



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT



**On The Financial Statement Audit of the
Liberia Electricity Corporation**

***For The Eighteen Months Ended
December 31, 2021***

October 2025

**P. Garswa Jackson, Sr. FCCA, CFIP, CFC
Auditor General, R.L.**

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ACRONMYS

Acronyms/Abbreviations/Symbol	Meaning
AG's	Auditor General's
CFE	Certified Fraud Examiner
CFIP	Certified Forensic Investigation Professional
CFWG	Community Forest Working Group
CIE	Cote D' Ivoire Electricity International
CMS	Customer Management System
COSO	Commission on Sponsoring Organization
Etc	Et cetera
FCCA	Fellow Member of the Association of Chartered Certified Accountants
GoL	Government of Liberia
IFMIS	Information Technology
INTOSAI	International Organizations of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
L\$	Liberian Dollar
LRA	Liberia Revenue Authority
MBA	Masters of Business Administration
PFM Act	Public Finance Management Act
PFMU	Public Financial Management Unit
PPCC	Public Procurement and Concessions Commission
R. L	Republic of Liberia
REF #	Reference number
US\$	United States Dollar

Republic of Liberia



TRANSMITTAL LETTER

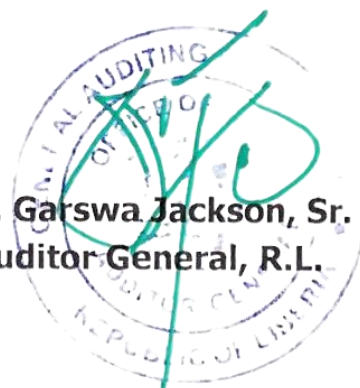
The Honorable Speaker of the House of Representatives and the President Pro-Tempore of the House of Senate.

We have undertaken the audit of the Liberia Electricity Corporation (LEC) for the fiscal year ended December 31, 2021. The audit was conducted under the Auditor General's statutory mandate, as provided for under section 2.1.3 of the GAC Act of 2014.

Findings conveyed in this report have been formally communicated to the Management of the Liberia Electricity Corporation (LEC). Where responses have been provided by the Management on the audit findings, these have been evaluated and incorporated in this report.

Given the significance of the matters raised in this report, we urge the Hon. Speaker and the members of the House of Representatives and Hon. Pro-Tempore and members of the Liberian Senate to consider the implementation of the recommendations conveyed herein with urgency.

**P. Garswa Jackson, Sr. FCCA, CFIP, CFC
Auditor General, R.L.**



Monrovia, Liberia

October 2025

October 6, 2025

Hon. Mohammed Sheriff

Managing Director

Liberia Electricity Corporation (LEC)

P.O BOX 10-165

UN Drive, Waterside, Westpoint

1000 Monrovia, 10 Liberia

Auditor General's Report on the financial statements Audit of the Liberia Electricity Corporation (LEC) for the year July 1, 2020 to December 31, 2021

Adverse Opinion

We have audited the financial statements of the Liberia Electricity Corporation (LEC) for the fiscal year ended December 31, 2021, which comprise the statements of financial position and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs below, the financial statements do not present fairly, in all material respects, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended , and notes to the financial statements including a summary of significant accounting policies year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

During our audit of the financial statements of the Liberia Electricity Corporation (LEC) for the period ended December 31, 2021 we identified several significant issues that have led to our adverse opinion:

Retirement Benefits

Management's inability to provide sufficient and appropriate evidence of the retirement benefits amounting to US\$5,504 million as at June 30, 2021 including approved policy, qualification and experience of the actuary and evidence of the significant assumptions, calculation of retirement benefits and its annual calculation of the net interest, past and current service cost, and payments made during the year that led to the re-measurement component being recognized in the profit and loss for the fiscal period ended June 30, 2019.

Non-Remittance of Personal Income Tax (PIT)

Management did not remit Personal Income Tax amounting to US\$2,776 million for the fiscal period ended June 30, 2020 as required by Section 200 of the Revenue Code of Liberia 2000 and Amended and Restated in 2011.

Irregularities Associated with LIBENERGY Electricity Supply Agreement

Management did not comply with key terms of the LIBENERGY electricity supply agreement in line with IFRS 9. Management did not provide evidence of significant billings and collections of electricity supplied during the year by LIBENERGY in Grand Gedeh and Maryland areas as per the agreement.

Negative Cash Balances

Management presented several overdrawn cash balances (overdraft facilities) amounting to US\$2.820 million without evidence of approval from the Minister of Finance and the Debt Management Committee as required by Regulation M.3. of the PFM Regulations of 2009 as Amended and Restated (2019). The non-approval of overdraft/ overdrawn bank account balances resulted into non-compliance with laws and regulations. These overdrawn balances materially misstated the cash balance in the financial statements.

Confirmation for receivables and payables not submitted or returned

Management did not provide evidence over the completeness, existence and valuation of receivables and payables amounting to US\$16,057 million and 11,646 million respectively as at December 31, 2021. These conditions did not facilitate the performance of alternative procedures as Management did not provide invoices, receipt and payment documents.

Irregularities Associated with the LIBANGO Super Vendor Contracts

Management's inability to provide evidence of tokens generated and sold by LIBANGO to reconcile pre-paid revenue from LIBANGO and the associated commission amounting to US\$17,136 million for prepaid revenue and US\$1,463 million as commission to LIBANGO for the period ended December 31, 2021.

Further, the following irregularities are associated with LIBANGO Super Vendor Contracts for which we could not obtain evidence over the valuation and disclosure of revenue associated with tokens purchased as required by IFRS 15:

- No evidence of periodic sales reports from LEC to corroborate total revenue from tokens sales and total commissions due to LIBANGO
- No evidence of independent assessment of LIBANGO Cyber Attack Report on the disruption incident at LEC.

These irregularities materially impaired the completeness, and occurrence of revenue balances in the financial statements.

These issues have a pervasive impact on the financial statements and resulted in the financial statements not presenting a true and fair view of the Liberia Electricity Corporation's financial position and performance for the period ended December 31, 2021.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the LEC Management in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

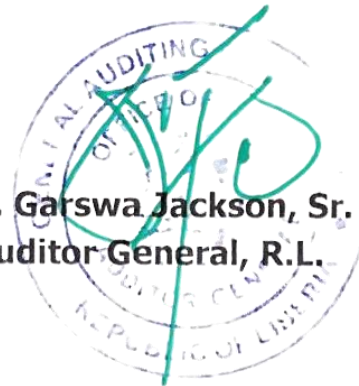
Management's Responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. The LEC Management is responsible for overseeing the Project's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**P. Garswa Jackson, Sr. FCCA, CFIP, CFC
Auditor General, R.L.**



Monrovia, Liberia

October, 2025

LIBERIA ELECTRICITY CORPORATION
Eighteen Months Ended December 31, 2021

CORPORATE INFORMATION

Directors	Monie R. Captan – Chairman Samuel D. Tweah, Jr. – Statutory Member Musah F. Dean, Jr. – Statutory Member Gesler E. Murray – Statutory Member Charles R. Bright – Statutory Member Josiah K. Pah – Private Sector Member Victoria Tweh - Private Sector Member Dave Koomey, Sr. - Private Sector Member Jacob M. Fayad - Private Sector Member Samuel Reeves – Private Sector Member Paschal Buckley – CEO/Board Secretary Cllr. Isabel B. Diggs - Company Secretary
Registered office	West Point, Waterside Monrovia, Liberia
Corporation secretary	Mr. John Ashley West Point, Waterside Monrovia, Liberia
Independent auditor	PricewaterhouseCoopers Certified Public Accountants 9 th Street, Payne Avenue Sinkor, Monrovia P O Box 1895 1000 Monrovia 10 Liberia
Solicitor	Sannoh & Partners, PC Counsellors & Attorneys- At- Law25 Benson Street Corner of Benson & McDonald Streets Monrovia, Liberia
Bankers	International Bank (Liberia) Limited Liberia Bank for Development & Investment Guarantee Trust Bank (Liberia) Limited United Bank for Africa (Liberia) Limited Ecobank (Liberia) Limited BHF Bank Aktiengesellschaft

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Liberia Electricity Corporation (the "Corporation") for the eighteen months ended December 31, 2021 which disclose the state of the financial affairs of the Corporation. The financial statements for the eighteen months then ended December 31, 2021 is not comparable with the twelve months ended June 30, 2020.

