHOUSECOOPERS

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GENERAL INFORMATION

BOARD OF GOVERNORS:	J. Mills Jones - Executive Governor and Chairman of the Board of Governors John G. Bestman David Vinton George H. Gooding Betty Maima Jackson-Saway
AUDITOR	PricewaterhouseCoopers Chartered Accountants No.12 Aviation Road Una Home, 3rd Floor Airport City PMB CT 42 Cantonments-Accra
SECRETARY/ SOLICITOR	Central Bank of Liberia Post Office Box 2048 Monrovia, Liberia
REGISTERED OFFICE:	Central Bank of Liberia Post Office Box 2048

GENERAL INFORMATION (continued)

Establishment

The Central Bank of Liberia (CBL) is the Central Bank of the Republic of Liberia and is incorporated under an Act of Legislature of March 18, 1999. The Board of Governors and other officers of the Bank officially took office on October 20, 1999. The CBL is the successor in business to the erstwhile National Bank of Liberia and took over its functions, assets and liabilities.

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.

Paid-up capital

The total paid-up capital of the Central Bank as at October 20, 1999 of L$7.5 billion (note 19) represented 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$7.5 billion are two long-term loans denominated in L$ and US$ due from the Government of Liberia. The amounts are a result of transactions between the Government and the erstwhile National Bank of Liberia prior to the formation of the Central Bank. The original paid-up capital as indicated above has been reduced to L$7.3 billion as of December 31, 2005. The reduction is a result of an earlier agreement between the Government of Liberia (GOL) and CBL regarding the inclusion of the amount into the total debt on condition during the restructuring process. The condition was that the Bank would provide the full details of the amounts in question within two years of as of its formation in 1999, failing which, the relevant reversal would be made. The details were not made available, and therefore, the Bank wrote off L$175 million directly against the original capital.

GENERAL INFORMATION (continued)

Ownership

In keeping with the relevant provision of the Act, all paid-up capital shall be subscribed to and held exclusively by the GOL subject to encumbrance. "No reduction of capital shall be effected except by amendment" of the legislative Act which created the CBL.

Functions of the Bank

The principal objectives of the Bank, as set out in the Act, are to issue legal tender banknotes and coins; to administer the currency laws and regulate the supply of money; to provide credit to bank-financial institutions on a discretionary basis; to act as fiscal agent for the Government; to administer the New Financial Institution Act (FIA) of 1999 and regulate banking activities; to regulate bank and non-bank financial institutions, as well as non-bank financial services institutions; to hold and manage the foreign exchange reserves of Liberia, including gold; to advise the Government on financial and economic matters; to conduct foreign exchange operations; and to 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 general public.

Powers of the bank

The powers of the CBL include but not limited to supervision of bank/financial institutions, non-bank financial institutions and authorized non-bank financial service dealers and brokers; formulation and implementation of monetary policies; handling of 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 the commercial banks under its jurisdiction.

REPORT OF THE BOARD OF GOVERNORS.

The Governors have the pleasure in presenting their report with the audited financial statements of Central Bank of Liberia for the year ended December 31, 2007.

STATEMENT OF RESPONSIBILITY OF THE BOARD OF GOVERNORS.

The Acts of Legislature establishing the Central Bank of Liberia (approved into law on March 18, 1999) and Bye laws adopted on December 16, 1999 required the Board of Governors to ensure that financial statements are prepared for each financial period which give a true and fair view of the state of affairs of the Bank and the result of its operations for the year then ended. In preparing the financial statements, the Board of Governors is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimate that are reasonable and prudent;
- State whether Internationally Accepted Accounting Practices have been followed, subject to any material departure disclosed and explained in the financial statements;
- Ensure that the financial statements are prepared on a going-concern basis unless it is inappropriate to presume that the Bank will continue to be in business;
- Ensure that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Central Bank of Liberia;
- Ensure that the financial statements comply with the reporting requirements of the Act of Legislature establishing the Bank, as well as the Bye laws pertaining to its operations; and
- Put in place relevant mechanisms for safeguarding the assets of the Bank and accordingly, take reasonable steps for the prevention and detection of fraud and other irregularities, if any.

The above statement is made with the view to distinguishing for the benefit of all interested parties, the responsibilities of the Board of Governors and those of the External Auditor in relation to the financial statements of the Central Bank of Liberia.

NATURE OF BUSINESS/FUNCTIONS

The Central Bank shall have function independence, power and authority to:

1. issue legal tender banknotes and coins;
2. administer the currency laws and regulate the supply of money
3. provide credit to bank-financial institutions on a discretionary basis;
4. act as fiscal agent for the Government;
5. administer the New Financial Institutions Act of 1999 and regulate banking activities;
6. regulate bank and non-bank financial institutions as well as non-bank financial services institutions;
7. hold and manage the foreign exchange reserve of Liberia, including gold;
8. advise the Government on financial and economic matter;
9. conduct foreign exchange operations; and

REPORT OF THE BOARD OF GOVERNORS (continued)

NATURE OF BUSINESS/FUNCTIONS (continued)

10. 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. The Central Bank shall execute this responsibility through implementation of the proper regulations and standards, as needed.

GOVERNORS AND GOVERNMENT INTEREST

The statement of responsibility of the Board of Governors of the Bank is set out on page 5. The Board of Governors of the Bank does not have any interest in contracts entered into by the Bank.

Financial results

The financial results for the year are set out below:

	L$'000'
Net operating profit for the year	2,519,869
to which is added balance on general reserve account brought forward of	3,532,023
giving a balance of	6,051,892
to which is deducted prior year adjustment balance of	(2,622)
giving a balance on general reserve account to be carried forward of	6,049,270

Signed on behalf of the Board by:

J. Mills Jones
Executive Governor
April 24. 2008

John G. Bestman
Governor
April 24, 2008

CORPORATE GOVERNANCE

Introduction

The CBL is committed to the principles and implementation of good corporate governance. The Bank recognises the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to the Government of Liberia.

The CBL believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of governors and notes to the consolidated financial statements, the Bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the consolidated financial statements.

The Board of Governors

The Board is responsible for the formulation and implementation of policies of the Bank and controlling and monitoring activities of the executive management. The Board consists of five (5) Governors, including, the Executive Governor who serves as Chairman of the Board and four (4) Non-Executive Governors. Members of the Board are appointed by the President of Liberia and confirmed by the Liberian Senate. The Non-Executive Governors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Bank's progress. The Board is required to meet as often as the business of the Bank may require, but not less frequently than once every three months.

The Audit Committee

The Audit Committee is made up of three (3) Governors who are independent of management and free of any relationship, which could interfere with their independent judgements. The committee meets on a quarterly basis. Members of the committee elect the Chairman of the committee. The terms of reference of the audit committee is made available to members of management.

The duties of the Audit Committee include; keeping under review the scope and results of the audit, as well as the independence and objectivity of the external auditors. The Audit Committee also keeps under review internal financial controls, risk management, and compliance with laws and regulations. The Audit Committee also reviews the adequacy of the audit program of the Internal Audit Section on a yearly basis. The Committee also reviews reports prepared by the Internal Audit Section and the financial statements of the Central Bank.

CORPORATE GOVERNANCE (continued)

Banking Reform Committee

The Committee is made up of the Deputy Governor, who is the Chairperson, four (4) Directors, an Expatriate Advisor and the Legal counsellor. The committee meets on a quarterly basis. The term and reference of the committee are determined by the main Board. The Banking Reform Committee is responsible for the stability of the banking system and promoting its contribution to economic growth and the increased participation of Liberian entrepreneurs in the national economy. A reform agenda was drafted geared towards ensuring that banks are adequately capitalized with appropriate management procedures and internal controls and the Central Bank has the capacity to effectively supervise and regulate the activities of the commercial banks.

