

The Perspective

More Trouble for Edwin Snowe and Others: Monbo & Company 2004 & 2005 Audit Report Details Massive Corruption at LPRC

**The Perspective
Atlanta, GA
January 30, 2007**

The local public accounting firm, Monbo & Company, a member firm of the Midsnell Group International of the United Kingdom, has concluded in its management letter which accompanied its 2004 & 2005 audit report that “LPRC was not prudently managed” during the administration of Edwin Melvin Snowe, former Managing Director, and Speaker of the House of Representatives (in view of the recent Supreme Court Ruling); Richard Devine, former Deputy Managing Director for Fiscal Affairs and Senator, Bomi County; Mabutu Nyanpan, former Deputy Managing Director for Administration and Senator, Sinoe County and Zoe Pennue, former Deputy Managing Director for Operations and a member of the House of Representatives, Grand Gedeh County.

Edwin Melvin Snowe, Richard Devine, Mabutu Nyanpan and Zoe Pennue occupied top management positions at LPRC after the collapse of the Taylor regime in 2003 and the formation of the NTGL interim government by the belligerent forces and representatives of Liberian civil society. Edwin Melvin Snowe represented the Taylor regime, Richard Devine represented the Movement for Democracy in Liberia (MODEL), Zoe Pennue represented Liberia United for Democracy and Reconciliation (LURD) and Mabutu Nyanpan represented UPP.

According to the audit report and management letter released April 20, 2006, “significant funds were expended by management and could not be accounted for”. The Monbo & Company Audit report is the third report published in recent time that links Edwin Melvin Snowe and others to massive corruption during their tenure at LPRC. The European Commission sponsored audit conducted by the international accounting firm Ernst & Young and an internal report commissioned by the LPRC Board of Directors have all link Snowe and others to massive corruption and the mismanagement of resources at the company.

Below are the full texts of the management letter and audit report by Monbo & Company:

THE LIBERIA PETROLEUM REFINING COMPANY

AUDITED FINANCIAL STATEMENTS

FOR THE TWO YEARS ENDED

DECEMBER 31, 2004 & 2005

**MONBO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
MEMBER FIRM MIDSNELL GROUP INTERNATIONAL
LONDON, UNITED KINGDOM**

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MGI MONBO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Member Firm of MIDSNELL GROUP INTERNATIONAL

April 20, [2006]

To The Board of Directors
The Liberia Petroleum Refining Company
Monrovia, Liberia

Ref: Auditors' Report for the years 2004 & 2005

We have audited the balance sheet and its related statements of income, cash flows and retained earnings of Liberia Petroleum Refining Company for the years ended December 31, 2004 and 2005. The preparation of these financial statements and the maintenance of financial records is the responsibility of the management of the Liberia Petroleum Refining Company. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was conducted in accordance with Auditing and Accounting Standards promulgated by the International Federation of Accountants. The Auditing Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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1. ACCOUNTS PAYABLE

The civil war in Liberia did not only kill several people, and destroyed infrastructures. Corporate financial records and equipment were looted and destroyed. As a result of this, most corporations can not give accurate accounts of their payables. The Liberia Petroleum Refining company was no exemption. Consequently, the Company does not have satisfactory supporting documentations for most of the accounts payables listed as post war liabilities. We sent out confirmation letters to the creditors. Most of the creditors listed did not reply to our confirmation. Those that responded rejected the balances reported on LPRC books. There were disparities in the balances reported by LPRC and the balances confirmed by the creditors. We were unable to satisfy ourselves on the accuracy of the amounts stated in the balance sheet as accounts payable related to post war liabilities in the amounts of US\$1,576,888.00 as at December 31, 2004 and US\$1,141,369.00 as at December 31, 2005, because the creditors' ledgers lack supporting documentation.