Statement of directors' responsibilities

The directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of its profit or loss for that year. The directors are also required to ensure that the Corporation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Corporation. The directors are also responsible for safeguarding the assets of the Corporation.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Business Corporation Act of the Associations law (amended) 2020. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Statement of going concern

The Corporation incurred a net loss after tax of US\$ 3.19 million for the year ended 31 December 2021 (2020: US\$ 2.35 million) and as of that date, the Corporation's current liabilities exceeded its current assets by US\$18.42 million (2020: US\$18.69 million). This gives rise to a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis because the because the shareholder has given assurance that it will continue to provide financial support to the Corporation.

Principal activities

The principal activity of the Corporation is the generation and distribution of electric power for public consumption.

Financial results and dividend

The financial results for the eighteen months ended December 31, 2021 are set out on page 6. The directors do not recommend the payment of a dividend for the year ended December 31, 2021 (2020: Nil).

BY ORDER OF THE BOARD

CLLR. EMMANUEL A. TULAY, SR.
Name of chairman:

Signature:

Date: OCTOBER 14, 2025

MOHAMMED M. SHERIF

Name of director:

Signature:

LIBERIA ELECTRICITY CORPORATION
Financial statements
for the eighteen months ended December 31, 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts are expressed in thousands of United States Dollars)

	Note	<u>18-Months Ended Dec 31</u>	<u>Year ended June 30</u>	
		2021	2021	2020
Revenue	6	42,832	26,201	23,370
Cost of sales	7	(46,696)	<u>(34,821)</u>	<u>(27,182)</u>
Gross loss		(3,864)	(8,620)	(3,812)
General and administrative expenses	8	(27,146)	(13,062)	(16,566)
Other income	9	55	58	87
Other losses – net	10	<u>1,911</u>	<u>-</u>	<u>(9)</u>
Operating loss		(29,043)	(21,624)	(20,779)
Grant income	11	26,675	14,155	18,893
Finance income	12	1,109		676
Finance costs	13	(1,939)	<u>(3,599)</u>	<u>(1,168)</u>
Loss before income tax		(3,198)	(11,069)	(2,378)
Income tax expense		<u>-</u>	<u>-</u>	<u>-</u>
Loss after tax for the year		(3,198)	(11,069)	(2,378)
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Translation differences - retirement benefit obligations	26	<u>-</u>	<u>-</u>	<u>63</u>
Total comprehensive income for the year – (loss)		<u>(3,198)</u>	<u>(11,069)</u>	<u>(2,315)</u>

The notes on pages 8 to 49 form an integral part of these financial statements.

LIBERIA ELECTRICITY CORPORATION
Financial statements
for the eighteen months ended December 31, 2021

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in thousands of United States Dollars)

		<u>18-Months At Dec 31</u>		<u>At June 30</u>
		2021	2021	2020
ASSETS				
Non – current assets		Note		
Property, plant and equipment	14	516,289	522,070	511,252
Plant and equipment in warehouse	15	15,201	16,077	11,814
Intangible assets	16	40	45	9
Investments	17	2,000	2,000	2,000
Other assets	18	174	<u>313</u>	<u>313</u>
Total non-current assets		<u>533,704</u>	<u>540,505</u>	<u>525,388</u>
Current assets				
Inventories	19	774	3,022	3,048
Trade and other receivables	20	20,780	18,544	7,933
Cash and bank balances	21	10,947	<u>5,945</u>	<u>6,847</u>
Total current assets		<u>32,501</u>	<u>25,510</u>	<u>17,828</u>
Total assets		<u>566,205</u>	<u>568,015</u>	<u>543,216</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	22	1	1	1
Other Government of Liberia funds	23	80,285	73,035	73,035
Retained earnings		(52,016)	<u>(58,140)</u>	<u>(48,817)</u>
Total equity		<u>28,270</u>	<u>14,896</u>	<u>24,219</u>
Liabilities				
Non-current liabilities				
Borrowings	24	58,711	69,134	56,518
Grants	25	422,796	424,165	422,606
Retirement benefit obligations	26	5,504	<u>3,348</u>	<u>3,348</u>
Total non- current liabilities		<u>487,011</u>	<u>496,647</u>	<u>482,472</u>
Current liabilities				
Borrowings	24	4,332	3,697	2,966
Trade and other payables	27	40,520	46,704	27,497
Customers' security deposits	28	1,694	1,693	1,684
Grants	25	4,378	<u>4,378</u>	<u>4,378</u>
Total current liabilities		<u>50,924</u>	<u>56,472</u>	<u>36,525</u>
Total liabilities		<u>537,935</u>	<u>553,119</u>	<u>518,997</u>
Total equity and liabilities		<u>566,205</u>	<u>568,015</u>	<u>543,216</u>

The notes on pages 8 to 49 form an integral part of these financial statements.

LIBERIA ELECTRICITY CORPORATION

Financial statements

for the eighteen months ended December 31, 2021

The financial statements on pages 3 to 4 were approved for issue by the Board of Directors on.....2022 and were signed on their behalf by:

CLLR. EMMANUEL A. TULAY, SR.
Name of chairman:

Signature:



MOHAMMED M. SHERIF

Name of director:

Signature:



LIBERIA ELECTRICITY CORPORATION
Financial statements
for the eighteen months ended December 31, 2021

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in thousands of United States Dollars)

	Stated capital	Other Government of Liberia funds	Retained earnings	Total Equity
Year ended December 31, 2021				
At July 1, 2020	<u>1</u>	73,035	(48,818)	<u>24,218</u>
Loss for the year	-	-	(3,198)	(3,198)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(3,198)</u>	(3,198)
Transactions with owners:				
Funds from Government of Liberia (Note 23)	<u>-</u>	<u>7,250</u>	<u>-</u>	<u>7,250</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At December 31, 2021	<u>1</u>	<u>80,285</u>	<u>(52,016)</u>	<u>28,270</u>
Year ended June 30, 2020				
At July 1, 2019	<u>1</u>	<u>68,593</u>	(46,502)	<u>22,092</u>
Loss for the year	-	-	(2,378)	(2,378)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>63</u>	<u>63</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(2,315)</u>	(2,315)
Transactions with owners:				
Funds from Government of Liberia (Note 23)	<u>-</u>	<u>4,442</u>	<u>-</u>	<u>4,442</u>
	<u>-</u>	<u>4,442</u>	<u>-</u>	<u>4,442</u>
At June 30, 2020	<u>1</u>	<u>73,035</u>	<u>(48,818)</u>	<u>24,219</u>

The notes on pages 8 to 49 form an integral part of these financial statements.

LIBERIA ELECTRICITY CORPORATION
Financial statements
for the eighteen months ended December 31, 2021

STATEMENT OF CASH FLOWS

(All amounts are expressed in thousands of United States Dollars)

		18-Months At Dec 31	At June 30	
	Note	2021	2021	2020
Cash flows from operating activities				
Cash generated from/(used in) operations	29	1,570	2,550	(151)
Customers' security deposits	28	10	9	50
Pension benefits paid to former employees	26	(241)	(130)	(70)
Net generated from/(cash used) in operating activities		1,339	2,429	<u>(171)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	14	(24,825)	(24,616)	(15,252)
Purchase of plant and equipment in warehouse	15	1,859	(3916)	(220)
Payment for Intangible assets	16	(42)	(42)	
Payment for other assets	18	(139)	-	(28)
Net cash used in investing activities		(23,147)	(28,574)	<u>(15,500)</u>
Cash flows from financing activities				
Cash grants received	25	1,271	930	5,645
Grants received for purchase of property, plant and equipment	25	15,581	14,793	11,379
Proceeds from borrowings	24	11,377	9,529	3,357
Loan repayments	24	(9,571)	-	(4,096)
Advances from Government of Liberia	23	7,250	-	4,417
Net cash generated from financing activities		25,908	25,243	<u>20,702</u>
Net increase/(decrease) in cash and bank balances		4,100	(902)	5,031
At beginning of year		6,847	6,847	1,816
Cash and bank balances at end of year	21	10,947	<u>5,945</u>	<u>6,847</u>

The notes on pages 8 to 49 form an integral part of these financial statements.