Compliance Committee

The Compliance Committee is a sub committee of the Banking Reform Committee, set up to strengthen the supervisory function of the Bank and ensure that commercial banks are in compliance with the banking laws, regulations and directives of the Central Bank.

Money management and Policy Review Committee

The Money Management Committee is an advisory body to the Executive Governor. The committee is made up of the Executive Governor who is an ex-officio, Deputy Governor who is the chairperson and three (3) Directors.

Its responsibilities include discussions of a wide range of monetary, financial and economic issues, reviewing policies and making appropriate recommendations to the Governor for smooth operation of the Bank, and the strengthening of the banking system.

External Auditors

In September 2007, the CBL appointed PricewaterhouseCoopers to be its auditor for the 2007 financial statements. It is expected that PricewaterhouseCoopers will continue as auditor for 2008 and 2009. The 2006 audit was carried out by Ernst and Young and financed by the European Union (EU).

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Bank of Liberia (the Bank) set out on pages 12 to 49. These financial statements comprise the balance sheet as at December 31, 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Governors' Responsibility for the Financial Statements

As stated on page 5, it is the responsibility of the Board of Governors to ensure the preparation and fair presentation of these financial statements in accordance with the Internationally Accepted Accounting Practices. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA (continued)

Basis of Adverse Opinion

As detailed in accounting policy (n) in Note 2 of the financial statements, the Board of Governors of the Central Bank of Liberia passed a resolution in 2006 to fully adopt the International Financial Reporting Standards (IFRS) as the accounting framework under which to report the financial statements for the year ending December 31, 2008 (year of first time reporting).

In preparation for the first time adoption of the IFRS in the financial statements for the year ending December 31, 2008, the Bank decided, as part of its transitional arrangements, to adopt some new accounting policies, consistent with IFRS in the preparation of the financial statements for the year ended December 31, 2007.

However, the Bank has not complied with the following relevant standards under the IFRS framework. The impacts of the non-compliance with these standards on the financial statements for the year ended December 31, 2007 are as follows:

a) IFRS 7- Financial Instruments - Disclosure: the following have not been disclosed:
   i) Qualitative and quantitative information about exposure to risks arising from financial instruments including:
      - The Bank's objectives, policies and processes for managing risk and the methods used to measure the risk;
      - Quantitative data about the Bank's exposure to credit risk, liquidity risk and market risk;
      - Concentrations of risk; and
      - The fair value of each class of financial assets and financial liability.
   ii) Sensitivity analyses.

b) IAS 1(Revised) Presentation of the financial statements and capital and other disclosures such as:
   i) Explicit and unreserved statements of compliance with IFRS; and
   ii) The entity's objectives, policies and procedures for managing capital.

c) IAS 19- Employee benefits:
   i) The Bank's obligations under its defined benefits scheme have not been actuarially determined as required; and
   ii) The Bank currently holds a provision of about $840,000 in the accounts.

d) IAS 36 – Impairment of assets
   i) The Bank holds intangible assets, property, machinery and equipment and financial assets which have not been subjected to any impairment review; and
   ii) The carrying amounts of these assets may be more than their recoverable amounts resulting in overstatement of these assets and operating results.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA (continued)

e) IAS 39 – Financial instruments: Recognition and measurement:

i) Financial assets designated as loans and receivables have subsequently not been measured at amortised cost;
ii) Also financial liabilities, none of which is classified as fair value through profit or loss, have subsequently not been measured at amortised cost;
iii) IMF related assets and liabilities disclosed on the face of the balance sheet amounting to L$66,149,243,000 do not qualify as financial assets/liabilities respectively as there is no contractual obligation on the part of CBL to receive or deliver the amounts stated; and
iv) No accounting policy or note on the classification, recognition and measurement of financial instruments has been disclosed.

f) IAS 40 Investment property: The Bank uses the cost model in measuring the carrying amount of investment properties but the fair value of the asset has not been disclosed in the financial statements as required by the standard.

Adverse Opinion

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements do not present fairly in all material respects the financial position of the Central Bank of Liberia as at December 31, 2007 and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

In addition to our adverse opinion discussed above, we draw attention to Note 31 to the financial statements, which indicate the company's contingent liabilities as at the reporting date. Significant amongst these is the US$ 129 million exposure representing principal, interest and charges from Montrose Capital, LLC, which was guaranteed by the erstwhile National Bank of Liberia on behalf of the Government of Liberia. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements."

PricewaterhouseCoopers

Chartered Accountants

Accra

Date April 24 2008

PRICEWATERHOUSECOOPERS

CENTRAL BANK OF LIBERIA
Financial Statements
for the year ended December 31, 2007

BALANCE SHEET

(All amounts are expressed in thousands of Liberian dollars)

	Notes	At December 31 2007	2006
Assets			
Cash and balances with banks	3	**7,462,510**	4,282,060
Loans and advances to banks	4	**300**	26,114
Loans and advances to GOL-short term	5	**3,566**	980,333
Subscription receivable	6	**437,090**	371,875
Loans and advances to GOL-long term	7	**16,259,308**	12,991,335
IMF related assets	8	**66,149,243**	58,653,676
Other assets	9	**252,806**	283,972
Intangible assets	10	**610**	22,760
Investment properties	11	**7,809**	8,533
Property,machinery and equipment	12	**295,873**	284,305
Total assets		**90,869,115**	77,904,963
Liabilities			
Notes in circulation	13	**3,594,342**	2,813,290
Deposits from banks	14	**2,698,144**	2,034,386
Deposits of GOL and agencies	15	**3,306,353**	1,873,215
IMF related liabilities	16	**66,149,243**	58,653,676
Other liabilities	17	**685,403**	645,839
Commercial bank loan	18	**787,773**	742,608
Total liabilities		**77,221,258**	66,763,014
Equity			
Capital	19	**7,598,587**	7,609,926
General reserve account	20	**6,049,270**	3,532,023
Total equity		**13,647,857**	11,141,949
Total equity and liabilities		**90,869,115**	77,904,963

The financial statements on pages 12 to 49 were approved by the Board of Governors on April 24,2008 and signed on its behalf by:

Executive Governor and Chairman of the Board ....

Governor ....John E. Bestman...........

INCOME STATEMENT

(All amounts are expressed in thousands of Liberian dollars)

	Notes	Year ended December 31 2007	2006
Interest income	**21**	**2,033,058**	376,800
Interest expense	**22**	**(8,613)**	(3,485)
Net interest income		**2,024,445**	373,315
Fees and commissions	**23**	**162,753**	127,748
Other income	**24**	**848,059**	1,049,947
Net operating income		**3,035,257**	1,551,010
Administrative expenses	**25**	**(479,238)**	(364,575)
Other operating expenses	**26**	**(36,150)**	(23,585)
Net operating profit transferred to general reserve account		**2,519,869**	1,162,850

CASH FLOW STATEMENT

(All amounts are expressed in thousands of Liberian dollars)

