Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT

ON THE FINANCIAL STATEMENT AUDIT OF THE LIBERIA MARITIME AUTHORITY (LiMA)

FOR THE PERIOD ENDED DECEMBER 31, 2023

April 2025

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

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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 Maritime Authority (LiMA) financial statements for the financial year ended December 31, 2023. 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 Maritime Authority (LiMA). 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 raise 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
April 2025

STATEMENT OF RESPONSIBILITIES

The Financial Statements as set out on pages 7 to 46 have been prepared in accordance with the provisions of the Public Financial Management Act of 2009 as amended and restated 2019 and in compliance with International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB) and adopted by the Government of Liberia.

In accordance with the provisions of the Public Financial Management (PFM) Act of 2009 amended and restated 2019, I am responsible for the control of and accounting for public funds received, held, and expended for and on behalf of the Liberia Maritime Authority (LiMA).

Under the provisions of the same Act, I am required to prepare unaudited final accounts of the LiMA to be submitted to the Minister of Finance and Development Planning and the Auditor General (AG) two months after the end of the financial year to which it relates. However, I have delegated the preparation of the unaudited final accounts to the Deputy Commissioner for Financial Affairs for my transmittal to the Minister and the Auditor General as provided in the attendant Regulations of the Public Financial Management Act of 2009 amended and restated 2019. Accordingly, I am pleased to submit the required annual final account of the LiMA in compliance with the PFM Act and its attendant Regulations. I have provided, and will continue to provide, all the information and explanations as may be required in connection with the financial statements presented therein.

In preparing these Financial Statements, the most appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgment and estimates. To the best of my knowledge and belief, these Financial Statements agree with the books of accounts, which have been properly kept.

I accept responsibility for the integrity of these financial statements, the financial information they contain and their compliance with the provisions of the Public Financial Management (PFM) Act of 2009 amended and restated 2019.

L. Eugene Nagbe

Hon. Lenn Eugene Nagbe
Commissioner General
Liberia Maritime Authority (LiMA)

February 12, 2025
Date

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS AUDIT OF THE LIBERIA MARITIME AUTHORITY (LiMA) FOR THE PERIOD ENDED DECEMBER 31, 2023

Qualified Opinion

We have audited the financial statements of the Liberia Maritime Authority (LiMA) for the period ended December 31, 2023. These financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flows Statement for the fiscal period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of Liberia Maritime Authority as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Qualified Opinion

The Authority's records indicate that Management fully withheld personal income taxes but did not fully remit same to LRA. Total amounts collected and not remitted during the period amounted to US$569,009.00

The Authority's records indicate that Management fully withheld employee's and Management's contributions of the National Social Security Cooperation (NASSCORP) but did not fully remit same to NASSCORP. Total amounts collected and not remitted during the period amounted to US$395,495.85

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor General's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Monrovia, Liberia
April 2025

Liberia Maritime Authority
P.O. BOX10-9042
1000 MONROVIA, 10 LIBERIA
1948 Maritime Drive
Congo Town

Liberia Maritime Authority

February 12, 2025

Transmittal of Liberia Maritime Authority's Adjusted Financial Statements for the Fiscal Year ended December 31, 2023

This is to herewith submit the Adjusted Financial Statements of the Liberia Maritime Authority for the fiscal year January 1, 2023- December 31, 2023.

Sincerely,

Desire S. Satia
Deputy Chief Financial Officer

LIBERIA MARITIME AUTHORITY
DEPUTY CHIEF FINANCIAL OFFICER

APPROVED: ______________________
Cllr. Nya S. Gbaintor
Principal Director for Admin and Legal Affairs

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Monrovia Vienna New York Hamburg London Zurich Piraeus Hong Kong Tokyo

Liberia Maritime Authority

Statement of Financial Position
As at December 31, 2023

	NOTES	31-Dec-23	31-Dec-22
ASSETS		**US$**	**US$**
Non-Current Assets			
Plant Property and Equipment	**1**	7,877,793	8,047,188
		7,877,793	**8,047,188**
Current Assets			
Inventories		0	0
Prepaid Rent		2,400	2,400
Cash and Cash Equivalent	**2**	11,825	21,201
Trade and Other Receivables	**3**	873,785	850,993
Total Current Assets		**888,010**	**874,594**
TOTAL ASSETS		**8,765,804**	**8,921,782**
EQUITY AND LIABILITIES			
Non-Current Liabilities			
Long Term Ecobank Restructured Loan		0	0
Total Non-Current Liabilities		**0**	**0**
Equiy Attributed to Owners or Parent			
Retained Earnings	**4**	256,528	1,037,775
Revaluation Surplus		921,916	1,016,006
Total Equity to Owner or Parent		**1,178,445**	**2,053,781**
Current Liabilities			
Short Term Bank Facility	**5**	50,000	110,000
Trade Payables		359,210	388,225
Other Current Liabilities	**6**	7,178,149	6,369,776
Total Current Liabilities		**7,587,359**	**6,868,001**
Total Equity and Liabilities		**8,765,804**	**8,921,782**