2. FIXED ASSETS

Most of the Corporation's fixed assets and their related records were looted during the fourteen (14) years civil crisis in Liberia. Consequently, management is unable to provide the correct costs of the corporation's fixed assets stated in the accounts and their related documentations. The fixed assets costs stated in the financial statement such as buildings, tanks, pipes, pumps and the loading rack were estimated by management. The estimates were not done by experts; therefore, we found it difficult to rely on the management figures.

3. CONTRIBUTIONS TO NTGL

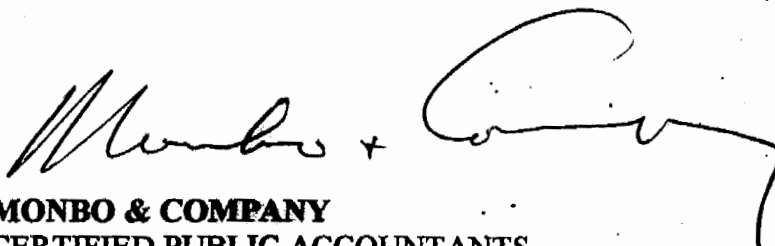
In 2004 and 2005 the management of the Company informed us that it made contributions amounting to **US\$985,651.00** and **US\$679,015.00** respectively to the National Transitional Government of Liberia (NTGL). These amounts are stated in the income statements as expenses. As there were neither formal requests nor official receipts issued to the Company acknowledging the receipts of the amounts by the authorities of the NTGL, we could not satisfy ourselves of these payments. Our confirmation letters to some of the NTGL officials on this matter have not been responded to.

4. ESCROW ACCOUNT

An amount of **US\$25,000.00** is embedded in the cash balance stated in the balance sheet. This amount was an initial deposit for the establishment of an escrow account for tanks rehabilitation and maintenance. Management did not make further deposit to this account. We could not find any record to prove the existence of this amount in the bank account. Neither Ecobank nor the management of LPRC has able to furnish us with the bank statement of the Escrow Account as at December 31, 2004 and 2005.

OPINION

In our opinion, except for the matters mentioned in the preceding paragraphs, the balance sheet and their related statements of income, cash flows and retained earnings present fairly the financial position of the Company as at December 31, 2004 and 2005 respectively and its operational results for the years then ended. The financial statements were prepared in accordance with generally accepted accounting principles promulgated by the International federation of Accountants.



MONBO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Liberia Petroleum Refining Company
Balance sheet
As at December 31, 2004 & 2005

	NOTE	2005 US\$	2004 US\$
<u>CURRENT ASSETS</u>			
Cash/Bank	1	190,989	205,637
Accounts Receivable	2	203,588	102,177
Total Current assets		394,577	307,814
Work-In-Process			
Buildings	5.1	100,000	194,216
Fixed Assets-net	5	8,934,778	8,339,377
Total Assets		9,429,356	8,841,407
<u>LIABILITIES</u>			
Bank Overdrafts		-0-	42,397
Trade payables	3.4	1,141,369	2,005,679
Staff benefit payable		-0-	104,393
Other payables		3,000	1,500
Professional Fees payable	3.3	10,500	50,500
Withholding taxes payable		24,572	24,572
Notes payable	3.1	742,733	927,538
Severance pay payable	3.2	8,979	74,403
Unearned Fees		151,517	
Injury scheme Contributions		131,858	110,476
Total Liabilities		2,214,528	3,341,357
<u>EQUITY</u>			
Capital		15,000,000	15,000,000
Retained Earnings		7,785,173	9,499,950
Ending capital		7,214,827	5,500,050
TOTAL OWNERS EQUITY & LIABILITIES		9,429,356	8,841,407

Notes on pages 9-15 form integral part of the financial statement

Liberia Petroleum Refining Company
Income Statement
For the period ended December 31, 2004 & 2005