		Year ended December 31	
Cash flows from operating activities	**Notes**	**2007**	2006
Interest received		**2,033,058**	376,800
Interest paid		**(8,613)**	(3,485)
Fees and commission receipts		**162,753**	127,748
Other income received		**848,059**	1,049,947
Cash payments to employees and suppliers		**(467,990)**	(364,004)
Cash generated from opertaions before		**2,567,266**	1,187,006
Changes in operating assets and liabilities:			
Loans and advances to banks		**25,814**	42,990
Loans and advances to GOL - short term		**976,767**	(252,291)
Other assets		**31,166**	(5,446)
Notes in circulation		**781,052**	348,501
Deposits from banks		**663,758**	624,731
Deposits of GOL and Agencies		**1,433,138**	1,671,775
Other liabilities		**28,225**	100,126
Net cash from opertaing activities		**6,507,186**	3,717,392
Cash flows from investing activities			
Proceeds from sale of motor vehicle and equipment		**1,026**	111
Purchase of motor vehicle and equipment		**(38,602)**	(17,945)
Purchase of swift software		**(1,137)**	(12,787)
Subscription receivable		**(65,215)**	(28,125)
Loans and advances to GOL - long term		**(3,267,973)**	(929,757)
Net cash used in investing activities		**(3,371,901)**	(988,503)
Cash flows from financing activities			
Donated capital		-	3,353
Long term loan		**45,165**	20,898
Net cash generated from financing activities		**45,165**	24,251
Net increase in cash and cash equivalents		**3,180,450**	2,753,140
Cash and cash equivalents at January 1		**4,282,060**	1,528,920
Cash and cash equivalents at December 31	28	**7,462,510**	4,282,060

STATEMENTS OF CHANGES IN EQUITY
(All amounts are expressed in thousands of Liberian dollars)

	Capital	General reserve account	Restated accumulated losses	Total
Balance at January 1, 2007	7,609,926	3,532,023	-	11,141,949
Prior year adjustments	-	(2,622)	-	(2,622)
Net profit for the year	-	2,519,869	-	2,519,869
Donated capital transferred to deferred income	(11,339)	-	-	(11,339)
Balances at December 31, 2007	**7,598,587**	**6,049,270**	**-**	**13,647,857**
Balances at January 1, 2006 as previously reported	7,130,552	2,853,089	-	9,983,641
Reversal of disclosure of accumulated losses brought forward	476,021	-	(476,021)	-
Balance at January 1, 2006 as restated	7,606,573	2,853,089	(476,021)	9,983,641
Net profit for the year	-	1,162,850	-	1,162,850
Prior year adjustments	-	(7,895)	-	(7,895)
Accumulated losses brought forward written off	-	(476,021)	476,021	-
Donated capital	3,353	-	-	3,353
Balances at December 31, 2006	**7,609,926**	**3,532,023**	**-**	**11,141,949**

NOTES

1. GENERAL INFORMATION

The Central Bank of Liberia (CBL) is the Central Bank of the Republic of Liberia and is incorporated under an Act of Legislature of March 18, 1999. The address of its registered office is Central Bank of Liberia, Post Office Box 2048, Monrovia, Liberia.

The principal activities of the Bank have been stated under nature of business/functions.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

(a) Basis of accounting and reporting

The financial statements have been prepared in accordance with the accounting policies set out below. The measurement basis is the historical cost convention.

The International Monetary Fund (IMF) is encouraging Central Banks of member countries to adopt International Financial Reporting Standards (IFRS) as their basis of accounting and reporting. Hence, the Board of Governors of the Central Bank of Liberia passed a resolution in 2006 to fully adopt IFRS as the accounting framework under which to report the financial statements for the year ending December 31, 2008 (year of first time adoption of IFRS).

In preparation for the first time adoption of IFRS in the financial statements for the year ending December 31, 2008, the Bank decided as part of its transitional arrangements, to adopt some new accounting policies, consistent with IFRS in the preparation of the financial statements for the year ended December 31, 2007. Consequently, these financial statements have been prepared in accordance with accounting policies that are consistent with certain aspects of IFRS reporting framework.

(b) Currency

The financial statements are presented in Liberian dollars in keeping with the requirements of the Financial Institution Act (FIA) of 1999, rounded to the nearest thousand.

Foreign currency

Transactions are recorded on initial recognition in Liberian dollars. Transactions denominated in foreign currencies 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 Accounts, which are explained in these notes, all other monetary assets and liabilities denominated in other currencies including the United States dollars (US$) are translated into Liberian dollars at their respective year-end rates of exchange.

The net effect of the application of various exchange rates 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 Income Statement. This is a change in policy compared to 2006 when this was reflected in the Statement of Changes in General Reserves. Comparative figures have been restated on the new basis.

NOTES (continued)

2. ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Gains and losses resulting from foreign exchange purchases, sales and other similar transactions are included in the Income Statement for the year

(c) Interest income determination

The income of the Central Bank of Liberia is derived principally from the following:

- interest on long-term loans and capital notes receivable due from the Government of Liberia. These amounts include the capitalized interest on the restructured loans (both the long term loans and capital notes) up to June 30, 2007 and, the interest earned on the restructured loan from July 1,2007 to December 31, 2007, and
- interest on CBL deposits with foreign banks.

Interest income is recognised in interest receivable in the income statement for all interest-bearing financial instruments classified as held to maturity, available for sale or other loans and receivables using the effective interest method.

(d) Property, machinery and equipment

Depreciation and amortization

Property, machinery and equipment and other long-term assets are reported at cost less accumulated depreciation and amortization. The straight-line method of depreciation is being used to write-off the full cost of assets over their estimated 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 property, machinery and equipment are reflected in the current operating results.
The principal annual depreciation rates used in these financial statements are:

Depreciation rates:	**%**
Leasehold improvements (life of the lease)	10-33.33
Office furniture, fixtures and fittings	10.00
Household furniture and equipment	20.00
Machinery and equipment	16.67
Motor vehicles	33.33

(e) Intangible assets

The principal annual amortization rates used in these financial statements are:

Amortization rates:	**%**
Banking software	20.00
Staff training	25- 33.33

NOTES (continued)

2. ACCOUNTING POLICIES (continued)

(f) Deferred currency expense Liberian bank notes

Printing cost on currency are amortised when they are put in use.

(g) Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability in respect of notes and coins in issue at the balance sheet date is stated at the nominal value of the currency.

(h) Contribution to employees' pension and injury

Contributions are paid to a National Pension & Injury Scheme (i.e. National Social Security & Welfare Corporation) for the provision of a 3% contributory pension (both management and staff) and 1.75% non-contributory injury (management only) on behalf of 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 are defined contribution schemes. These exclude payments under the Law as explained below.

End of service awards

Under the Laws 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 wrongdoing 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. This is a defined benefit obligation.

Provisions are made in the financial statements for employees of the Bank based on management's estimate.

(i) Fees and commission income

Fees and commissions are generally recognised on an accrual basis as the service is provided. Commission and fees arising from negotiating, or participation in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction

(j) Investment properties

The CBL has a small real estate in Liberia available for rent and income generation. The property is not being used in the operation of the Bank. The investment property is treated as long-term investment, stated at cost and amortized over 40 years.

NOTES (continued)

2. ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and balances with other banks.

(l) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(m) Critical accounting estimates and judgements

Estimates and judgements are continually made and evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstance.

(n) Adoption of IFRS as an accounting framework of reporting

The Board of Governors of the Central Bank of Liberia passed a resolution in 2006 to fully adopt the International Financial Reporting Standards (IFRS) as the accounting framework under which to report the financial statements for the year ending December 31, 2008 (year of first time reporting).

In preparation for the first time adoption of the IFRS in the financial statements for the year ending December 31, 2008, the Bank decided, as part of its transitional arrangements, to adopt some new accounting policies, consistent with IFRS in the preparation of the financial statements for the year ended December 31, 2007.