Liberia Maritime Authority

Statement of Comprehensive Income
For the Period December 31, 2023

	NOTES	31-Dec-23 US$	31-Dec-22 US$
Revenue	**7**	6,133,442	4,881,323
		6,133,442	**4,881,323**
Employees Salaries and Benefits	**8**	4,329,555	4,091,835
Depreciation and Amortization Expense		260,720	269,267
Bad Debts Expense		98,960	88,771
Severance Benefits		48,650	0
Administrative Expenses	**9**	1,671,816	861,711
Non-Administrative Expenses	**10**	599,078	468,118
		7,008,778	**5,779,702**
Profit (Loss) from Operations		**(875,336)**	**(898,379)**
Finance Cost		**0**	**0**
Profit (Loss) for the Year		**(875,336)**	**(898,379)**

Liberia Maritime Authority

Statement of Cash Flows
For the year ended December 31, 2023

	NOTES	31-Dec-23 US$	31-Dec-22 US$
Cash Flow from Operating Activities			
Profit (Loss) for the year		**(875,336)**	**(898,379)**
Adjustments to reconcile Surplus to Net Cash Provided by Operating Activities:			
Depreciation		260,720	269,267
Changes in Payables and Accruals		779,358	853,728
Changes in Receivables and Prepayments		(22,792)	(192,183)

Net Cash from Operating Activities	**1,017,286**	**930,812**
Net Cash Provided by Operating Activities	**141,950**	**32,434**
Cash Flow from Investing Activities		
Acquisition of Fixed Assets	(91,325)	(79,227)
Building and Improvements	0	0
Land Revaluation Gain	0	0
Leasehold Improvements	0	0
Construction in Progress	0	0
Net cash from Investing Activities	**(91,325)**	**(79,227)**
Cash flow from Financing Activities		
Ecobank Facility/ Short Term	0	0
GT Bank Facility/ Short Term	(60,000)	60,000
Net cash from Financing Activities	**(60,000)**	**60,000**
Net Cash increase for the period	(9,375)	13,207
Cash at the Beginning at the Period	**21,201**	**7,995**
Cash at the End of the Period	**11,825**	**21,201**

Liberia Maritime Authority

Statement of Changes in Equity
As at December 31, 2023

	Share capital	Retained Earnings	Revaluation Surplus	Total Equity
Balance at January 31, 2022	**-**	**1,842,063**	**1,110,096**	**2,952,160**
Restated balance	**-**	**1,842,063**	**1,110,096**	**2,952,160**
Changes in equity for the year Jan-Dec. 2022				
Issue of share capital	-			
Income for FY2022		(898,379)	0	(898,379)
Revaluation gain		0	0	0
Transfer to Retained Earnings		94,090	(94,090)	0
Balance at Dec 31, 2022	**-**	**1,037,775**	**1,016,006**	**2,053,781**
Balance at January 31 2023		**1,037,775**	**1,016,006**	**2,053,781**
Issue of share capital	-			
Income for the year		(875,336)	0	(875,336)
Revaluation gain		0	0	0
Transfers to Retained Earnings		94,090	(94,090)	0
Balance at Dec 31, 2023	**-**	**256,528**	**921,916**	**1,178,445**

Liberia Maritime Authority

Notes to the Financial Statements

For the Period ended December 31, 2023

		31-Dec-23	31-Dec-22
		US$	US$
1.0	**Property Plant and Equipment**		
	Fixed Assets (Appendix I)	631,854	664,252
	Land	522,500	522,500
	Buildings and Improvements	5,072,000	5,208,997
	Construction in Progress	1,651,439	1,651,439
		7,877,793	**8,047,188**
2.0	**Cash and Cash Equivalent**		
	Cash in Ecobank/Small Watercraft	8,492	3,526
	Cash in Ecobank/Small Watercraft (LD)	4,385	4,385
	Cash in Ecobank/ Operations	4,379	29
	Cash in GT Bank/LiMA Operations	(7,281)	8,933
	Cash on Prepaid Card	1,822	1,822
	Petty Cash	29	2,506
	Total Cash and Cash Equivalent	**11,825**	**21,201**
3.0	**Trade and Other Receivables**		
	Account Receivables	1,179,324	1,056,865
	Allowance for Bad Debts	(307,890)	(208,930)
	Staff Receivables	2,351	3,058
		873,785	**850,993**
4.0	**Retained Earnings**		
	Retained Earnings Brought Forward	**1,037,775**	1,842,063
	Adjustments for:		
	Revaluation Gain	94,090	94,090
	Profit for the year	(875,336)	(898,379)
	Retained Earnings Carried Forward	**256,528**	**1,037,775**
5.0	**Short Term Bank Facility**		
	Ecobank Short Term Facility	0	0
	GT Bank Financing Gap Facility	50,000	110,000
		50,000	**110,000**