NOTES

1. General Information

The Liberia Electricity Corporation (LEC) is a public utility Corporation created on July 12, 1973 by the Government of the Republic of Liberia through an act of the National Legislature with a mandate to produce and supply economic and reliable electric power to the entire nation. The address of the Corporation's registered office is West Point, Waterside, Monrovia, Liberia.

2. Summary of significant 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 years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Business Corporation Act of the Associations law (amended) 2020. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The directors do not have the ability to amend the audited financial statements after issue.

2.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Corporation

IFRS 16 – Leases

The Corporation has adopted IFRS 16 Leases retrospectively from July 1, 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The Corporation's leasing arrangements qualified for "short term leases" and payments associated with these leases are recognised on a straight-line basis as an expense in profit or loss over the lease term. The adoption of the Standard resulted in changes in accounting policies but did not have an impact on the amounts recognised in prior and current periods. The new accounting policies are disclosed in Note 2.22.

IFRIC 23 – Uncertainty over Income Tax Treatments

This standard which became effective January 1, 2019, clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The Corporation has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Corporation.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet adopted by the Corporation

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Corporation. Those that are likely to have an impact on the Corporation's financial statements when the standards become effective are set out below:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify that:

- the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The directors have not yet assessed the impact of the standard on the Corporation's financial statements as at December 31, 2021. The effective date for adoption of this amendment is periods beginning January 1, 2020.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet adopted by the Corporation (continued)

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the Corporation operates (the functional currency). The financial statements are presented in United States Dollar, which is the Corporation's presentation and functional currencies.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in statement of comprehensive income within 'finance income or costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income or expenses.

2.4 Revenue

(i) Sale of power – Post-paid meter system

Revenue for the Corporation represents the amount earned from the supply of electric power and excludes goods and service tax. Revenue comprises a fixed tariff per kilowatt/hour of electricity consumed. Revenue from sale of electric power is recognized at a point in time. The amount of revenue recognized is determined by multiplying the amount of electric power consumed as reflected on customers' electricity consumption meters, in kilowatt -hour, by the tariff for the billing period.

Revenue is recognized (upon consumption of electric power by customer) to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding goods and service taxes. Post-paid revenue is earned on the spot when the energy is consumed.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.4 Revenue (continued)

(ii) Sale of power - Prepaid meter system

In addition to the post-paid meter system described above, the Corporation also operates a prepaid meter system in which customers make payments in advance for power supply. Amounts received from customers in advance for electricity is deferred and recognized in deferred revenue by reference to the stage of consumption. Stage of consumption is measured using the days between purchases by customers in a period. Prepaid revenue is recognized at a point in time when the energy is consumed.

iii) Connection and reconnection fees

Connection and reconnection fees paid by customers are recognized upon successful completion of the customer connection or reconnection to the Corporation's power lines. Connection fees represent amounts paid by customers connecting to the Corporation's power lines for the first time. The amounts charged to individual customers as connection fee depends on the quantity of connection materials expected to be used in connecting and other factors. Reconnection fees represent amounts paid by customers who wish to reconnect to the Corporation's power lines after being disconnected for non-payment of bills or other form of non-compliance with the terms of the service agreement. The revenue from reconnection is recognized at the point of reconnection.

2.5 Finance income and cost

Finance income

Finance income is recognized in the statement of profit or loss as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the amortized cost of the financial instrument. The determination of finance income considers all contractual terms of the financial instrument as well as any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

Finance costs

Finance costs includes interest expense calculated using the effective interest rate method, the unwinding of the effect of discounting provisions, and the amortization of discounts and premiums on debt instruments that are liabilities.

2.6 Financial instruments

a. Financial assets

i) Classification, Recognition and measurement

It is the Corporation's policy to initially recognize financial assets at fair value plus transaction costs, except in the case of financial assets measured at fair value through profit or loss which are expensed in profit or loss. The Corporation currently has financial assets measured at amortized cost and fair value through other comprehensive income.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

a. Financial assets (continued)

i) Classification, Recognition and measurement (continued)

Debt instruments

Classification and subsequent measurement of the Corporation's debt instruments is dependent on the Corporation's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Corporation may classify its financial assets at amortized cost, fair value through profit or loss and at fair value through other comprehensive income.

The business models applied to assess the classification of the financial assets held by the Corporation are;

Hold to collect: Financial assets in this category are held by the Corporation solely to collect contractual cash flows and these cash flows represent solely payments of principal and interest. Assets held under this business model are measured at amortized cost.

Hold to collect and sell: Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represent solely payments of principal and interest. These financial assets are measured at fair value through other comprehensive income.

Financial assets that do not meet the criteria described above are measured at fair value through profit or loss which is the residual category. The Corporation's debt instruments are held to collect contractual cash flows that are solely payments of principal (for non-interest-bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets). The financial assets are measured at amortized cost. The Corporation's debt instruments are trade and other receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date which are included in non-current assets. Interest income from these assets is recognized within finance income using the effective interest rate method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Corporation has equity investment in Transco-CLSG, a company incorporated in Cote d'Ivoire.

The Corporation subsequently measures all equity investments at fair value through profit or loss, except where the Corporation's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Corporation's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and any related balance in FVOCI reserve is reclassified to retained earnings on disposals. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends continue to be recognized in profit or loss as other income when the Corporation's right to receive payments is established.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

b. Financial liabilities

Financial liabilities of the Corporation are classified and measured at fair value on initial recognition net of directly attributable transaction costs and subsequently measured at amortized cost. Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Corporation's own credit risk which is presented in other comprehensive income.

The remaining amount of change in the fair value of the liability is presented in profit or loss. The Corporation has no financial liabilities measured at fair value through profit or loss. The Corporation's financial liabilities include borrowings, trade and other payables and customer's security deposits.

ii) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortized cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The general approach is applied to other receivables and cash and cash equivalents while the simplified approach is applied to trade receivables. The simplified approach requires expected lifetime losses to be recognized from initial recognition of the trade receivables. This involves determining the expected loss rates using a provision matrix that is based on the Corporation's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The general (three-stage) approach assesses impairment based on changes in credit risk since initial recognition using the quantitative, backstop and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. This approach has 3 stages, financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year (12 months ECL), while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The loss given default is an estimate of the loss arising in the case where a default occurs at a given time.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

ii) Impairment of financial assets (continued)

It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information to arrive at an ECL which is then discounted back to the reporting date and summed. The Corporation considers oil to be the primary macro-economic variables that impact the business.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognized in profit or loss.

Default definition and significant increase in credit risk

The Corporation assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Corporation identifies the assets that require close monitoring. Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are determined to have experienced significant increase in credit risk. These assets are classified as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Corporation's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 365 days and 120 days for Government and third-party party customers respectively after the contractual payment period. Subsequent to default, the Corporation carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Corporation determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

iii) Derecognition

Financial assets

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognized in profit or loss.

Financial liabilities

The Corporation derecognizes a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized immediately in the statement of profit or loss.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

iv) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Corporation or the counterparty.

2.7 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to the acquisition of the asset and bringing the asset to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable to bringing the assets to a working condition for its intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and for qualifying assets, borrowing costs. The capitalized value of finance lease is also included within property, plant & equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Plant and equipment in warehouse is initially recognized at cost and represents all costs directly attributable to the acquisition of generating, transmitting and distributing materials received into the warehouse which is not yet constructed and made available for use. These items are not depreciated.

Work-in-progress assets are assets under construction yet to be moved to property, plant and equipment. It is measured at cost and transferred to the respective class of property, plant and equipment upon completion.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when such costs have the ability to increase the future economic benefits of the item of property, plant & equipment beyond those initially estimated, it is probable that future economic benefits associated with the items will flow to the Corporation and the cost of the items can be measured reliably. All other day-to-day repair and maintenance costs are expensed as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is calculated to write off the cost over the estimated useful lives of the assets on a straight-line basis. Property, plant and equipment are depreciated from the month in which the asset becomes available for use in the location and condition for it to be operating in the manner intended by management. The Corporation does not depreciate its capital work-in-progress assets.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives of the assets are as follows:

Buildings	30 years
Transformers & poles (distribution asset)	20 or 35 years
Transmission & distribution lines (distribution asset)	30 or 40 years
Meters (distribution asset)	10 years
Connection materials (distribution asset)	20 years
High-speed diesel Generators	7 years
Medium speed diesel Generators (thermal plant)	20 years
Computer	5 years
Office furniture & fixtures	5 years
Motor vehicles	7 years

(iv) De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included, in statement of comprehensive income as 'gain or loss on disposal of property, plant and equipment when the asset is derecognized and is recognized within other income or other expenses.