The key IFRS's that would be relevant to the operations of the Bank if it had adopted IFRS for the first time in the year ended December 31, 2006 are

- IFRS 1 First time adoption
- IFRS 7 Financial Instruments: Disclosures (effective January 1,2007)
- IAS 1 (Revised) Presentation of the financial statements and capital and other disclosures
- IAS 7 Cash flow statements
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 16 Property, plant and equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 19 Employee benefits
- IAS 21 The effects of changes in foreign exchange rates
- IAS 24 Related party disclosures

NOTES (continued)

2. ACCOUNTING POLICIES (continued)

(n) Adoption of IFRS as an accounting framework of reporting (continued)

- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IAS 39 Financial Instruments: recognition and measurement
- IAS 40 Investment property

The IFRS's that were not complied with in the preparation of the financial statements for the year ended December 31, 2007 are:

- IFRS 1 First time adoption
- IFRS 7 Financial Instruments: Disclosures (effective 1 January 2007)
- IAS 1 (Revised) Presentation of the financial statements and capital and other disclosures
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 19 Employee benefits
- IAS 36 Impairment of assets
- IAS 39 Financial Instruments: recognition and measurement and
- IAS 40 Investment property

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2007	2006
	L$ '000'	L$ '000'
3 Cash on hand and short term funds		
Cash on hand and in vault	**597,049**	878,229
Cash balances at payment centres in the rural areas	**73,378**	30,509
Balances with local banks	**5,525**	1,463
Time deposit in local banks	**600**	600
Balances with foreign banks	**6,906,737**	3,504,490
Provision for time deposit	**(600)**	-
Less: unissued liberian dollars in vault	**(120,179)**	(133,231)
	7,462,510	4,282,060
4 Loans, advances & overdrafts-Banks		
Advances	**-**	23,498
Interest on advances	**-**	667
Small and medium enterprises	**300**	1,664
Loans and advances failed banks	**-**	56,236
Current advances meridien	**-**	381
Allowance for doubtful SME loans	**-**	(1,364)
Allowance for failed banks	**-**	(54,968)
	300	26,114

Small and Medium Enterprises (SME)

As more fully explained below, this pertains to a small and medium enterprise promotion scheme of the Government of Liberia, which was administered by the National Bank of Liberia, now the Central Bank of Liberia. The amounts shown above represent the period end valuation of the indebtedness of the Central Bank of Liberia to Government of Liberia and International Development Association (IDA).

The SME loans pertain to a business development initiative of the Government of Liberia that was being implemented by erstwhile National Bank of Liberia, the predecessor to the Central Bank of Liberia, to provide funding for small and medium scale Liberian owned and operated enterprise. The International Development Association (IDA) provided funds used for the program to the Government of Liberia, which designated the then National Bank of Liberia as its agent in this regard. Upon receiving funds from the IDA, the then National Bank in turn made advances to selected banks and other credit institutions serving as disbursement and monitoring agent for the program.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

4. Loans, advances & overdrafts – Banks (continued)

Small and Medium Enterprises (SME) (continued)

Funds received from the IDA for this purpose are repayable in United States dollars. However, disbursements to the various projects, taken up as receivables, have over the time been denominated in Liberian dollars. This change has occurred because at the time the funds were received from the IDA, the Liberian dollar was then truly at par with the United States dollar, both by law and in practice. This situation changed gradually over the years, starting 1983, when Liberia first introduced a five-dollar coin. This marked the beginning of the widespread use of a national currency separate and distinct from the U.S. dollar, which was previously in wide circulation throughout Liberia and has been legal tender in the country since then.

	December 31	
	2007	2006
	L$ '000'	L$ '000'
5 Due from the Government of Liberia-Short term		
Interest on GOL capital notes	**-**	40,787
Interest on GOL long term loans	**-**	939,546
Service charges	**3,566**	-
	3,566	980,333
6 Subscription receivable		
Subscription receivable(see note 19)	**437,090**	371,875
	437,090	371,875

Capital notes on subscription receivable

CBL entered into a new loan agreement in June 2006 on the six promissory notes. These notes had been passed due since 2002. The new loan agreement provides for a moratorium period of 10 years for principal repayment. Repayment of principal is spread equally over the remaining 20 years beginning June 1, 2017 at an interest rate of 10% per annum.

	December 31	
	2007	2006
	L$ '000'	L$ '000'
7 Due from the Government of Liberia-Long term		
Restructured long term loans	**16,259,308**	12,991,335
	16,259,308	12,991,335

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

7. Due from Government of Liberia- Long term loans (continued)

Government of Liberia (GOL) Long Term Loans

On May 8, 2007, the GOL re-entered into an agreement with CBL to restructure its obligations to CBL. The restructured debts new principal amounts include GOL Long Term Loan of L$921,806,194.57, GOL Long Term Loan of US$ 245,400,046.94, and GOL Capital Notes of US$6,993,433.16. The loans are to be repaid within a thirty-year (30) period inclusive of a ten (10) years moratorium on the principal. However, the GOL reserves the right to effect payment on the principal during the moratorium period. As stipulated in the agreement, the repayment period is expected to begin effective September 30, 2017.

The Liberian Dollar obligations carry an annual interest rate as follows:

i. For the period from July 1, 2007 to June 30, 2012, the interest due and payable every month shall be at the annual rate of 2%;

ii. For the period from July 1, 2012 to June 30, 2017, the interest due and payable every month shall be at the annual rate of 3%;

iii. For the period from July 1, 2017 to June 30, 2022, the interest due and payable every month shall be at the annual rate of 4%;and

iv. For the period from July1, 2022 to June 2037, the interest due and payable every month shall be at the annual rate of 5%.

The United States Dollars obligations carry an annual interest rate as follows:

i. For the period from July 1, 2007 to June 30, 2017, the interest due and payable every month shall be at the annual rate of 1%;

ii. For the period from July 1, 2017 to June 30, 2022, the interest due and payable every month shall be at the annual rate of 1.5%;

iii. For the period from July 1, 2022 to June 30, 2027, the interest due and payable every month shall be at the annual rate 2% and

iv. For the period from July 1, 2027 until the remaining life of this agreement, the interest due and payable every month shall be at the annual rate of 2.5%.

An annual interest rate of 10% is charged for GOL Capital notes through out the life of the notes. Interest payments are to be made in full at the end of each month commencing July 31, 2007.

As explained under Paid-up capital, 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 Government as of June 30, 2007 has confirmed the restructured loan balances. There was similar confirmation of balances for the preceding years.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2007	2006
	L$ '000'	L$ '000'
8 IMF related assets		
IMF quota subscription	**6,683,477**	6,030,975
Due from Government of Liberia in respect of balance with IMF		
General resource account	**25,408,599**	22,967,710
Trust fund loan and interest	**2,145,642**	1,936,165
Special drawing right allocation	**1,969,142**	1,776,897
Accrued and overdue charges	**29,942,383**	25,941,929
Subtotal	**59,465,766**	52,622,701
Total	**66,149,243**	58,653,676

Relationship

The Central Bank of Liberia is the fiscal and depository agent of Liberia for transactions with the International Monetary Fund. Financial resources made available to Liberia by the Fund are channelled through the CBL to the Government. The CBL has a claim on the GOL matching liabilities to the Fund. Similarly the CBL has a liability to the Government of Liberia matching the assets, the quota subscription, held in the Fund.

General Resource Account (GRA)

This comprises of SDR currency holdings, which are denominated in Liberian Dollars by the IMF. Transactions effected under agreement with the Fund are converted to Liberian Dollars at an exchange rate applicable on the dates of the respective transactions. However outstanding balances with the Fund are revalued on the basis of a rate that is redefined on April 30th of each year. Gains and losses arising from the annual revaluation are for the account of the Government of Liberia.

Trust Fund Loan

This represents the Liberian dollar equivalent of 22,889,926 SDRs of the Government of Liberia's indebtedness to the Fund under this caption.

Special Drawing Rights Allocation

SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. Although participation in the SDR department is voluntary, all member countries are participants. SDR's are allocated by the IMF to members participating in the SDR department in proportion to their quotas to the Fund at the time of allocation.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

8. IMF related assets (continued)

Special Drawing Rights Allocation (continued)

The amount indicated above for this item represents the Liberian dollar equivalent of 21,007,000 SDR units, being the cumulative allocations by the Special Drawing Rights Department of the IMF. This allocation does not change unless there are cancellations or further allocations. There have been no further allocations or cancellations during the year (2007) and, accordingly, the changes arise from exchange rate fluctuations.