6.0 Other Current Liabilities		
Board Fees Payable	0	0
Foreign Travel Per Diem Payable	2,840	9,301
Salaries Payable	16,303	7,620
Income Tax Payable	4,712,565	4,143,556
NASSCORP Payable	2,420,213	2,224,166
Interagency Payable (DCFA)	(40,000)	(40,000)
Audit Fees Payable	0	20,000
Contingent Liability- Litigation	30,000	0
Other Benefits Payable	36,228	5,133
	7,178,149	**6,369,776**

7.0 Revenue		
International Registry Funds	4,055,910	3,133,141
Total International Registry Funds	**4,055,910**	**3,133,141**
Domestic Vessel Registration	358,818	288,042
Documentation and Inspection Fees	207,320	127,525
Marine Safety Charges	1,109,290	1,226,955
Seafarers Permit Fees	84,300	71,925
Casualty Investigation Fees	17,150	21,075
Donation/ Gifts	70,500	0
Miscellaneous Income	204,681	0
Other Income	25,473	12,660
Internally Generated(Total)	**2,077,532**	**1,748,182**
	6,133,442	**4,881,323**

8.0 Employees Salaries and Benefits		
Salaries and Wages	3,429,439	3,252,717
Social Security Management Contribution	237,301	225,616
Medical	0	30,382
Other Benefits	662,814	583,121
	4,329,555	**4,091,835**

Notes to the Financial Statements

For the Period ended December 31, 2023

		31-Dec-23	***31-Dec-22***
		US$	***US$***
9.0	**Administrative Expenses**		
	Insurance	3,247	0
	Allowances (Relocation and Incidental)	10,780	4,582
	Special Project	0	0
	Board Related Expenses	0	0
	Communications	115,511	38,425
	Gas, Fuel and Lubricant	176,354	115,636
	Stationeries, Supplies and Printing	569,711	254,889
	Utilities	24,820	13,166
	Repairs and Maintenance	185,608	108,740
	Bank Charges	27,681	16,499
	Interest and Other Charges	16,513	18,300
	Income Tax Expense	0	0
	Audit Fees	0	5,000
	Transfer to GoL	25,194	0
	Travel and Transportation	511,655	281,733
	Rent	4,740	4,740
		1,671,816	**861,711**

10.0	**Non-Administrative Expenses**		
	International Obligations	183,972	7,500
	Corporate Social Responsibility	39,008	145,000
	Miscellaneous, Freight and Others	137,348	93,811
	Scholarship	0	0
	Conferences	4,750	4,322
	Entertainment and Accommodation	2,750	6,185
	Contract Services	198,750	209,800
	Professional Services	32,500	1,500
		599,078	**468,118**

Liberia Maritime Authority
Notes to the Financial Statements
For the Period ended December 31, 2023

A. Corporation Information

The Liberia Maritime Program was established in 1948 with a launch of its registry during the post-world war II period, when there was tremendous international demand for ships to transport various goods and raw materials. Today, it is the second largest ship registry in the world. The signing into law of the Liberia Maritime Authority Act of 2010 transformed Liberia's Maritime Legacy from the one dimensional Bureau of Maritime Affairs responsible for the administration of Liberia's Maritime Program into a new, dynamic and vibrant 21st Century Liberia Maritime Authority (LiMA), which is empowered by law to harness the full potential of Liberia's Maritime sector and ensure that the national economy is the ultimate beneficiary of its program activities.

LiMA's agent that currently manages the Liberian Registry is the Liberian International Ship and Corporate Registry (LISCR), a US owned company, which provides the day-to-day operations for the Republic of Liberia Ship and Corporate Registry. The Liberia Maritime Authority implements Liberia's Maritime Laws, which include provision for the registration of ships, licensing of crews, certification of ships for safety, and other essential factors, and Policies promulgated by the office of the Commissioner of the Liberian Maritime Authority on the domestic front. The Liberia Maritime Authority has its headquarters in Congo Town, Monrovia.

B. Basis of preparation

The financial statements of LiMA have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). LiMA makes use of accounting on an accrual basis in addition to complying with the IFRS as promulgated in the Amended Public Finance Management (PFM) Act of 2019. This is the second calendar year financial statement since the changeover of fiscal year to calendar year basis as mandated by the fiscal authority of the government of Liberia. The financial statements have been prepared on a historical cost basis, except for land and building and other financial instruments at fair value. The financial statements are presented in US Dollars and all values are rounded to the nearest thousand (US$ 000), except otherwise indicated. The Authority conducted a revaluation exercise of its land as well as, buildings and improvements in 2020. The first exercise was conducted in 2016.