(v) Useful lives of property, plant and equipment and intangible assets

The Corporation determines the estimated useful lives and related depreciation/amortization charges for its assets. This estimate is based on projected lifecycles for these assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

2.8 Intangible assets

Costs associated with the acquisition and the testing of computer software programs are recognized as intangible assets under non-current assets. These intangible assets are amortized on a straight-line basis over their estimated useful lives of five years in general and administrative expenses.

2.9 Other assets

Other assets represent advance payments for assets. The amount consists of letters of credit which have been written by the Corporation's financial institutions in favor of the Corporation's vendors or suppliers for which the contracted goods or services have not yet been delivered at the end of the reporting period. Other assets are measured initially and subsequently at cost.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.10 Inventories

The Corporation's inventory comprises primarily of fuel used for the running of the Corporation's power station plant. Fuel inventories are carried in the statement of financial position at the lower of cost and net realizable value. In determining net realizable value, the Corporation uses the market price of fuel as published by the Ministry of Commerce and Industry. Cost includes purchase price plus all other costs incurred in bringing the inventory to the point of use. The costs of individual items of inventory are determined using weighted average costs.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for billings for electricity consumption services performed in the ordinary course of business.

If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

Other receivables generally arise from transactions outside the usual operating activities of the Corporation and are due within the reporting period.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as 'share capital' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

2.14 Other Government of Liberia funds

Other Government of Liberia funds represents annual funds received from the Corporation's owner, the Government of Liberia. These advances do not result in the issuance of any additional shares and the Government of Liberia does not expect to receive payment of the amounts given. These are classified under equity.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any differences between proceeds (net of transaction costs) and the redemption value is recognized in statement of comprehensive income over the period of the borrowings, using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.15 Borrowings (continued)

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates. Borrowings are classified as non-current liabilities unless the Corporation has is required to pay within 12 months after the end of the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds.

2.16 Grants

Grants received from donors in the form of non-monetary assets are carried at the fair value of the asset transferred. In these circumstances, the Corporation assesses the fair value of the non-monetary asset and account for both the grant and the asset at that fair value. Grants in the form of non-monetary assets are presented in the statement of financial position by setting up the grants as deferred grant and amortizing same in statement of comprehensive income on a straight-line basis over the useful lives of the related assets. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When cash grants intended exclusively for the purpose of acquiring or constructing an asset are received, the entire amount received is recognized as deferred grant until such time when the funds are used to acquire or construct the assets. When the related assets are available for use, the assets are depreciated, and the grant amortized in statement of comprehensive income in the same pattern in which the related assets are depreciated.

2.17 Retirement benefit obligations

The Corporation operates two post-retirement benefit plans, a defined contribution plan (i.e. a plan under which the amounts to be paid as retirement benefits are determined by contributions of employees and the employer together with investment earnings thereon) and a defined benefit scheme (i.e. a plan under which the amounts to be contributed by the employer is defined by the post - retirement benefits promised to employees).

Defined contribution plan

The defined contribution scheme is generally funded through payments to the National Social Security and Welfare Corporation (NASSCORP) of Liberia. The contributions are recognized as employee benefit expenses when they are due. The Corporation has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employee benefits relating to employees' services in the current and prior period.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.17 Retirement benefit obligations (continued)

Defined benefit plan (continued)

Under the Corporation's defined benefit plan, it pays to employees, on a monthly basis, upon retirement 40% of the monthly salary of the employees in the final month of employment. This is paid plus L\$1,000 (as ordered by the President of the Republic of Liberia) upon the employee retirement at age of 60 - provided the employee has spent 25 continuous years with the Corporation or provided that the employee has spent 25 continuous years with the Corporation even if he/she has not reached the retirement age of 60 years. Such payments cease upon the death of the employee. Unlike the Corporation's defined contribution plan, the defined benefit plan is unfunded.

The cost of providing benefits under the Corporation's defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

If the benefits have already vested, immediately following the introduction of, or changes to, the pension plan, past service costs are recognized immediately. The defined benefit liability comprises the present value of the defined benefit obligation less past service costs and less the fair value of plan assets out of which the obligations are to be settled.

Assumptions adopted for the determination of the Corporation's pension liability are derived from other similar public service pension schemes but adapted to take account of the specific characteristics of the scheme such as, after retirement at age 60 or after 25 years of continuous service with the Corporation even before reaching the retirement age of 60 years. All retirees are estimated to live for 20 years after retiring. Existing retirees are estimated to live for 15 years. The mortality rate after retirement was estimated to be 10.41% based on data published by the Liberia Institute of Statistics and Geo-information Services (LISGIS).

Termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits at the earlier of the following dates: (a) when the Corporation can no longer withdraw the offer of those benefits; and (b) when the Corporation recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The amounts are unsecured and are usually paid within 90 days or one accounting year. Trade and other payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Other payables generally arise from transactions outside the usual operating activities of the Corporation and are due within the reporting period.

2.19 Customers' security deposits

Customers' security deposits are cash deposits, which were previously required to be made by post-paid customers before electricity was supplied and were used to collateralize trade receivables from customers who may consume electricity supplied during the period and renege on settlement of their bill.

Whenever a customer discontinues the relationship with the Corporation, the security deposit, less any unpaid electricity bill, is refunded. Customers' security deposits are recognized at cost and are classified as current liabilities.

2.20 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Corporation estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

The Corporation does not have any asset or group of assets which generates cash flows that are largely independent of those of other assets; hence the entire Corporation is considered as a cash generating unit (CGU) for the purpose of impairment calculation. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.20 Impairment of non-financial assets (continued)

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The Corporation bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation is taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For each of the Corporation's assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.21 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Corporation expects some or all of a provision to be reimbursed; for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

2.22 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.22 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on a rate, initially measured as at the commencement date
- amounts expected to be payable by the Corporation under residual value guarantees
- the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Corporation, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Corporation:

- where possible, uses recent third-party financing received by the Corporation as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Corporation is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Corporation under IFRS 16 are not revalued.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise certain items of computer equipment and small items of office furniture.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.23 Current income taxes

i) Goods and Services tax

Revenues, expenses and assets are recognized net of the amount of goods and services tax, except:

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that includes the amount of goods and services tax included. The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors. The estimates, assumptions and management judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Useful lives of property, plant and equipment

The Corporation determines the estimated useful lives and related depreciation charges for its property, plant and equipment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for the Corporation's financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4.1, which also sets out key sensitivities of the ECL to changes in these elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk and default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

3. Critical accounting estimates and judgments (continued)

Retirement benefit obligations

The defined benefit retirement plan typically exposes the Corporation to actuarial risks such as: interest rate risk, longevity risk, salary risk, and staff turnover risk.

Interest rate risk

In determining the present value of the retirement benefit obligation, the interest rate which reflect returns on the Corporation's fixed deposits was used. A decrease in the interest rate will increase the retirement benefit liability.

Longevity risk

The present value of the retirement benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants, both during and after employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

Salary risk

The Corporation's post-retirement benefit plan is a final salary plan; hence the present value of the retirement benefit obligation is calculated by reference to the future salaries of the plan participants. As such an increase in the salaries of the plan's participants estimated will increase the retirement benefit obligation.

Staff turnover risk

In determining the present value of the retirement benefit obligation, the Corporation considers the likelihood that an employee may leave the Corporation before meeting the vesting conditions under the plan. The Corporation estimated its staff turnover rate by reference to staff turnover of the Corporation in the past years. A decrease in the staff turnover rate would increase the retirement benefit obligation.

	2021	2020
Discount rate	13.5%	12.4%
Expected rate of salary increase (average)	5%	8%
Mortality rate	9%	10.41%
Salary growth rate	10%	1%
Inflation rate	7.8%	13.1%
Staff turnover rate	-6.7%	-6.7%
Expected life span after retirement	20years	20 years
Employees retiring at age 60	140	128

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

3. Critical accounting estimates and judgments (continued)

Retirement benefit obligations (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the period, assuming all other assumptions are held constant.