Accrued and Overdue Charges

The amount for overdue charges indicated above represents the Liberian Dollar equivalent of SDR 319,428,334 of cumulative interest and penalty charges on the general resource and trust fund loans provided by the IMF to the Liberian Government. These and all other charges relating to the operations of accounts with the IMF are fully for the account of the Government of Liberia.

Subsequent event

As of close of business on March 14, 2008, the IMF confirmed the completion of Liberia's clearance of its arrears, payment of quota increase and related Fund financing transactions and the granting of new facilities. All applicable entries were recorded in the IMF's accounts held at the Central Bank of Liberia. Corresponding entries were reflected in the CBL's account with the GOL.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

		December 31	
		2007	2006
		L$ '000'	$ '000'
9	**Other assets**		
	Accounts receivable (i)	**18,666**	21,726
	Prepaid expenses(ii)	**119,569**	129,402
	Clearing checks(iii)	**48,681**	20,806
	Deferred currency cost(iv)	**65,890**	112,038
		252,806	283,972
(i)	**Accounts receivable**		
	Staff loans	**17,037**	18,124
	Board of Govenor Loan	**-**	426
	Due from others	**12,086**	19,251
	Other receivable	**826**	1,700
	Allowance for bad debt-Belle Dunbar	**(11,220)**	(11,220)
	Allowance for staff	**(63)**	-
	Allowance for other debtor	**-**	(6,555)
		18,666	21,726
(ii)	**Prepaid expenses**		
	Rent	**6,172**	5,531
	Insurance	**420**	510
	Others	**9,018**	7,138
	Property, plant & equipment in transit	**-**	8,531
	Advances to currency printer	**103,959**	107,692
		119,569	129,402

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
9 Other assets (continued)	**2007**	2006
	L$ '000'	L$ '000'
(iii) Clearing checks		
Items for clearing	**48,681**	20,806
	48,681	20,806
(iv) Deferred currency cost		
Cost incurred		
Liberian banknotes	**65,890**	484,773
Liberian coins	**40,307**	40,307
	106,197	525,080
Less amortization		
Liberian banknotes	**-**	372,735
Liberian coins	**40,307**	40,307
	40,307	413,042
Net book value	**65,890**	112,038

Staff Loan

This is used to account for short-term advances, short-term and long-term loans granted to employees, each of which has varying repayment conditions (terms). The short-term advances, short-term and long-term loans all have applicable interest rates of 5%. Both the short-term advances and short-term loans are payable within a 2-half years (30 months) period, while the long-term loan is payable within 4 and 5 years periods. Those loans payable within 4 years are specifically for the purchase of vehicles or other reasons (such as renovations), while those payable within 5 years are for the purpose of housing construction.

The average number of persons employed by the Bank during the year was 145 (2006:137)

The maximum amount due from officers during the year was L$24150.99. (L$18,752.06).

Accounts Receivable (excluding staff loan)

This account includes receivables from former employees, contractors, etc. Some of these receivables have been fully provided for as a result of uncollectibility.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

9. Other assets (continued)
Clearing checks

Clearing checks was created to account for checks other than CBL checks drawn on commercial banks on accounts in settlement of obligations to third parties. It is used by the CBL to account for all clearing-related transactions between the CBL and commercial banks. Ideally, these checks that are placed in an account on the previous day should clear the following day after the clearing results are tabulated by the Clearing House.

10 Intangible assets

		Software Cost		
	Staff Training-Foreign	Bankmaster Software	Swift System	Total
Balance at 01/01/2007	**35,430**	**18,372**	**331**	**54,133**
Additions	83	-	1,054	**1,137**
Disposals	(15)	-	-	**(15)**
Balance at 12/31/2007	**35,498**	**18,372**	**1,385**	**55,255**
Accumulated amortization:				
Balance at 01/01/2007	**13,835**	**17,483**	**55**	**31,373**
Charge for the year	8,756	2,143	720	**11,619**
Disposals/write off	12,573	-	-	**12,573**
Translation difference	334	(1,254)	-	**(920)**
Balance at 12/31/2007	**35,498**	**18,372**	**775**	**54,645**
Net book value:				
At December 31, 2007	**(0)**	**(0)**	**610**	**610**

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

10. Intangible assets(continued)

		Software Cost		
	Staff Training-Foreign	Bankmaster Software	Swift System	Total
Balance at 01/01/2006	**27,836**	**19,741**		**47,577**
Additions	12,445	-	342	**12,787**
Repayment	(114)	-	-	**-**
Disposals	(5,794)	-	-	**(5,794)**
Translation difference	1,057	(1,369)	(11)	**(323)**
Balance at 12/31/2006	**35,430**	**18,372**	**331**	**54,247**
Accumulated amortization:				
Balance at 01/01/2006	**8,635**	**13,614**	**-**	**22,249**
Charge for the year	7,960	3,896	28	**11,884**
Disposals	(2,760)	-	-	**(2,760)**
Balance at 12/31/2006	**13,835**	**17,510**	**28**	**31,373**
Net book value:				
At December 31, 2006	**21,595**	**862**	**303**	**22,760**

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	At December 31	
11 Investment property	**2 0 0 7**	2006
	L$ '000'	L$ '000'
Balance at 1/1/2007	**11,073**	10,812
Additions	**-**	-
Disposals/Adjustment	**(248)**	-
Translation difference	**(261)**	261
Balance at 31/12/2007	**10,564**	11,073
Accumulation depreciation :		
Balance at 1/1/2007	**2,540**	2231
Charge for the period	**264**	270
Disposals	**(9)**	-
Translation difference	**(39)**	39
Balance at 31/12/2007	**2,756**	2540
Net book value:		
At December 31, 2007	**7,809**	8,533

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

12 Property, machinery and equipment

	Freehold land	Leasehold Improvements	Furnitures Fixtures & Fittings	Machinery and Equipment	Motor Vehicles	Capital works-In-Progress	Total
Cost/valuation							
Balance at 1/1/07	**20,363**	**37,724**	**11,781**	**57,764**	**32,870**	**199,527**	**360,030**
Additions	-	-	381	**26,781**	11,440	-	**38,602**
Disposals	-	-	**-**	**(15)**	(2,011)	(286)	**(2,311)**
Balance at 12/31/07	**20,363**	**37,724**	**12,162**	**84,531**	**42,299**	**199,242**	**396,321**
Accumulated depreciation:							
Balance at 1/1/07	-	**24,655**	**6,285**	**30,936**	**13,849**	**-**	**75,724**
Charge for the year	-	3,655	1,076	**9,752**	11,526	-	**26,008**
Disposals	-	-	-	**-**	(1,285)	-	**(1,285)**
At 12/31/07	-	**28,309**	**7,361**	**40,687**	**24,090**	-	**100,448**
Net book value:							
At 12/31/07	**20,363**	**9,414**	**4,801**	**43,843**	**18,209**	**199,242**	**295,873**