	NOTE	<u>2005</u>	<u>2004</u>
<u>Revenue</u>		US\$	US\$
Storage & handling Fees	4	6,483,046	5,958,293.90
Rehab/Maintenance	4A	1,664,451	1,667,713.96
Other	4B	286,643	623,374.00
Total Revenue		<u>8,434,140</u>	<u>8,249,382</u>
<u>Less Expenses (See 4B)</u>			
Employees Salaries & Benefits		1,812,429	1,292,592
Training		143	15,945
Supplies		92,915	164,325
Travel & per diem		15,368	151,304
Maintenance & Repairs		190,019	181,566
Board/GOL		1,223,044	1,067,308
Communication		4,612	31,720
Public Relations		65,065	163,877
Printing & Periodical		235,820	17,193
Bank charges		22,133	13,195
Depreciations		785,431	678,298
Honorarium		157,863	14,166
Professional Services		197,896	387,586
Gas & Oil		1,713,447	1,146,456
Other Expenses		413,973	801,827
Total Expenses		<u>6,930,156</u>	<u>6,127,359</u>
Net Income		<u>1,503,984</u>	<u>2,122,023</u>

Notes on pages 9-15 form integral part of the financial statement

Liberia Petroleum Refining Company
Cash flows Statement
For the years ended December 31, 2004 & 2005

<u>Cash Basis</u>	2005 US\$	2004 US\$
OPERATING ACTIVITIES		
Cash from Customers	8,381,103	8,462,816
LESS OPERATING EXPENSES:		
Cash payments to vendors	685,301	1,537,515
Purchase of Petroleum products	1,416,839	1,150,738
Employees' Salaries & Benefits(net)	1,864,324	1,134,395
Payments of Employees severance	114,787	29,184
Withholding Taxes paid to government	11,082	7,113
General operating expenses	1,313,444	1,509,546
Bank charges	126,150	13,195
Total payments	5,531,927	5,381,686
NET CASH FROM OPERATION	2,849,177	3,081,130
INVESTING ACTIVITIES		
Improvements in buildings	114,447	199,197
Purchase of vehicles	554,500	845,880
Purchase of generators	178,250	51,765
Purchase of office equipments & other assets	186,997	322,030
Cash paid to NTGL	985,021	679,015
Petroleum product for goodwill & NTGL	607,216	493,174
Boardfees & Expenses	237,393	388,292
NET CASH FROM INVESTING	2,863,824	2,979,352.52
FINANCING ACTIVITIES		
Bank overdraft		42,397
Loan given out(NOCAL)		(10,000.00)
Short term borrowing-MOTC	175,000	
Repayment of short term borrowing	-175,000	
Short term borrowing-ECOBANK	700,000	
Repayment of short term borrowing	-700,000	
NET CASH FROM FINANCING	-	32,397
Increase/Decrease in cash	-14,647	134,175
Beginning cash	205,637	71,462
Ending Cash	190,989	205,637

Notes on pages 8-15 form integral part of the financial statement

Liberia Petroleum Refining Company
Retained Earnings Statement
For the years ended December 31, 2004 & 2005

	<u>2005</u>	<u>2004</u>
	US\$	US\$
Beginning Equity	9,499,950	9,854,945
Net Adjustments	210,794	1,767,028
Adjusted Equity	<u>9,289,156</u>	<u>11,621,973</u>
ADD:		
NET INCOME	1,503,984	2,122,023
Ending Retained Earnings	<u><u>7,785,173</u></u>	<u><u>9,499,950</u></u>

Notes on pages 9-15 form intergral part of the financial statement

OVERVIEW OF THE COMPANY

The Liberia Petroleum Refining Company was established in 1960 as the Liberia Refining Company (LRC). It was being jointly run by two American firms known as Dynalectron Corporation and Sun Oil Company. The Liberian government was given the privilege to appoint the head. The first Managing Director was Cletus Wotorson. The LRC was gutted by fire forcing the American firms to leave in the mid 70's. The government then acquired all the assets thus giving it 100% ownership and subsequently changed the name to the Liberia Petroleum Refining Company in 1978. The primary function is to create a revenue base through the sale of petroleum products through Liberia. In July 1989, the Liberia Petroleum Refining Company was given exclusive rights for the importations, sale and distribution of petroleum products within Liberia. At present, the Company has given franchises to several importers to perform this function.