C. Summary of significant accounting policies

Financial and Presentation Currency:

I. LiMA's financial statements adhere to the principles of International Financial Reporting Standards (IFRS). In accordance with IFRS, items included in LiMA's financial statements are measured using the currency of the primary economic environment in which LiMA operates. The financial statements are prepared in United States Dollars (USD), which serves as both the functional and presentation currency.

II. Transaction and Balances:

Consistent with IFRS guidelines, transactions denominated in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are subsequently translated at the functional currency rate of exchange prevailing at the reporting date. Any resulting differences are recognized in the income statement in accordance with IFRS requirements, reflecting the impact of exchange rate fluctuations on LiMA's financial position. This approach ensures conformity with the relevant IFRS standards governing foreign currency transactions and balances.

ii) Cash and cash equivalent

Statement of Cash Flows Presentation:

For the preparation of the statement of cash flows, cash encompasses cash balances and deposits held with banks. Additionally, cash equivalents include highly liquid investments, such as money market funds, readily convertible to known amounts of cash. These equivalents are subject to insignificant risk for changes in value and possess original maturities of three months or less, as utilized by the Liberia Maritime Authority (LiMA) to meet its short-term commitments.

Carrying Value in the Statement of Financial Position:

Cash and cash equivalents, as per IFRS, are carried at amortized cost in the statement of financial position.

Treatment of Short-Term Deposits:

Short-term deposits are initially recognized at fair value and subsequently carried at amortized cost. Interest accrued on short-term deposits is recognized in profit or loss on a time-proportioned basis, considering the effective yield on the deposits.

iii) Financial Instruments

I. Financial Assets:

In adherence to the latest International Financial Reporting Standards (IFRS): The initial recognition and measurement of financial assets, falling within the purview of IAS 39, result in classification as financial assets at fair value through profit or loss, and loans and receivables. LiMA exercises discretion in determining the classification of its financial assets at the point of initial recognition. All financial assets are initially recognized at fair value, augmented by directly attributable transaction costs, in the case of assets not at fair value through profit or loss. Transactions involving the purchase or sale of financial assets, mandating the delivery of assets within a defined timeframe established by regulation or marketplace convention (regular way trades), are acknowledged on the trade date- the date when LiMA commits to the purchasing or selling of the assets. LiMA's financial assets encompass cash and short-term deposits, trade and other receivables, loans and other receivables, as well as unquoted financial instruments.

Loans and receivables constitute non-derivative financial assets featuring fixed or determinable payments and lacking an active market quotation. Post-initial measurement, these financial assets are subsequently measured at amortized cost utilizing the Effective Interest Rate (EIR) method, net of impairment. Amortized cost calculation factors in any discount or premium on acquisition and fees or costs integral to the EIR. EIR amortization is recognized as a finance cost in the income statement, while losses from impairment are similarly acknowledged in the income statement.

II. Financial Liabilities:

Financial liabilities, upon initial recognition and measurement, are classified as financial liabilities at fair value through profit or loss and loans and borrowings. LiMA exercises judgment in determining the classification of its financial liabilities at the point of initial recognition. All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, subsequently carried at amortized cost, inclusive of directly attributable transaction costs. LiMA's financial liabilities encompass trade and other payables, bank overdrafts, loans, and borrowings.

After initial recognition, interest-bearing loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses, realized upon derecognition of liabilities, as well as through the EIR method amortization process, are recognized in the income statement. Amortized cost computation considers any discount or premium on acquisition and fees or costs integral to the EIR, with EIR amortization included in finance costs within the income statement.

iv) Determination of Fair Value

In accordance with the latest International Financial Reporting Standards (IFRS):

Financial Instruments Traded in Active Markets:

For financial instruments traded in active markets (though this scenario is highly unlikely for LiMA), fair values of financial assets and financial liabilities are determined based on quoted market prices or dealer price quotations on major exchanges.

Other Financial Instruments:

For all other financial instruments, fair value is ascertained through valuation techniques. These techniques involve estimating fair values from observable data related to comparable financial instruments, utilizing models to assess the present value of anticipated future cash flows, or employing other valuation techniques. The estimation incorporates inputs existing at the reporting date, ensuring a comprehensive evaluation of fair values for financial instruments not actively traded in robust markets.

v) Impairment of financial asset

a) Financial assets carried at amortized cost

LiMA assesses at each end of the reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of LiMA from the following events:

- Default of delinquency by a debtor;
- Restructuring of an amount due to the "LiMA on terms that LiMA would not consider favorable;
- Indications that a debtor or issuer will enter bankruptcy;
- The disappearance of an active market for the security because of financial difficulties; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in LiMA.