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

12 Property, machinery and equipment(continued)

	Freehold land	Leasehold Improvements	Furnitures Fixtures & Fittings	Machinery and Equipment	Motor Vehicles	Capital works-In-Progress	Total
Cost/valuation							
Balance at 1/1/06	**20,363**	**37,724**	**10,347**	**52,599**	**25,684**	**197,444**	**349,327**
Additions	-	-	1,167	6,290	8,348	2,140	**17,945**
Disposals	-	-	-	(57)	(2,188)	(58)	**(2,303)**
Translation difference	-	-	267	(1,065)	1,026	-	**228**
Balance at 12/31/06	**20,363**	**37,724**	**11,781**	**57,767**	**32,870**	**199,526**	**360,031**
Accumulated depreciation:							
Balance at 1/1/06	-	**25,271**	**5,607**	**23,877**	**6,287**	-	**61,042**
Charge for the year	-	3,706	1,015	8,346	8,866	-	**21,933**
Disposals	-	-	-	(4)	(2,188)	-	**(2,192)**
Translation difference	-	(4,322)	(336)	(1,283)	884	-	**(5,057)**
Balance at 12/31/06	-	**24,655**	**6,286**	**30,936**	**13,849**	-	**75,726**
Net book value:							
At 12/31/06	**20,363**	**13,069**	**5,495**	**26,831**	**19,021**	**199,526**	**284,305**

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

12. Property, machinery and equipment (continued)

Disposal of property, machinery and equipment

	At December 31	
	2007	2006
	L$ '000'	L$ '000'
Cost	**2,011**	2,303
Accumulated depreciation	**(1,285)**	(2,192)
Net book value	**726**	111
Proceed from disposal	**1,386**	202
Profit on disposal	**660**	91

Leasehold improvements

This involves the improvements to various properties that are leased by the CBL. The various lease agreements all specified options for renewal (capital leases). The lease period normally covers from 1-10 years. Costs associated with the lease include initial rental repayments, cost of improvements, renovations, and all other costs incurred in getting the property ready for use. Said cost is amortized over the life of the lease. Subsequently, annual rental payments are capitalized to a prepaid rent account and amortized accordingly.

Bank's building under construction

The land and building of the Bank was written down to its recoverable amount in 2005.The property of particular concern is the proposed premises of the Bank under construction in Central Monrovia. No work has been done on that property since 1990 due to the civil war and no depreciation has been computed thereon. The carrying value of the building (note 9) was questioned as being highly overpriced. Management concerned as to possible impairment, in 2005 commissioned an appraisal of all of its real properties including the building under construction in 2005.Based on the findings of independent appraisers, management conceded that the building was impaired and should be carried at its value of L$199.0 million or US$4.9 million equivalent. The entire exercise was completed in 2005 and the appropriate adjustments reflected in the financial statements for that year ended December 31, 2005. Management believes that the Bank will in the near future, be in the position to complete the building and use it for its intended purpose when the conditions become favourable to do so. No further impairment test has been carried out since that date.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2007	2006
	L$ '000'	L$ '000'
13 Liberian monies in circulation		
Bank notes	**3,691,471**	2,923,471
Coin	**23,050**	23,050
Less: Liberian dollars in vault	**(120,179)**	(133,231)
	3,594,342	2,813,290
14 Commercial Bank deposits and Loans		
Reserve requirement-operating banks	**2,125,550**	1,460,493
Current accounts-operating banks	**495,132**	348,776
Current accounts-non-operating banks	**48,005**	59,258
Clearing House	**-**	279
Forex Bureau Deposit	**141**	-
Other deposit accounts	**1,956**	146,798
Reserve requirement-non-operating banks	**18,781**	18,782
Collection accounts failed banks	**8,579**	-
	2,698,144	2,034,386
15 Deposits of GOL and Agencies		
Demand deposits- central government	**2,374,613**	1,322,435
Witholding taxes payable	**4,761**	519
Demand deposits-individual ministries & agencies	**611,242**	428,240
Other government related deposits	**193,920**	-
SME loans	**121,801**	115,955
State owned enterprises	**16**	6,066
	3,306,353	1,873,215

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2007	2006
	L$ '000'	L$ '000'
16 IMF related liabilities		
IMF quota subscripton	**6,683,477**	6,030,975
Due to IMF		
General resource account	**25,408,599**	22,967,710
Trust fund loan and interest	**2,145,642**	1,936,165
Special drawing rights allocation	**1,969,142**	1,776,897
Accrued and overdue charges	**29,942,383**	25,941,929
Subtotal	**59,465,766**	52,622,701
Total	**66,149,243**	58,653,676

As explained in note 8, the Central Bank of Liberia is the fiscal and depository agent of Liberia for transactions with the International Monetary Fund. Financial resources made available to Liberia by the Fund are channelled through the CBL to the Government. The CBL has a claim on the GOL matching liabilities to the Fund. Similarly the CBL has a liability to the Government of Liberia matching the assets, the quota subscription, held in the Fund.

General resource account

The General resource account and Trust Fund loan represent total loans and charge on account of the Government of Liberia borrowing from the International Monetary Fund (IMF).

Treasury transactions of the Government of Liberia with the IMF are incorporated into the accounts of the Central Bank of Liberia. Amounts borrowed by the Government of Liberia are charged to a receivable account, due from the Government of Liberia (IMF account), recorded in the books of the Bank. Funds received from the IMF are suitably accounted for as assets of the Bank, with a corresponding liability to the Government of Liberia. Interest and other related charges accruing to the IMF are fully for the account of the Government of Liberia.

Special Drawing Rights

Assets and liabilities relative to the IMF are denominated in units of Special Drawing Rights (SDR). The liability is revalued on April 30 each year by the IMF on the basis of the rate of exchange applicable between the SDR and the Liberian Dollar, as notified by the IMF to the bank. Gains or losses arising from the revaluation are also charged to the account of the Government of Liberia. SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. Although participation in the SDR Department is voluntary, all member countries are participants.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

16. IMF related liabilities (continued)

Special Drawing Rights (continued)

SDR's are allocated by the IMF to members participating in the SDR department in proportion to the quotas to the Fund at the time of allocation.
Transactions with the IMF in currencies other than units of SDR are initially converted to equivalent units of SDR and re-denominated into Liberian Dollars based on the prevailing exchange rate between the SDR and Liberian Dollar.

Accrued and Overdue Charges

Accrued and Overdue Charges indicated herein (note 8) represents the Liberian Dollars equivalent of SDR 309,845,783 of cumulative interest and penalty charges on the general resource and trust fund loans provided by the IMF to the Government of Liberia. These and all other charges relative to the operations of accounts with the IMF are fully for the Government of Liberia.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	At December 31	
	2 0 0 7	2006
	L$ '000'	**L$ '000'**
17 Other liabilities		
Due to foreign financial institutions (i)	**420,808**	484,117
Accounts payable (ii)	**264,595**	161,722
	685,403	645,839
(i) Due to foreign financial institutions		
West African Monetary Agency (WAMA)	**311,619**	339,291
Other foreign banks	**109,189**	144,826
	420,808	484,117
(ii) Accounts payable		
Official checks-CBL	**16,231**	15,401
Unearned income	**3,223**	1,753
Managers' checks-CBL	**27,187**	7,751
Stale checks payable	**124**	19,439
Suppliers & service providers	**-**	166
Due to staff	**82,505**	67,183
Accrued expenses	**50,807**	219
Sundry	**84,518**	49,810
	264,595	161,722

Due to Staff

These include staff salary accounts, CBL provident fund payable, and retirement benefit. The staff salary accounts include accrual of 2007 annual leave for employees.

Under the CBL retirement benefit scheme, employees who leave the CBL receive a lump sum based on length of service and final pay. This arrangement meets the definition of a defined benefit scheme under IAS19. Payments are made directly by the CBL and these arrangements are unfunded. Payments are met out of current resources.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

17. Other liabilities (continued)

Due to Staff (continued)

The CBL also operates a provident fund for the staff. Under this scheme both staff and the CBL may make contributions into a fund which is held on the CBL's balance sheet. Each employer

has an individual account which is credited with contributions and interest. When the employee leaves the CBL he or she receives the balance on the account.