ACCOUNTING POLICIES

COST

The amounts stated in the financial statement are in United States dollars; however transactions involving Liberian dollars were converted at 50L\$ to 1 US\$.

FIXED ASSETS

All fixed assets were recorded at cost and were depreciated using the Ministry of Finance approved rates.

EXPENSES

The expenses were recorded using the accrual basis of accounting. However for the preparation of the cash flows statement the cash basis of accounting was used.

INCOME

LPRC earns its income from providing storage for the petroleum products imported by the importers. Additionally, LPRC charges fees for rehabilitation and maintenance of the tanks. It also earns income from office rental and electricity to the importers.

**LIBERIA PETROLEUM REFINING COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1

Cash In Bank	2005 US\$	2004 US\$
International Bank	13,571	17,860
LBDI	12,431	131,072
Tradevco		31,288
ECOBANK-Project	118,576	
ECOBANK	20,865	
ECOBANK-Escrow	25,000	25,000
	<u>190,444</u>	<u>205,220</u>

NOTE 1

Petty Cash		
Petty cash on hand	212	329
PST	246	
Maintainence	88	88
	<u>546</u>	<u>417</u>

TOTAL CASH/BANK	<u>190,989</u>	<u>205,637</u>
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NOTE 1-A**BANK OVERDRAFTS**

ECOBANK		38,183
IBLL		4,214
	<u>-0-</u>	<u>42,397</u>

**LIBERIA PETROLEUM REFINING COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2**ACCOUNTS RECEIVABLE**

	2005 US\$	2004 US\$
West Oil	190,716	56,416
National Oil Company	10,000	10,000
Staff advances	172	
Mobil	1,388	
Srimex		35,029
MOTC	1,312	732
TOTAL	203,588	102,177

NOTE 3**LIABILITIES**

	US\$	US\$
Staff Benefit payable		104,393
With holding Taxes (Economic Benefits)	24,572	24,572
Special project	3,000	1,500
Injury & Pension Contribution	131,858	110,476
TOTAL	159,430	240,940

NOTE 3.1**NOTES PAYABLES**

	US\$	US\$
JSJ Inc.	358,451	487,001
Sahid Mohammed	290,532	290,537
West Oil	93,750	
Bittar Construction		150,000
TOTAL	742,733	927,538

**LIBERIA PETROLEUM REFINING COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3.2**SEVERANCE PAY PAYABLES**

	<u>US\$</u>	<u>US\$</u>
Clearance Conneh	8,979	55,925
Richard Teach		1,736
Harris K. Green		429
Ross Grant		2,885
Isaac Q. Nah		546
Alphonso Holder		4,526
Edward S. Valentine		3,615
Gabriel K. Gweah		100
Jerusha D. Jones		4,641
TOTAL	<u>8,979</u>	<u>74,403</u>

NOTE 3.3**PROFESSIONAL FEES PAYABLE**

Monbo & Company		40,000
Devin Sac Akahn	9,000	9,000
Ace Planning & Consultancy	1,500	1,500
TOTAL	<u>10,500</u>	<u>50,500</u>

NOTE 3.4**TRADE PAYABLES**

Trade Payable (Postwar Liabilities)	1,141,369	1,576,888
Aminata Payable		428,691
TOTAL	<u>1,141,369</u>	<u>2,005,579</u>

NOTE 3.5**UNEARNED FEES**

Aminata	9,344	
Srimex	5,203	
Origin & Oil	136,971	
TOTAL	<u>151,517</u>	<u>-0-</u>