LiMA first assesses whether objective evidence of impairment exist individually for financial assets that are individually significant. If LiMA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding the future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the losses is recognized in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's inability to pay all amounts due under the contractual terms of the debt instrument being evaluated. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized adjusting the assets reverses the previously recognized impairment loss. The amount of the reversal is recognized in the income statement.

(b) **Financial Liabilities** are initially measured at fair value less transaction costs that are directly attributable to the raising of the funds, and are subsequently carried at amortized cost. Any difference between the proceeds, net of transaction costs and the redemption value is recognized in the statement of comprehensive income over the period of borrowing.

(c) **De-recognition of Financial Assets and Financial Liabilities**

The company derecognizes assets when the contractual rights to the cash flow from the asset expires; where there is a transfer of contractual rights to receive cash flows on the asset in a transaction in which substantially all the risks and rewards of ownership of the asset are transferred; or where the company retains the contractual rights to the cash flows from these assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers all or substantially all the risks and benefits associated with the assets. Where the company retains substantially all the risks and rewards of ownership of the financial asset, the company continues to recognize the asset. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

vi) Foreign Currency Reporting:

The financial statements are presented in United States dollars (USD). Transactions conducted in currencies other than United States dollars are translated into USD using the exchange rate prevailing on the date of each transaction. It is noteworthy that the United States dollar is considered legal tender in Liberia and is widely accepted in the Liberian economy, coexisting with the Liberian dollar. This approach ensures adherence to IFRS standards regarding the reporting of financial information in a functional and commonly accepted currency.

vii) Taxation:

IAS 12 - Income Taxes:

IAS 12, addressing income taxes, employs the comprehensive balance sheet method in accounting. It recognizes both the current tax implications of transactions and events and the potential tax implications of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Discrepancies between the carrying amount and tax base of assets and liabilities, as well as carried forward tax losses and credits, are identified as deferred tax liabilities or deferred tax assets, with limited exceptions. The latter is subject to a probable profit test.

Significantly, LiMA, operating as a State-Owned Enterprise, is generally exempt from taxation, except for specific forms of withholding taxes, managed as part of standard payroll deductions.

Tax Disclosures in Financial Statements:

The taxes disclosed in the financial statements primarily relate to personal income-related obligations, including withholdings from employees and contractors, board remuneration, and taxes withheld for the National Social

Security Scheme. These obligations are assessed based on the anticipated payment to tax authorities, considering the tax rates enacted or substantively enacted in the Liberia Revenue Code of 2011 as of the balance sheet date.

Income Tax Expense and Real Estate Tax:
The income tax expense detailed in this financial statement includes the Real Estate Tax attributed to buildings currently leased by LiMA, as well as withholdings on the lease. According to the agreement, LiMA is obligated to assume all tax responsibilities associated with the lease. Consequently, the gross amount of the lease is remitted to the owner, and LiMA is responsible for executing the payment of a statutory sum, amounting to 10% of the lease, as tax due to the Liberia Revenue Authority (LRA). This approach aligns with the latest IFRS standards, ensuring transparency and compliance in reporting income taxes and related obligations.

viii) Revenue recognition

Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Recognition occurs only when revenue is both realized and earned.

LiMA's Revenue Recognition Practices:
LiMA derives a substantial portion of its revenue from the International Registry Fund, primarily comprising funds received from ships flying the Liberian flag. These fees are recognized provided there is no uncertainty regarding collectability, and specific criteria are met (e.g., the fees are primarily for the indicated services, and all other services are separately compensated). When such fees grant members (ships carrying the flag) entitlement to services or the purchase of goods or services at prices lower than those charged to non-members, recognition is based on the timing, nature, and value of the benefit provided.

LiMA also generates revenue through the registration of vessels engaging in activities within its jurisdictional waters, as well as from maritime-related companies involved in stevedoring and other shipping-related functions. Collected fees encompass vessel registration fees (tonnage), inspection and documentation fees, seafarers permit fees, and casualty investigation fees. Additionally, LiMA imposes Maritime Safety Charges on all vessels docking at the port of Monrovia and other seaports in the country.

ix) Fixed Assets (Property, Plant and Equipment)

Property, plant, and equipment are recognized at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. This cost includes the replacement cost of component parts and borrowing costs for qualifying long-term construction projects. When significant parts or major inspections are required at intervals, LiMA derecognizes replaced parts, recognizing new components with their own associated useful life and depreciation. All other repair and maintenance costs are expensed in the income statement as incurred. The present value of the expected cost for asset decommissioning, meeting provision recognition criteria, is included in the asset's cost.

Land and Buildings Measurement:
Land and buildings are measured at fair value, less accumulated depreciation on buildings and impairment losses recognized after the revaluation date. Revaluations are conducted with sufficient frequency to ensure fair value alignment with carrying amounts. Revaluation surpluses are recognized in Other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except when reversing a previous revaluation decrease, in which case, the increase is recognized in the income statement.