West African Monetary Agency (WAMA)

Indebtedness to West African Monetary Agency (WAMA), as shown above, represents the L$311,619,201 consolidated amount (equivalent of US$4,985,907) payment made by a number of member banks of WAMA on behalf of the former National Bank of Liberia (the predecessor of the Central Bank of Liberia) as at the end of 1986. US$4.7 million of this amount was for a letter of credit which was established at the time by a local commercial bank in favor of the Government of Liberia. In 1987, the then National Bank of Liberia credited the full value of the letter of credit in equivalent Liberian dollars to the deposited account of the said local bank held by the NBL. Annual revaluation losses thereafter have been taken into NBL's revaluation reserve account.

For the purpose of the opening balance sheet at the start of the Central bank, the revaluation reserve balance was absorbed into the paid up capital.

Other foreign banks

This indebtedness represents a liability inherited by the CBL through a letter of credit issued by the then NBL to the Union Bank of Switzerland (UBS) in October 1985 to draw against a US$2.5m (Two million five hundred thousand United States dollar). The amount of US$1,725,934 represents both the principal plus accrued interest of 5% per annum which stopped accruing since September 18, 1997. Included in this balance is the amount of US$16,529.07 payable to the First Union Bank of North Carolina (F.U.N.C) also inherited by the CBL from NBL. To date, no payment has been made against these debts.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	At December 31	
	2 0 0 7	2006
	L$ '000'	**L$ '000'**
18 Commercial bank loan		
TRADEVCO loan payable	**787,773**	742,608
	787,773	742,608

TRADEVCO Loan payable

On July 11, 2000, the Central Bank of Liberia (CBL) and the Liberian Trading and Development Bank Limited (TRADEVCO) entered into an agreement under which, the CBL accepted a liability concerning claims of TRADVECO excess reserves balances. The CBL agreed and accepted an assumed currency mix of 67% U.S Dollars or US$7.989 million(Seven million, nine hundred and eighty-nine thousand United States dollar) and 33% Liberian dollars or L$3.934 million (three million, nine hundred and thirty-four thousand Liberian Dollars) in the referenced account on the referenced date of April 19, 1988, which, after application of the interest of 7% per annum(being the interest payable by the then NBL on excess reserves) and the conversion of the L$ portion to US$ at the ratio of 1:40, add up to US$14.927 million(fourteen million, nine hundred and twenty-seven thousand United States dollars). The total accepted obligation of the CBL and the TRADEVCO as of June 30, 2000 was US$14.927 millions.

Out of the total accepted obligation, the amount of US$2.570 million (two million, five hundred and seventy thousand United States dollars) was deducted and set aside as the required reserves of TRADEVCO based on its current aggregate US dollars deposits, leaving the balances of US$12.357 million (twelve million, three hundred and fifty-seven thousand United States dollars) as the net obligation of the CBL to TRADEVCO.

The accepted excess reserves liability amount which is payable over a 20- years period, carries an annual interest rate of 0% for years 1-5, 1% for years 6-10(to accrue only) and 1.5% for years 11-20. Accrued interests on said loan are included in the balance reported in these financial statements.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2007	2006
	L$ '000'	**L$ '000'**
19 Capital		
Paid-in-capital	**7,398,587**	7,398,587
Donated capital	**-**	11,339
Subscribed capital	**200,000**	200,000
	7,598,587	7,609,926

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.

Subscribed capital represents a series of six promissory notes intended to secure payment of L$200million by the GOL as its capital contribution to the CBL.(See note 6)

The donated capital is a grant from IMF which was wrongly treated as capital instead of deferred income. The grant has been reclassified as a deferred income and included in accounts payable.

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	December 31	
	2007	2006
	L$ '000'	L$ '000'
20 General reserve account		
General reserve	**3,532,023**	2,853,089
Prior year adjustments	**(2,622)**	(7,895)
Current year Profit and Loss	**2,519,869**	1,162,850
Accumulated losses	**-**	(476,021)
	6,049,270	3,532,023

The General reserve account is kept in accordance with section 8 of the Central Bank of Liberia Act of 1999.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

20. General reserve account (continued)

Accumulated losses

This arose after the establishment of the CBL when it took over the assets, liabilities and records of the former National Bank of Liberia. An unidentified shortfall in the assets denominated in Liberia dollars was discovered amounting to L$300,504,632. In addition there was L$175,516,583, which represented a disputed amount between the CBL and GOL over a long-term receivable and which was written off against the debt.
The accumulated losses were treated as a reduction in capital in the 2006 financial statements. In line with best practice, these losses have been reclassified as a reduction in reserves in 2007. The prior year figure has been restated in line with the new treatment.

Prior year adjustments

These adjustments were as a result of a change in accounting policy during the year, particularly with respect to cost associated with deferred currency and staff training. The unamortized balance in staff development cost for graduate studies were derecognized as asset and written off in 2007.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

		December 31	
		2 0 0 7	2006
		L$ '000'	L$ '000'
21	**Interest income**		
	GOL Notes and Advances	**1,735,451**	215,519
	GOL capital notes	**40,081**	36,182
	Deposits and staff loans	**257,525**	125,099
		2,033,058	376,800
22	**Interest expense**		
	Local banks	**8,613**	1,890
	UBS loan	**-**	1,595
		8,613	3,485
23	**Fees,Commission and Other income**		
	Notes transfer fees	**2,548**	2,376
	Service fees and commission	**160,205**	125,372
		162,753	127,748
24	**Other income**		
	Foreign exchange commission	**2,000**	9,314
	Rental income	**853**	692
	Other income -fines	**234**	831
	Other miscelleous income	**50,807**	50,524
	Translation gain	**794,164**	988,586
		848,059	1,049,947

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

		December 31	
		2 0 0 7	2006
		L$ '000'	L$ '000'
25	**Administrative expenses**		
	Personnel cost	**146,488**	109,378
	Board fees and expenses	**8,457**	8,735
	Property cost/occupancy	**30,759**	20,176
	Currency expense	**198,271**	157,073
	Office expenses	**13,185**	9,992
	Professional services	**23,275**	16,303
	Travel expenses	**8,347**	8,825
	Depreciation and amortization expenses	**50,456**	34,093
		479,238	364,575
	Personnel Cost		
	Salaries and wages	**118,137**	84,895
	Housing allowance	**3,137**	1,458
	Retirement benefit scheme	**19**	7,618
	Training expenses	**6,562**	12
	Social security contribution	**4,468**	3,503
	Insurance expense-staff	**3,353**	2,984
	Allowances and benefits	**6,159**	5,974
	Provident fund contribution	**4,402**	2,934
	Medical	**24**	-
	Uniform	**226**	-
		146,488	109,378
	Board fees and expenses		
	Board fees	**6,298**	8,558
	Board entertainment	**132**	141
	Other	**2,027**	36
		8,457	8,735

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2 0 0 7	2006
	L$ '000'	L$ '000'
25 Administrative expenses(continued)		
Property cost/occupancy		
Rent and accommodation	**10,749**	9,445
Generator fuel	**9,244**	7,674
Utilities expense	**742**	380
Repair & maintainance:		
bank building	**6,567**	1,457
furniture and fitting	**236**	44
equipment	**944**	519
generators	**2,145**	568
guest house	**102**	38
training center	**29**	51
	30,759	20,176
Currency expense		
Notes importation cost	**36,663**	41,373
Mutilated notes exportation cost	**7,266**	2,034
Cost of destroying banknotes	**194**	253
Amortization of currency printing cost-coins	**-**	39,797
Amortization of currency printing cost-bank notes	**154,147**	73,616
	198,271	157,073
Office expenses		
Telephone/ fax	**1,385**	1,760
Postage and courier	**1,375**	367
Hospitality/ entertainment	**848**	528
Printing	**3,038**	2,655
Stationery and supplies	**6,055**	2,846
Legal expenses	**484**	1,836
	13,185	9,992