- If the discount rate is 1 basis point higher, the retirement benefit obligation would increase by US\$44,669 (2020: US\$2,484,497); if 1 basis point lower, the retirement benefit obligation would decrease by US\$46,763 (2020: US\$2,514,003).
- If expected salary growth increases by 1 basis point, the retirement benefit obligation would increase by US\$847 (i.e. 0.0152%); if it decreases by 1 basis point, the retirement benefit obligation would decrease by US\$849 (0.015%).
- If life expectancy is 1 basis point higher, the retirement benefit obligation would increase by US\$ 49,460 (2020: US\$2,800,982); if 1 basis point lower, the retirement benefit obligation would decrease by US\$59,688 (2020: 2,487,094).

The sensitivity analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the statement of financial position. The methods and assumptions used in performing the sensitivity analysis did not change compared to prior period.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management

4.1 Financial risk factors

Overview

The Corporation's activities expose it to a variety of financial risks: market risk (mainly currency and interest rate risk), credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

Risk management is carried out by management under policies approved by the Board of Directors of the Corporation. Management identifies and evaluates the financial risks in co-operation with the Corporation's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as market risk, liquidity risk and credit risk. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance.

Market risk

(a) Foreign exchange risk

The Corporation enters business transactions that exposes it to foreign exchange risk arising from various currency exposures, primarily with respect to the Liberia Dollars and Euro. Foreign exchange risk arises from future commercial transactions, and recognized assets and liabilities. Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge.

At December 31, 2021, if the US dollar had weakened/strengthened by 5% against the Liberian dollar with all other variables held constant, post-tax loss for the year would have changed by US\$ (2020: US\$48) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Liberian dollar cash and bank balances.

At December 31, 2021, if the US dollar had weakened/strengthened by 5% against the Euro with all other variables held constant, post-tax loss for the year would have changed by US\$ million (2020:US\$ 5 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EURO denominated bank and long-term loan balances.

(b) Price risk

The Corporation has investments in equity securities, Investment in Transco-CLSG (note 17). The Corporation is not exposed to commodity or equity securities price risk as the investment is unquoted. The Corporation does not have commodity purchase contracts that meet the definition of a financial instrument under IFRS 9.

(c) Cash flow and fair value interest rate risk

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporations to cash flow interest rate risk which is partially offset by cash held at variable rates. The Corporation regularly monitors financing options available to ensure optimum interest rates are obtained.

The Corporation does not have any variable rate borrowings so changes in interest rates will not affect the Corporation's interest payable.

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's receivables from electricity consumed by customers.

This is the risk that post-paid meter customers will fail to settle electricity bills either on a timely basis or fail to settle electricity bills at all. These include only customers within the Corporation's post-paid metering system.

Management of credit risk

The Board of Directors of the Corporation collectively has the responsibility for the management of credit risk. To address the Corporation's exposure to credit risk, the Board has instituted measures such as disconnection of customers with unpaid electricity bills.

Usually, upon the expiration of the bill settlement period, the Corporation disconnects all delinquent customers from its power lines to ensure it incurs no further loss from unsettled electricity bills. All delinquent customers previously disconnected are required to pay a reconnection fee before being reconnected to the Corporation's power distribution lines.

(a) Credit quality for trade receivables

The trade receivables, which were past due but not impaired relate to a number of independent customers. The ageing analysis of trade receivables is as follows:

	2021	2020
Trade receivables	25,008	<u>13,247</u>
Neither past nor due		
0 – 30 days		<u>1,086</u>
Past due but not impaired		
31 – 60 days		495
61 – 90 days		532
91 – 120 days		747
121 – 365 days		5,076
Above 365 days		<u>5,311</u>
Total past due but not impaired		<u>12,161</u>
Neither past due and past due but not impaired	<u>25,008</u>	<u>13,247</u>

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk (continued)

(b) Maximum exposure to credit risks

The table below shows the Corporation's maximum exposure to credit risk by class of financial instruments:

	2021	2020
Bank balances	10,832	6,801
Trade and other receivables**	<u>25,008</u>	<u>13,247</u>
	<u>35,840</u>	<u>20,048</u>

** Trade and other receivables exclude prepayments and employee advances.

The Corporation actively seeks to limit the amount of credit exposure to any one financial institution. The Corporation's policy is to place its cash with reputable banks. The table below analyses the balance with the banks at the reporting date:

Counterparty	Moody's credit rating	2021	2020
Ecobank Liberia	Not available	8,696	3,710
International Bank of Liberia	Not available	1,943	1,810
United bank of Africa (UBA)	Not available	115	166
Liberia Bank for Development & Investment (LBDI)	Not available	173	197
Central Bank of Liberia (CBL)	Not available	73	918
Clearing	Not available	(168)	-
		<u>10,832</u>	<u>6,801</u>

(c) Expected credit loss measurement

Trade receivables

The Corporation applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which recognizes a lifetime expected loss allowance for all trade receivables.

Trade receivables represent the amount of receivable from customers for billings of electricity consumption performed in the ordinary course of business. The expected credit loss rate for this receivable is determined using a provision matrix approach.

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk (continued)

(c) Expected credit loss measurement (continued)

The provision matrix approach is based on the historical credit losses experienced within 36 months before 1 July 2018 and 48 months before 31 December 2021. The historical loss rates are adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the inflation rate and GDP growth rate as the macroeconomic variable affecting the default rates and accordingly adjusts the historical loss rates based on expected changes in this factor.

The expected loss rates as at December 31, 2021 are as follows:

Age of trade receivables from Government	0-30 days	31-60 days	61-90 days	91-120 days	121-365 days	above 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross carrying amount							
Loss rate	0.16%	0.18%	0.21%	0.25%	0.28%	100%	
Lifetime ECL							

Age of trade receivables from Third Party	0-30 days	31-60 days	61-90 days	91-120 days	121-365 days	above 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross carrying amount							
Loss rate	34.9%	37.3%	41.4%	49.7%	60.1%	100%	
Lifetime ECL							

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk (continued)

(c) Expected credit loss measurement (continued)

The expected loss rates as at June 30, 2019 are as follows:

Age of trade receivables from Government	0-30 days	31-60 days	61-90 days	91-120 days	121-365 days	above 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross carrying amount	482	317	215	253	108	1,374	2,749
Loss rate	0.16%	0.18%	0.21%	0.25%	0.28%	100%	
Lifetime ECL	-	-	-	-	-	1,374	1,374

Age of trade receivables from Third Party	0-30 days	31-60 days	61-90 days	91-120 days	121-365 days	above 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross carrying amount	604	178	317	494	4,968	3,937	10,498
Loss rate	34.9%	37.3%	41.4%	49.7%	60.1%	100%	
Lifetime ECL	211	66	131	246	2,986	3,937	7,577

Other receivables and cash and cash equivalents

General Approach

The Corporation applied the three-stage approach in recognizing the ECL on other receivables and cash and cash equivalents.

The three-stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.

The ECL recognized for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive).

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk (continued)

(c) *Expected credit loss measurement (continued)*

The expected credit losses as shown below:

Other receivables

	Stage 1 12-month USD'000	Stage 2 Lifetime ECL USD'000	Stage 3 Lifetime ECL USD'000	Total USD'000
December 31, 2021				
Gross EAD*	398	-	-	398
Loss allowance	-	-	-	-
Net EAD	398	-	-	398
June 30, 2019				
Gross EAD*	-	-	3,421	3,421
Loss allowance	-	-	(2,235)	(2,235)
Net EAD	-	-	1,186	1,186

Cash and cash equivalents

The cash and bank balances are assessed to be in stage. The identified impairment loss on cash and cash equivalents balances as at June 30, 2020 and December 31, 2021 are immaterial and have not been recognized.

Staging criteria

The Corporation considers both quantitative and qualitative indicators in classifying these financial assets into the relevant stages for impairment calculation. Impairment provision is recognized in three stages based on days past due. Using the criteria stated, a worst-case staging is assigned to every facility.

Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).

Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such external credit rating (as far as available) and actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

Stage 3: This stage includes financial assets that have been assessed as being in default.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk (continued)

(c) *Expected credit loss measurement (continued)*

Other receivables: A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Trade receivables: Any receivable balance not settled after 365 days and 120 days for government and third-party customers respectively are deemed to be in default.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Corporation. Where receivables have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivable due.

Where recoveries are made, these are recognized in profit or loss as other income. The parameters used to determine impairment on other receivables and cash and cash equivalents are shown below:

Probability of default (PD)	The credit rating of these financial assets was used to reflect probability of default on the financial assets. This was supplemented with external data from S & P Global Corporate Default rates to arrive at a 12-month PD for stage 1 receivables and lifetime PD for stage 2 and 3 receivables respectively. The PD for stage 3 is 100%.
Loss Given Default (LGD)	The LGD was determined using the weighted Moody's corporate recovery rates on unsecured bonds. The LGD was adjusted with the federal reserve formula to reflect downturn LGD.
Exposure at Default (EAD)	The EAD is the maximum exposure of the receivable to credit risk.
Macroeconomic indicators	The Liberian inflation rate and Gross Domestic Product (GDP) growth rate were identified as economic variables affecting the credit risk.
Scenario probability weightings	Historical data on GDP for the previous 36 quarters was used to determine base, optimistic and downturn scenarios. 40%, 42% and 18% of historical inflation and GDP growth rates observation fall within acceptable bounds, periods of boom and periods of downturn respectively.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Credit risk (continued)

(d) Estimation uncertainty in measuring impairment loss

The table below shows information on the sensitivity of the carrying amounts of the Corporation's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Corporation's financial assets.

i) Trade receivables

Sensitivity to macroeconomic variables

Set out below are the changes to the ECL as at 30 June 2020 that would result from reasonably possible changes in the parameters from the actual assumptions used in the Corporation's economic variable assumptions.

The table below shows the sensitivity on profit before tax arising from expected credit loss due to a 10% change to each forward-looking macroeconomic variable.

Macroeconomic variable	2021	2020
	US\$'000	US\$'000
Oil Price (increase)		(616)
Oil Price (decrease)		616

ii) Other receivables

The table below demonstrates the sensitivity of expected credit loss to an inverse and positive change of 10% to the ECL parameters.

ECL Paramater	2021	2020
	US\$'000	US\$'000
PD (increase)		(14)
PD (decrease)		14
LGD (increase)		(4)
LGD (decrease)		4

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash balances.

Management of liquidity risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

Management receives information regarding the liquidity position of the Corporation as a whole and details of other projected cash flows arising from projected future business. Management has introduced the pre-paid meter system for all low-income housing to address some of its short-term cash needs.

For post-paid meter customers, management has employed a rigorous approach for collecting outstanding electricity bills including regular follow ups specifically with the Government of Liberia and Government institutions/ agencies to ensure outstanding bills for Government related entities are settled in a timely manner, disconnecting delinquent customers and charging of additional fees for reconnection, etc. to ensure that sufficient liquidity is maintained within the Corporation as a whole.

Details of the ratio of current assets to current liabilities at the reporting date and during the reporting period were as follows:

	2021	2020
Current assets	32,501	17,828
Current liabilities	50,924	<u>36,525</u>
Current ratio	<u>0.64:1</u>	<u>0.49:1</u>

Exposure to liquidity risk

The key measure used by the Corporation for managing liquidity risk is the quick ratio. For this purpose, highly liquid assets only include cash on hand and at bank and trade receivables. The Corporation's quick ratio is determined by dividing total highly liquid assets (as described above) by current liabilities.

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Liquidity risk (continued)

	2021	2020
Trade and other receivables	20,780	7,933
Cash and bank balances	10,947	6,847
	<u>31,727</u>	<u>14,780</u>
Current liabilities	<u>50,923</u>	<u>36,525</u>
Quick ratio	<u>0.62:1</u>	<u>0.40:1</u>

The following are contractual maturities of financial liabilities

	Within one year	After one year	Total contractual cash flows	Carrying amount
At December 31, 2021				
Trade payables	11,646	-	11,646	11,646
Other payables	28,874	-	28,874	28,874
Customers' security deposits	1,694	-	1,694	1,694
Borrowings	<u>4,332</u>	<u>58,711</u>	<u>63,043</u>	63,043
	<u>46,545</u>	<u>58,711</u>	<u>105,257</u>	<u>105,257</u>
At June 30, 2020				
Trade payables	15,668	-	15,668	15,668
Other payables	2,594	-	2,594	2,594
Customers' security deposits	1,684	-	1,684	1,684
Borrowings	<u>3,666</u>	<u>57,648</u>	<u>61,314</u>	<u>59,484</u>
	<u>23,612</u>	<u>57,648</u>	<u>81,260</u>	<u>79,430</u>

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NOTES (continued)

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5. Financial risk management (continued)

4.2 Capital risk management

The primary objectives of the Corporation when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Corporation may sell assets to reduce debt. The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. During 2020, the Corporation's strategy, which was unchanged from 2019, was to maintain a gearing ratio of not more than 50%.

	2021	2020
Borrowings	63,043	59,484
Cash and cash equivalents	<u>(10,947)</u>	<u>(6,847)</u>
Net debt	52,096	52,637
Equity	<u>28,270</u>	<u>24,219</u>
Total capital	<u>80,366</u>	<u>76,856</u>
Gearing ratio (%)	<u>65%</u>	<u>68%</u>

5. Fair values

All financial assets of the Corporation are classified as financial assets at amortized cost. Their carrying amounts approximate their fair value due to their short-term nature. Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principal accounting policies in note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyzes the financial assets and liabilities in the statement of financial position by class of financial instrument to which they are assigned, and therefore by the measurement basis:

December 31, 2021	Hold to collect	Hold to collect and sale	Other financial liabilities	Total carrying amount	Fair value
Assets					
Investments	-	2,000	-	2,000	2,000
Trade and other receivables*	20,780	-	-	20,780	20,780
Cash and bank balances	<u>10,947</u>	-	-	<u>10,947</u>	<u>10,947</u>
	<u>31,727</u>	<u>2,000</u>	-	<u>33,727</u>	<u>33,727</u>

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NOTES (continued)

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5. Fair values (continued)

December 31, 2021	Hold to collect	Hold to collect and sale	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Borrowings	-	-	63,043	63,043	63,043
Trade and other payables**	<u>-</u>	<u>-</u>	<u>40,520</u>	<u>40,520</u>	<u>40,520</u>
	<u>-</u>	<u>-</u>	<u>103,563</u>	<u>103,563</u>	<u>103,563</u>
June 30, 2020					
Assets					
Investments	-	2,000	-	2,000	2,000
Trade and other receivables*	4,694	-	-	4,694	4,694
Cash and bank balances	<u>6,847</u>	<u>-</u>	<u>-</u>	<u>6,847</u>	<u>6,847</u>
	<u>11,541</u>	<u>2,000</u>	<u>-</u>	<u>13,541</u>	<u>13,541</u>
Liabilities					
Borrowings	-	-	59,484	59,484	59,484
Trade and other payables**	<u>-</u>	<u>-</u>	<u>18,262</u>	<u>18,262</u>	<u>18,262</u>
	<u>-</u>	<u>-</u>	<u>77,746</u>	<u>77,746</u>	<u>77,466</u>

* Trade and other receivables exclude prepayments and employee advances.