Initial Recognition under IFRS:
Under IFRS, initial recognition of property, plant, and equipment requires capitalization of costs to acquire an asset, along with costs directly attributable to bringing it to the necessary location and condition for intended operation. Repair and maintenance costs are expensed as incurred. A provision for asset retirement costs is required when a legal obligation exists.

First-Time Adoption of IFRS:
In the first-time adoption of IFRS, LiMA selectively used the fair value of property, plant, and equipment at the transition date as the deemed cost. Capital and incidental expenditures during construction are classified as capital construction-in-progress.

Disposals and Subsequent Costs:
Gains or losses on disposals or scrapping of assets are recognized by comparing proceeds with carrying amounts, reflected as "other income" in profit or loss. The cost of replacing a part of an asset is recognized in the carrying amount if future economic benefits are probable and can be reliably measured. Day-to-day servicing costs are expensed in profit or loss.

Recent Loan and Headquarters Construction:
LiMA secured and fully paid a short-term loan for the maintenance of the MR-MRCC premises and the Port State Control premises in Monrovia. The new global headquarters in Congo town has been completed and commenced operations on July 1, 2021. Costs incurred for the building completion were recognized at cost in the financial records.

Land and Buildings Revaluation:
Land and buildings, including real property hosting the Liberia Maritime Training Institute (LMTI), are planned for a revaluation exercise in 2024, aligning with IFRS standards.

x) Depreciation

Depreciation is recognized in the profit or loss statement using a declining balance basis, providing a more accurate representation of the value of each part of property, plant, and equipment. Leasehold assets are depreciated over the shorter of the lease term and their useful lives. Land is not subject to depreciation. The estimated useful lives for various asset categories are reviewed at the end of each reporting period, with adjustments made as necessary. Impairment reviews are conducted when events or changes suggest the carrying amount may not be recoverable.

Depreciation Matrix Support:

The values presented for fixed assets in the financial statements are substantiated by the Depreciation Matrix labeled **Appendix I on Page 22**.

Impairment and Disposals:
If an asset's carrying amount exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount, being the higher of fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amounts, with differences recognized in the income statement.

Revision of Useful Life:
IAS 8 permits the revision of the useful life of an asset, and any changes are accounted for prospectively, either in the period of the change or both the period of the change and future periods if applicable.

Accumulated Depreciation Calculation:
Accumulated Depreciation for Building and Improvement as of the last fiscal year is US$159,696.01, derived from total revalued and added assets (US$3,087,361) divided by the remaining useful life of 38 years.

Revaluation of Property, Plant, and Equipment:
IAS 16.35 guides the treatment of accumulated depreciation during revaluation. It may be restated proportionately with the change in the gross carrying amount or eliminated against the gross carrying amount of the asset. Any increase resulting from revaluation is recognized in other comprehensive income and accumulated in equity under the revaluation surplus heading. However, it is recognized in profit or loss to the extent that it reverses a prior revaluation decrease.

Revaluation Surplus and Transfers:
Revaluation surplus in equity may be transferred to retained earnings when an asset is derecognized. This can occur in full upon retirement or disposal. Alternatively, partial transfers may occur as the asset is used, representing the difference between depreciation based on the revalued carrying amount and depreciation based on the asset's original cost.

Transfer to Retained Earnings:
During the period, the difference between depreciation of Building and Improvement and the revalued amount was US$94,090 and was transferred to Retained Earnings (See Appendices II and III on pages 23 and 24).

xi) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets are recognized at cost. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 3 years. Intangible assets with indefinite useful lives are not amortized. At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits.

If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

xii) Research and development

Research and development costs are expensed as incurred.

Development expenditures, on an individual project, are recognized as an intangible asset when LiMA can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

xiii) Employment benefits

LiMA operates a defined contribution plan for its employees. Employee benefit obligations such as wages, salaries and social security contributions, paid annual and paid sick leave are measured on an undiscounted basis and are expensed as the related service is received. A provision is recognized for the amount expected to be paid under short-term cash bonus if LiMA has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The obligation is the present value of benefits that have accrued to employees through services rendered to that date based on actuarial methods of calculation.

xiv) Inventories

Inventories are carried at the lower of cost or net realizable value. Net realizable (NRV) is defined as the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make a sale. Inventories in this financial statement accounts for materials purchased to begin a marine store at the Search and Rescue Center. A public private partnership is being sought to execute such.

xv) financial risk management objectives and policies

LiMA's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance LiMA's operations and to provide guarantees to support its operations.

LiMA has loan and other receivables, trade and other receivables, and cash and short-term deposits that derived directly from its operations. LiMA is exposed to market risk, credit risk and liquidity risk.

LiMA's Senior Management oversees the management of these risks. The Senior Management is supported by a Finance Department that advises on financial risks and the appropriate financial risk governance framework.