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

	December 31	
	2 0 0 7	2006
25. Adminstrative expenses (continued)	**L$ '000'**	L$ '000'
Professional services		
Janitorial services	**1,810**	1,766
Contractual Services	**31**	7,502
Other professional services	**5,266**	2,254
Audit Services	**6,958**	-
Security allowance	**9,211**	4,781
	23,275	16,303
Travel expenses		
Local travel	**517**	1,322
Regional travel	**1,451**	3,378
International travel	**6,379**	4,125
	8,347	8,825
Depreciation and amortization expenses		
Depreciation on equipments	**9,752**	8,346
Depreciation on furnitures and fixtures	**1,076**	1,015
Depreciation on vehicles	**11,526**	8,866
Amortization on leasehold properties	**3,655**	3,706
Amortization on banking software	**2,863**	3,924
Amortization on foreign training	**21,329**	7,959
Amortization on real estate	**255**	277
	50,456	34,093

Amortization on banknotes (currency printing costs)

The amortization expense on banknotes includes printing costs (contract costs) associated with acquiring the banknotes. The bank has revised its policy on these with effect from January 1, 2007. The costs associated with banknotes issued are expensed when placed into circulation using a weighted average method. Hence, the cumulative effect of such expense has been taken through the current year’s income statement.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

25. Administrative expenses (continued)

Amortization-staff development (foreign training)

This account was used to account for all amortized costs associated with foreign training scholarships offered by the CBL. Said costs were amortizable over the period of three to four years commencing immediately upon the return of the benefactor from study. The Bank has decided that such costs should be expensed in the year they occur. Accordingly, the unamortized balance reported in the Staff Training account (previously recognized as an asset) has been expensed and taken through the current year's income statement.

	December 31	
	2 0 0 7	2006
	L$ '000'	L$ '000'
26 Other operating expenses		
Internet service expense	**3,106**	2,343
Official gift/ donation	**217**	39
Bank charges	**161**	133
Subscription and publication	**1,307**	1,638
Public relations	**60**	25
Other loss/ bad debts	**2,413**	2,757
Bank master/ swift annual license fees	**2,947**	6,535
Contribution to bebt management	**16,808**	2,679
Vehicle fuel,insurance and maintenance	**8,119**	7,338
Advertisement	**249**	-
Others	**285**	27
Micellaneous	**475**	71
	36,150	23,585

27. Tax

The Central Bank of Liberia is exempted from the payment of Liberian Government taxes except for those related to employees' earnings, stated under part XI (53) of the CBL Act of 1999.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

28. Cash and cash equivalents

	2007	2006
Cash and balances with banks	**7,462,510**	4,286,060

29. Related party transactions

The CBL is the official depository and fiscal agent of the Government of Liberia, the sole shareholder of the Bank. It performs official banking services for 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.

Interest income earned during the year

	2 0 0 7 L$ '000'	2006 L$ '000'
GOL notes and advances	**1,735,451**	215,519
GOL capital notes	**40,081**	36,182
	1,775,532	251,701

Year end balances resulting from related party transactions:

Receivables from related party:

	2007 L$'000	2006 L$'000
Due from Government of Liberia –short term loan	**3,566**	980,333
Due from Government of Liberia – Long term loan	**16,696,398**	13,363,210
Due from IMF	**66,149,243**	58,653,676
	82,849,207	72,997,219

Payables to related party:

Deposits of GOL and agencies	**3,306,353**	1,873,215
Due to IMF	**66,149,243**	58,653,676
	69,455,596	60,526,891

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

30. Off -balance sheet transactions

The Central Bank of Liberia is a guarantor of two loan facilities as shown below

	2007	2006
GOL Bridge facility	**713,122**	713,122
BMC loan	**131,982**	131,982
	845,104	845,104

GOL Bridge facility/BMC loan

The GOL Bridge Facility/BMC concerns loans guaranteed by the CBL payable to the National Social Security & Welfare Corporation (NSSWC) and the Liberia Bank for Development & Investment (LBDI). This came about through an agreement between the CBL and the National Social Security & Welfare Corporation (NSSWC) and the Liberia Bank for Development & Investment (LBDI) on August 17, 2001 to provide a loan facility in the amount of Liberian Dollar equivalent of US$1.3 Million (One Million Three Hundred Thousand United States Dollars) to the Government to finance the payment of civil servants salary arrears. The CBL treats these loan facilities as off balance sheet items since the CBL is only a guarantor.

31. Contingencies

Critical judgements are continually made on whether or not to provide for contingent liabilities.

(i)MONTROSE CAPITAL, LLC - US$129 million debt

The Central Bank of Liberia is Co-Defendant with the National Housing and Savings Bank in a major lawsuit arising from the default in payment of a loan principal of US$26 million plus accrued interest and charges as at December 31, 2006. A syndicate of foreign banks provided the loan to the National Housing and Savings Bank in the early 1980s. The original amount of the facility was US$50 million, of which US$26 million was disbursed. The loan was negotiated then by the National Housing and Savings Bank and guaranteed on November 6, 1981 by the erstwhile National Bank of Liberia, predecessor of the Central Bank.

The facility was intended to fund an uninterrupted supply of petroleum products to Liberia through the Liberia Petroleum Refining Company, another wholly owned Government enterprise. The Borrower (NHSB) discontinued disbursements on the loan in 1982 due to non-repayment of earlier advances.

Title to the loan has changed a number of times from the original syndicate of Lenders in 1981 to the current holder of the instruments, MONTROSE CAPITAL, LLC as of May 12, 2003.

NOTES (continued)

(All amounts are expressed in thousands of Liberian dollars (L$) unless otherwise stated)

31. Contingencies (continued)

(i) MONTROSE CAPITAL, LLC - US$129 million debt(continued)

Montrose Capital which is a registered Limited Liability Company of the State of Alabama, United States of America has sued both the National Housing and Savings Bank (NHSB) and the Central Bank of Liberia (CBL) jointly, for a sum in excess of US$129 million representing principal, interest and charges.

The principal debtor, National Housing and Savings Bank is currently insolvent and non operational. It is therefore apparent that the outcome of the case when decided is likely to affect the Guarantor, the Central Bank of Liberia and by association the Government of Liberia. However, that outcome is yet to be determined and therefore no provisions have been made in these financial statements.
The case is currently before the Supreme Court of New York with the relevant citation dated January 7, 2005. The CBL is being represented by a US counsel. No further information on the actual status of the case is yet available.

The Liberian dollar equivalent of the US$129 million contingency is L$8.1 billion as at December 31, 2007. This amount represents 59 % of the Bank's total equity as at December 31, 2007. Whereas, the Liberian dollar equivalent at December 31, 2006 was L$ 7.7 billion. Said amount represented 69% of the bank's total equity at that date.

(ii) Government of Liberia

The Central Bank of Liberia is also co-defendant with the Government of Liberia in two separate cases of action relative to: (a) outstanding commitments on a long term construction contract and (b) commitments for the purchase of an aircraft for the Government in the 1980s for which payment has remained outstanding. However, unlike the previous case (note 3.4.1.) involving the National Housing Bank which is now insolvent, the principal debtor in this case is the Government of Liberia, whose ability to pay is even more assured than the CBL in the event of a final judgment against the defendants.

(iii)Other litigations

The Central Bank of Liberia is a party to seven other cases either as a fiduciary, receiver, or, by reason of its regulatory duties. Counsels for the Central Bank assert that cases of this nature do not necessarily constitute any risk of loss to the institution, and no material loss is expected to arise.

32. Comparatives

Where necessary and practical the comparative figures have been reinstated accordingly.