** Trade and other payables exclude deferred revenue and statutory payments.

Fair value hierarchy

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date. To provide an indication about the reliability of the inputs used in determining the fair values. The different levels have been defined as follows;

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Corporation is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no transfers between level 1,2 and 3 during the year.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

	2021	2020
6. Revenue		
Energy sales – post paid	25,569	12,972
Energy sales - prepaid	17,136	10,294
Power connection/reconnection fees	<u>127</u>	<u>104</u>
	<u>42,832</u>	<u>23,370</u>
7. Cost of sales		
Employee benefits expenses (Note 8b)	5,696	3,531
Transco-CLSG-CIE PPA	2,517	
Fuel and gasoline expenses	9,758	2,657
Depreciation expenses (Note 14)	19,606	13,006
Maintenance expenses	4,073	4,553
Camp management	2,187	1,977
Commission	1,463	748
Other expenses	<u>1,396</u>	<u>710</u>
	<u>46,696</u>	<u>27,182</u>
8. General and administrative expenses		
General and administrative expenses include:		
Employee benefits expenses (Note 8b)	12,746	7,314
Auditor’s remuneration	97	88
Depreciation expenses (Note 14)	1,110	781
Amortization expenses (Note 16)	11	2
Directors’ remuneration	203	119
Consultancy services	57	4,038
Professional fees	251	177
Impairment charge on trade receivables (Note 20)	-	-
Travel for training	169	
Repairs and maintenance	327	578
Public relations	183	40
West Africa Power Pool cross boarder commitment	57	-
Project expenditure (administrative)	7,676	2,150
Office stationery and supplies	52	16
LERC License	215	
Anti-theft Operations	120	
Other administrative expenses	<u>3,872</u>	<u>1,106</u>
	<u>27,146</u>	<u>13,583</u>

Other administrative expenses include sanitation cost, security cost, canteen cost, janitorial and other expenses of a small nature.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

8b. Employee benefits expenses

	2021	2020
Salaries	15,005	9,408
Defined contribution expenses	587	373
Net defined benefit (gains)/ expenses	361	(28)
Allowances	<u>2,489</u>	<u>1,092</u>
	<u>18,442</u>	<u>10,845</u>

Employee benefits expenses are aggregated and reported by the departments for which they were incurred as follows;

	2021	2020
Cost of sales	5,696	3,531
General and administrative expenses	<u>12,746</u>	<u>7,314</u>
	<u>18,442</u>	<u>10,595</u>

9. Other income

Sundry income	55	<u>87</u>
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10. Other losses - net

Loss on foreign exchange	<u>-</u>	<u>9</u>
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11. Grant income

Amortization of non-monetary grant (note 25)	19,686	13,189
ESBI Management Fees	5,448	
Expenses from cash received (Donors' fund)	<u>1,359</u>	<u>5,697</u>
	<u>26,675</u>	<u>18,886</u>

The Corporation received grants from many foreign Governments and other international organizations in the form of non-monetary assets and cash for the purchase of property, plant and equipment and to finance some operational costs. There are no unfulfilled conditions or contingencies attached to these grants. Details of grants received are provided in note 25 to these financial statements.

12. Finance income

	2021	2020
Exchange gains on foreign currency borrowings	<u>1,109</u>	<u>676</u>

13. Finance costs

Interest expense on borrowings (Note 24)	<u>1,939</u>	<u>1,168</u>
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NOTES (continued)

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14. Property, plant and equipment

	Land and buildings	Distribution assets	Thermal Plant	Hydro power plant	Computer & Equipment	Office Furniture & Fixtures	Motor vehicles	Capital Work-in-progress	Total
Cost									
At July 1, 2020	8,612	132,720	76,756	266,792	2,829	436	3,657	100,308	592,110
Additions	-	2,088	-	-	232	18	105	23,310	25,753
At December 31, 2021	8,612	134,808	76,756	266,792	3,061	454	3,762	123,618	616,863
Accumulated depreciation									
At July 1, 2020	3,081	25,770	27,873	18,921	2,055	219	2,939	-	80,858
Charge for the year	409	6,359	4,473	8,677	319	43	436	-	13,797
At December 31, 2021	3,490	32,129	32,346	27,598	2,374	262	3,375	-	101,574
Net book value	5,122	102,679	44,410	239,194	687	192	387	123,618	516,289

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14. Property, plant and equipment (continued)

	Land and buildings	Distribution assets	Thermal Plant	Hydro power plant	Computer & Equipment	Office Furniture & Fixtures	Motor vehicles	Capital Work-in-progress	Total
Cost									
At July 1, 2019	8,612	131,560	76,756	266,792	2,690	432	3,603	84,513	574,958
Additions	-	1,160	-	-	139	4	54	15,795	17,152
At June 30, 2020	8,612	132,720	76,756	266,792	2,829	436	3,657	100,308	592,110
Accumulated depreciation									
At July 1, 2019	2,809	21,626	24,891	13,136	1,820	189	2,600	-	67,071
Charge for the year	272	4,144	2,982	5,785	235	30	339	-	13,787
At June 30, 2020	3,081	25,770	27,873	18,921	2,055	219	2,939	-	80,858
Net book value	5,531	106,950	48,883	247,871	774	217	718	100,308	511,252

Adjustment to property plant and equipment relates to property, plant and equipment received directly from donors. Payment for these assets were made directly to suppliers by the respective donors and is recognized in grants.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

14. Property, plant and equipment (continued)

Depreciation expense

Depreciation expense on property, plant and equipment used for administrative purposes is reported in general and administrative expense in the statement of comprehensive income and depreciation expense on property, plant and equipment used in electricity generation (e.g. transformers, distribution lines, poles) is reported in cost of sales. Depreciation expenses are charged to cost of sales and general and administrative expenses as below:

	2021	2020
General and administrative expenses	1,110	781
Cost of sales	<u>19,606</u>	<u>13,006</u>
	<u>20,716</u>	<u>13,787</u>

15. Property and equipment in warehouse

At July 1	11,814	11,971
Additions	3,818	220
Inventory used for maintenance	<u>(431)</u>	<u>(377)</u>
	<u>15,201</u>	<u>11,814</u>

16. Intangible assets

Cost

At July 1	103	103
Addition	<u>42</u>	-
	145	<u>103</u>

Accumulated amortization

At July 1	94	92
Charge for the year	<u>11</u>	<u>2</u>

At December 31	<u>105</u>	<u>94</u>
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Carrying amount as at December 31	<u>40</u>	<u>9</u>
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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

17. Investments

Investment securities held at fair value through other comprehensive income

	2021	2020
At July 1,	2,000	1,975
GOL Investment in TRANSCO-CLSG	<u> -</u>	<u> 25</u>
At December 31	<u>2,000</u>	<u>2,000</u>

Equity securities relate to the investment in TRANSCO-CLSG.

18. Other assets

	2021	2020
At 1 July	313	285
Transfer during the year	<u>(139)</u>	<u> 28</u>
At December 31	<u>174</u>	<u>313</u>

Advance payments for property, plant and equipment relate to advance payment made for property, plant and equipment in warehouse as well as other fixed assets not yet received.

19. Inventories

	2021	2020
Fuel	<u>774</u>	<u>3,048</u>

20. Trade and other receivables

(i) Trade receivables

Gross trade receivables	25,008	13,247
Less: impairment allowance	<u>(8,951)</u>	<u>(8,951)</u>
Net trade receivables	<u>16,057</u>	<u>4,296</u>

(ii) Other receivables

Employee advances	458	170
Prepayments	81	3,239
Sundry receivables	4,184	228
Less: impairment allowance	-	-
	<u>4,723</u>	<u>3,637</u>
Net trade and other receivables	<u>20,780</u>	<u>7,933</u>

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NOTES (continued)

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20. Trade and other receivables (continued)

Movements in the allowance for impairment of trade receivables are as follows:

	2021	2020
At July 1	8,951	6,238
Increase in provision	—	<u>2,713</u>
At December 31	<u>8,951</u>	<u>8,951</u>

21. Cash and bank balances

Bank balances	10,832	6,801
Cash on hand	<u>115</u>	<u>46</u>
	<u>10,947</u>	<u>6,847</u>

22. Stated capital

	2020		2019
	No. of shares	Amount	No. of shares
			Amount
Authorized share capital:			
Ordinary shares-no par value	1,000	1	1,000
Issued and fully paid:			
Ordinary shares-no par value	1,000	1	1,000

The 1,000 shares of the Corporation carry no par value and are wholly owned by the Government of Liberia.

23. Other Government of Liberia (GoL) funds

	2021	2020
At July 1	73,035	66,593
(GoL) Investment in Transco - CLSG (Note 17)	-	25
Advances made to and on behalf of LEC	<u>7,250</u>	<u>4,417</u>
At December 31	<u>80,285</u>	<u>73,035</u>

Other Government of Liberia funds represents annual funds received from the Corporation's owner, the Government of Liberia. Actual funds received was US\$176,000 for the maintenance of generation assets and an amount of US\$ 7,073,919 paid by the Government of Liberia on behalf of the Corporation to EIB as loan repayments (note 24). These advances do not result in the issuance of any additional shares. These are classified under equity.