The financial department provides assurance to senior management that the LiMA's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with LiMA's policies and risk appetite:

a) Currency risk

The US Dollar is the functional currency of LiMA and as a result a currency exposure arises from transactions and balances in currencies other than the US Dollar.

LiMA's potential currency exposures comprise: Transactional exposure in respect of non-functional currency expenditure and revenues; and translation exposure in respect of non-functional currency monetary items.

b) Interest rate risk

LiMA is exposed to interest rate risk to the extent of the balance of the bank accounts and loans. Interest rate risk management activities are conducted in the context of the LiMA sensitivity to interest rate changes.

c) Liquidity risk

Liquidity risk arises in the general funding of the LiMA's activities. Liquidity management is directed towards ensuring that all of LiMA's operations can meet their funding needs, whether this is to replace existing funding as it matures or if it is withdrawn.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the LiMA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

xvi) Provision

General Provisions are recognized when LiMA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all 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 the income statement 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 a finance cost. Warranty provisions for warranty-related costs are recognized when the product is sold or service provided.

Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

xvii) Borrowing cost

Borrowing costs related to the acquisition, construction, or production of certain qualifying assets are required to be capitalized as part of the costs of such assets. IFRS explicitly prohibits the capitalization of interest or borrowing costs related to inventories that are produced in large quantities on a repetitive basis. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, excluding assets measured at fair value. LiMA has secured a loan for the ongoing construction of a headquarters, which is currently in progress and nearing completion.

The capitalization of borrowing costs is mandatory during the period in which a qualifying asset is being acquired, constructed, or produced. Borrowing costs encompass interest and other costs incurred in connection with borrowing funds for the construction of qualifying assets. These costs include interest expenses calculated using the effective interest method and finance charges related to finance leases. This approach aligns with the latest IFRS standard, ensuring consistent and appropriate accounting treatment for borrowing costs associated with qualifying asset projects.

xviii) Government grant

Government grants are acknowledged when there is reasonable assurance of receiving the grant and compliance with all associated conditions. If the grant pertains to an expense item, it is recognized as income over the period necessary to systematically match the grant to the costs it intends to compensate. When the grant is related to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the associated asset.

In cases where LiMA receives non-monetary grants, both the asset and the grant are recorded gross at nominal amounts. Subsequently, they are released to the income statement over the expected useful life and pattern of consumption of the benefits derived from the underlying asset in equal annual installments. In situations where loans or similar assistance are extended by governments or related institutions with an interest rate below the current applicable market rate, the favorable interest effect is considered an additional government grant. This approach adheres to the latest IFRS standards, ensuring a consistent and appropriate treatment of government grants and assistance, whether monetary or non-monetary, in LiMA's financial reporting.

xix) Leases

Leasing involves the conveyance of the right to use an asset, with certain limited exceptions, such as leases for exploring or using natural resources and licensing agreements. This also applies to the current headquarters being leased to accommodate the LiMA headquarters. Arrangements conveying the right to use assets other than land or depreciable assets, such as exclusive rights to an intangible asset for a finite period, may be considered leases.

A lessee classifies a lease through an overall assessment of the transaction's substance. A lease is categorized as a finance lease if it transfers substantially all the risks and rewards of ownership; otherwise, it is classified as an operating lease. The lease standard specifies that a lease is a finance lease when substantially all the risks and rewards of ownership are transferred. Situations that generally lead to a lessee classifying a lease as a finance lease include:

The lease term is for the major part of the economic life of the asset.

The present value of the minimum lease payments at the beginning of the lease term is substantially all of the fair value of the leased property.

All other leases are classified as operating leases. Even if a lease contains an indicator of a finance lease, an overall determination that the lease does not transfer substantially all of the risks and rewards of ownership results in classifying the lease as an operating lease. This approach aligns with the latest IFRS standards, ensuring a comprehensive and accurate classification of leases based on their economic substance and impact on the lessee's financial position.

xx) Finance cost

Finance cost for long and short-term debt facilities obligations have been included on the financial statements to allow for full disclosure of such expense if incurred.

xxi) Disclosures of current long-term liability and contingent liabilities

IFRS requires that obligations for debt and leases be broken down into short-term and long-term obligations. The labor court ruled a payment of Thirty Thousand United States Dollars (US$30,000.00) for settlement in the case Balniel Stewart v. the Liberia Maritime Authority and same has been accrued on the 2023 Financial Statements.