**LIBERIA PETROLEUM REFINING COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4

Income	2005	2004
	US\$	US\$
Storage/Handling Income		
West Oil	3,029,240	3,444,512
Aminata & Sons	360,977	185,130
MOTC	1,313,903	1,349,511
MOBIL	1,163,823	958,124
Srimex	286,071	21,017
Origin Oil & gas	329,031	
Total	6,483,046	5,958,294

Note 4A

Rehab./Maint.	US\$	US\$
West Oil	723,615	913,864
Aminata & Sons	146,628	63,263
MOTC	347,898	366,567
MOBIL	254,072	310,008
Srimex	60,118	14,012
Origin Oil & Gas	132,120	
	1,664,451	1,667,714

NOTE 4B

Other	US\$	US\$
Lubricant	9,500	14,500
Distributorship fees	124,167	258,000
Office Rental	70,500	23,000
Electricity		27,000
Others	82,476	300,874
	286,643	623,374

TOTAL INCOME**8,434,139.86****8,249,381.86****Note 5.1**

Work In Process	2005	2004
	US\$	US\$
Training Building	100,000	
Fire Safety Building		127,600
Maintenance & Production Bld.		66,616
	100,000	194,216

LIBERIA PETROLEUM REFINING COMPANY
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 5
Fixed Assets

ASSETS	Cost		Addition		Total cost		Depreciation		Accumulated		Net Book value	
	2005 US\$	2004 US\$	2005 US\$	2004 US\$	2005 US\$	2004 US\$	2005 US\$	2004 US\$	2005 US\$	2004 US\$	2005 US\$	2004 US\$
Buildings	3,377,405	3,182,299	130,000	195,106	3,507,405	3,377,405	47,881	45,776	1,640,028	1,592,146	1,867,377	1,786,259
Machinery & Equipment	397,715	394,565		3,150	397,715	397,715	7,410	7,428	263,977	256,566	133,738	141,149
Furniture & Fixtures	312,139	297,545	7,142	14,594	319,281	312,139	22,172	23,843	119,732	97,558	199,548	214,581
Household	3,690	3,690			3,690	3,690			3,690	3,690	-0-	-0-
Pumps	266,566	186,078		80,488	266,566	266,566	3,867	3,914	117,734	113,867	148,831	152,699
Pipes	4,118,421	4,102,778	207,714	13,643	4,324,135	4,116,421	29,872	25,311	3,159,146	3,129,275	1,164,989	987,146
Tanks	22,109,428	22,071,041	168,840	38,387	22,278,068	22,109,428	76,792	74,918	18,515,253	18,438,460	3,762,816	3,670,988
Vehicles	1,278,794	467,794	580,562	811,000	1,859,356	1,278,794	442,762	373,966	972,502	529,741	886,854	749,053
Plant	7,468,000	7,468,000			7,468,000	7,468,000			7,468,000	7,468,000	-0-	-0-
Jetty/Walkway	5,000	5,000			5,000	5,000	121	124	277	155	4,723	4,845
Generators	377,451	212,451	189,500	166,000	566,951	377,451	76,126	47,783	282,446	186,320	304,505	191,131
Laboratory Equipment	45,442	35,421		10,021	45,442	45,442	5,655	6,760	17,033	11,378	28,409	34,064
Fire Extinguishers	24,085	21,735	18,900	2,350	42,985	24,085	3,711	2,023	9,594	5,873	33,401	18,212
Loading Rack	234,500	92,200		142,300	234,500	234,500	10,919	11,486	27,024	16,105	207,477	218,396
Office Equipment	479,112	418,799	71,438	60,313	550,550	479,112	42,244	36,434	338,310	296,066	212,240	183,046
Handsets	181,541	161,116	2,800	20,425	184,341	181,541	15,897	18,504	104,471	88,573	79,870	183,046
TOTAL	40,677,288	39,120,512	1,376,697	1,556,776	42,053,985	40,677,288	785,431	678,286	33,019,207	32,233,773	9,034,778	8,533,593