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NOTES (continued)

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24. Borrowings

	At July 1	Addition	Foreign exchange gains	Repayments	At June 30
Year ended December 31, 2021					
EIB loan	52,078	-	-	(6,686)	45,392
AFDB loan	4,440	8,879	-	-	13,319
Short-term Bank loan	2,497	-	-	(2,497)	-
Interest payable	2,966	<u>2,019</u>	-	<u>(653)</u>	<u>4,332</u>
	<u>59,484</u>	<u>10,898</u>	=	<u>(9,836)</u>	<u>63,043</u>
Year ended June 30, 2019					
EIB loan	56,850	-	(676)	(4,096)	52,078
AFDB loan	1,083	3,357	-	-	4,440
Interest payable	1,798	<u>1,168</u>	-	-	<u>2,966</u>
	<u>59,731</u>	<u>4,525</u>	<u>(676)</u>	<u>(4,096)</u>	<u>59,484</u>
				2021	2020
Current				4,332	2,966
Non-current				58,711	56,518
At December 31				<u>63,043</u>	<u>59,484</u>

Borrowings consist of loans from the International Community guaranteed by the Government of Liberia on behalf of Liberia Electricity Corporation. The loan includes funds from the European Investment Bank (EIB) and the African Development Bank (AfDB). In addition, the loans include interest payable at a rate of 0.75% per annum and 1.43% per annum on the European Investment Bank (EIB) loans. The EIB loan has a repayment period of 21 years with a 6 years moratorium period. Meanwhile, the African Development Bank loan include an interest payable of 1% per annum from the eleventh to the twentieth year and 3% per annum thereafter. There is also a service charge of 0.75% per annum on the principal amount of the loan disbursed and outstanding and a commitment charge of 0.50% per annum on the undisbursed portion of the loan. The commitment charge begins to accrue 120 days after the date of signature of the loan agreement. AfDB loan has a repayment period of 40 years with a 10-year grace period.

The current year interest accrued amount is US\$2,019,000 (EIB: US\$1,126,000 AfDB: US\$893,000) (2020: US\$1,168,291). During the year, the Corporation did not receive additional funds from EIB since disbursement on the loan has ended. AfDB funds received in 2021 was US\$8.8 million (2020: US\$3.3 million)

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25. Grants

	2021	2020
At start of year	426,984	426,946
Additional cash grant received	1,446	1,712
Additional monetary grants received for purchase of equipment	15,581	11,379
Monetary grants paid directly to suppliers for asset purchase	5,701	1,900
Expenses from cash received (Donor funds) (note 11)	(2,883)	(1,764)
Amount recognized in statement of profit and loss and comprehensive income (note 11)	(19,655)	(13,189)
	<u>427,174</u>	<u>426,984</u>
Current	4,378	4,378
Non-current	<u>422,796</u>	<u>422,606</u>
	<u>427,174</u>	<u>426,984</u>

Deferred grant refers to the unamortized portion of non-monetary grants received from the Corporation's foreign partners in the form of plant and equipment and cash received exclusively for purchase of assets. Grants in the form of non-monetary assets are presented in the statement of financial position by setting up the grant as deferred grant and amortizing it through the statement of comprehensive income in the same pattern as the related assets are being depreciated.

26. Retirement benefit obligations

The table below outlines where the Corporation's retirement obligation amounts and activity are included in the financial statements.

	2021	2020
Statement of comprehensive income		
Current service costs	321	85
Past service benefit	(999)	(545)
Exchange difference	1,527	(63)
Interest costs	<u>1,407</u>	<u>432</u>
	<u>2,256</u>	<u>(91)</u>
Statement of financial position		
At July, 1	3,348	3,509
Current service costs	321	85
Past service benefit	(999)	(545)
Interest costs	1,407	432
Exchange difference	1,527	(63)
Payments during the year	<u>(100)</u>	<u>(70)</u>
At December 31	<u>5,504</u>	<u>3,348</u>
Present value of unfunded defined benefit obligation	<u>5,504</u>	<u>3,348</u>

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NOTES (continued)

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27. Trade and other payables

	2021	2020
Trade payables	11,646	17,483
GST and employee income taxes	13,435	8,016
Deferred revenue	696	504
Withholding tax payable	709	685
Payroll income tax payable	459	30
Other payables	<u>13,575</u>	<u>2,595</u>
	<u>40,520</u>	<u>29,313</u>

28. Customers' security deposits

At July 1	1,684	1,634
Amount received	12	50
Amount refunded to customers	<u>(2)</u>	<u>-</u>
At December 31	<u>1,694</u>	<u>1,684</u>

29. Cashflows from operations

Loss before income tax	(3,198)	(2,378)
Adjustments for:		
Depreciation (note 14)	20,716	13,787
Interest expense on borrowings (note 24)	1,939	1,168
Amortization expense (note 16)	11	2
Write off of property, plant and equipment	-	478
Inventory used for maintenance (note 15)	-	-
Grant income (note 11)	(21,014)	(18,886)
Non-cash post-employment benefits (note 26)	-	(28)
Finance income (note 12)	(1,109)	(676)
Changes in working capital		
- inventories	4,050	(741)
- trade and other receivables	(12,847)	(4,380)
- trade and other payables	<u>13,022</u>	<u>11,283</u>
Cashflow generated from/(used in) operations	<u>1,570</u>	<u>(371)</u>

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NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

30. Related party disclosures

The Corporation has a related party relationship with its owner, the Government of Liberia. The Government of Liberia owns 100% of the total shareholding of the Corporation, giving it control over the Corporation.

A number of business transactions were entered into with the Government of Liberia and Government institutions/agencies during the year. These include the provision of subsidies to the Corporation, the supply of electric power to Government related entities by the Corporation and payments to the Corporation from the Government in settlement of electricity bills.

The amount of the related party transactions and outstanding balances at the end of the reporting period are as follows:

	2021	2020
Funds received from the Government of Liberia	<u>176</u>	<u>321</u>
Funds from the Government of Liberia as Investments (Transco-CLSG)	<u>-</u>	<u>25</u>
Loan repayments made on behalf of LEC	<u>7,074</u>	<u>4,096</u>
Supply of electric power to Government institutions and agencies	=	<u>4,236</u>
Outstanding balance for supply of electric power to Government of Liberia and Government institutions and agencies	<u>-</u>	<u>2,749</u>
Non-executive directors (Statutory & non-statutory directors):		
Short-term employee benefits (quarterly & board sitting fees)	<u>203</u>	<u>119</u>
Executive management:		
Short-term employee benefits	<u>-</u>	<u>-</u>
Termination benefits	<u>-</u>	<u>-</u>
Post-employment benefits (including social security contributions)	<u>-</u>	<u>-</u>

The compensation of some members of the Corporation's key management personnel are not included in the amounts disclosed above as they are rendering services under a management contract between the Corporation and their employer (ESB International) of the key management staff (The management fee for the year ended December 31, 2021 was **US\$5,448,000**(2020: US\$3,933,661).

The Corporation does not pay any form of remuneration to these officers directly. Besides the payments made to members of the Corporation's key management personnel disclosed above, there were no other related party transactions between any member of key management personnel (senior manager and above) and the Corporation.

NOTES (continued)

(All amounts are expressed in thousands of United States Dollars unless otherwise stated)

31. Contingent liabilities

The Corporation is contingently liable with respect to lawsuits and other matters that arose in the normal course of business. Other than those provided for, no material liabilities are expected to arise. There was no change from 2020.

32. Going concern

The Corporation incurred a loss of US\$ 3.19 million for the year ended December 31, 2021 (2020: US\$2.31 million). The Corporation's current liabilities as at December 31, 2021 exceeded its current assets by US\$18.42 million (2020: US\$18.7 million). These financial statements have however been prepared on a going concern basis, because the shareholder has given assurance that it will continue to provide financial support to the Corporation and it would not demand for the payment of debts owed to the Government in a manner that will jeopardize the operations of the Corporation.

33. Capital commitments

The Corporation's total capital commitments to capital work in progress as at the end of the reporting date for which contracts have been signed amounted to **US\$60,161,694** (2019: US\$92,777,844).

34. Events after the reporting period

There were no events after the end of the reporting date which would have had a material effect on the state of affairs of the Corporation as at December 31, 2021 and on the results for the year then ended which have not been adequately provided for and/or disclosed.