APPENDIXURES

APPENDIX I. Depreciation Analysis for Fiscal Year 2023

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-	B & I	Land	OFF. F/F	OFF. EQUIP.	COMP. & ACC.	OFF. GEN	CONSTRU. IN PROGRESS	VEHICLES	TOTAL
Rates	**2.63%**	**0.00%**	10%	16.67%	16.67%	16.67%	0.00%	33.33%	
At Jan 1 2023	5,580,675.95	522,500.00	577,252.91	369,413.24	356,302.52	398,850.00	1,651,438.60	1,422,837.97	10,879,271.19
Additions	0.00	0.00	380.00	6,565.00	13,880.00	0.00	0.00	70,500.00	91,325.00
Amount moved to from Construction in Progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amount to align asset with Market Value	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
At Dec. 31 2023	**5,580,675.95**	**522,500.00**	**577,632.91**	**375,978.24**	**370,182.52**	**398,850.00**	**1,651,438.60**	**1,493,337.97**	**10,970,596.19**
Depreciation:									
Accum. Depreciation at Jan 1 2023	371,678.84	0.00	214,155.43	258,729.19	288,109.67	328,575.79	0.00	1,370,834.15	2,832,083.07
Adj. to eliminate Accum. Due to Revaluation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charge for the Year (Asset acquired during the period)	0.00	0.00	24.99	137.70	1,440.42	0.00	0.00	0.00	1,603.11
Charge for the year (existing Assets)	136,996.62	0.00	36,347.75	19,545.42	13,681.54	11,714.71	0.00	40,830.52	259,116.57
Total Charge as at Dec 2023	**136,996.62**	**0.00**	**36,372.74**	**19,683.12**	**15,121.96**	**11,714.71**	**0.00**	**40,830.52**	260,719.68
At Dec 31 2023	**508,675.46**	**0.00**	**250,528.17**	**278,412.31**	**303,231.63**	**340,290.50**	**0.00**	**1,411,664.67**	**3,092,802.75**
Net Book Amount Dec 31 2022	**5,072,000.49**	**522,500.00**	**327,104.74**	**97,565.93**	**66,950.89**	**58,559.50**	**1,651,438.60**	**81,673.30**	**7,877,793.44**
						Total Assets			**7,877,793**

Appendix II: Revaluation Surplus

Revaluation Surplus			
Item	**Improvement**	**Land**	**Total**
Revalued amount as at revaluation date	3,075,500	522,500	3,598,000
Less book per revluation date	(1,901,720)	(350,960)	(2,252,680)
Surplus as at Revaluation Date	**1,173,780**	**171,540**	**1,345,320**
Less transter to retained earning for the year to 30 June 2020	(94,090)	-	(94,090)
Carrying Revluation Surplus as at 1 July 2020	**1,079,690**	**171,540**	**1,251,230**
Less transter to retained earning for the year to 30 June 2021	(94,090)	-	(94,090)
Carrying Revluation Surplus as at 1 July 2021	**985,601**	**171,540**	**1,157,140**
Less transfer to retained earning year ended 31 Dec. 2021	(47,045)		(47,045)
Carrying Revluation Surplus at 1 Jan 2022	**938,556**	**171,540**	**1,110,096**
Less transfer to retained earnings year ended 31 Dec, 2022	(94,090)	-	(94,090)
Carrying Revaluation Surplus for 1 Jan 2023	**844,466**	**171,540**	**1,016,006**
Less transfer to retained earnings year ended 31, Dec, 2023	(94,090)		(94,090)
Carrying Revaluation Surplus for 31 Dec. 2023	**750,376**	**171,540**	**921,916**

Appendix III: Calculation of Annual Transfers to Retained Earnings

Item	Calculation for the revaluation gain transfer to retained earnings	Outcome (US$)
A	Initial cost (Building and improvement)	3,562,157
B	Fair value of land	522,500
D	Life span of asset (years) @ 4% on a straight line basis	25
E	Accummulated depreciation to date	1,660,438
F	Revalued amount	3,597,986
G=F-B)	Net fair value of depreciation aspect of B&I (ie total less falir value of land)	3,075,486
H=(A/D)	annual depreciation before revaluation	142,486
I=(E/H)	Useful life consumed years	12
J=(D-I)	Useful life remaining years	13
K=G/J)	Annual depreciation for revalued asset	236,576
L=k-H	Revaluation surplus realised during the year (236,575.8-142,486.3)=	94,090

Appendix IV: Expected Credit Losses Analysis

No.	Age	%Allocation of aged amount to ARB	Amount	Historical Loss Rate	Expexted Credit Loss Amount
1	1-30days	6.9%	80,958.30	0.50%	404.79
2	31-60days	2.3%	26,902.55	2%	538.05
3	61-90days	1.0%	11,888.40	3%	356.65
4	91-180days	2.6%	30,353.85	4%	1,214.15
5	181-365days	11.0%	129,892.80	5%	6,494.64
6	365days above	76.3%	899,515.85	10%	89,951.59
		100.0%	1,179,511.75		**98,959.87**

The above analysis of the Authority's expected credit losses is in line with depicts of the standards as enshrined in IFRS 9.