

FORMS CAPITAL LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2023

**FORMS CAPITAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**FORMS CAPITAL LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023**

CHAIRMAN	Berifi Afari Apenteng
CHIEF EXECUTIVE OFFICER	William Armah Arthur
MEMBERS	Jude Kwabena Asenso Addo Ewurafua Addo-Atuah Jonathan Kojo Amoah Atuah Joyce Kesewa Opon (Mrs.) Ernest Obuobisa-Darko (Dr.) Appointed : 1 October 2023
SECRETARY	Ama Sefenya Ayithey (Mrs.) Resigned : 28th August 2023
REGISTERED OFFICE	Florida House F 170/6 3rd Labone Link Labone -Accra
AUDITORS	PKF Accountants & Business Advisers Farrar Avenue P.O. Box 1219 Accra
SOLICITORS	Alvary Legal J . Opoku Boateng & Co Opoku Agyei & Co Akyianu Associates KJ Legal Practice Law Consortium
BANKERS	Zenith Bank Ghana Limited Agricultural Development Bank Limited First Atlantic Bank Limited Republic Bank Ghana Limited Fidelity Bank Ghana Limited

FORMS CAPITAL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

In accordance with the requirements of Section 136 of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we the Board of Directors of Forms Capital Limited, do herewith submit our annual report on the state of affairs of the Company for the year ended 31 December 2023.

Statement of Directors Responsibilities

The directors are responsible for the preparation of financial statements that give a true and fair view of Forms Capital Limited, comprising the statements of financial position at 31 December 2023, statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of the report of the directors.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as going concerns and have no reason to believe that the business will not be going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Operating Results:

	2023 GH¢	2022 GH¢
Gross Earnings	19,652,830	13,414,790
Profit/(Loss) before tax	2,893,684	(1,000,970)
From which is deducted a Tax provision of	(694,962)	0
Leaving a balance of	2,198,722	(1,000,970)
This is to be added to an Retained Earnings balance brought forward from the previous year of	(32,041,528)	(30,889,269)
Transfer to Statutory Reserve	(1,446,842)	0
and transfer from/(to) credit risk reserve of	1,422,390	(151,289)
Leaving a Balance on the Retained Earnings Account of	<u>(29,867,258)</u>	<u>(32,041,528)</u>

FORMS CAPITAL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

Nature of Business

The Company is authorised to carry out intermediate financial services and specialises in providing tailored financing solutions to businesses, organisations and individuals. There was no change in the principal activity of the Company during the year ended 31 December 2023.

Particulars of entries in the Interests Register during the financial year

Directors and their associate companies had loan facilities to the tune of GH¢1.3million with the company as at year end. These transactions had been recorded in the Interests Register as required by Sections 194(6), 195 (1) (a) and 196 of the Companies Act 2019, (Act 992).

Corporate social responsibility and code of ethics

No amount was spent under the Company's social responsibility programme during the year under review.

Capacity building of directors to discharge their duties

Refresher courses were organised for Directors to update their skills and knowledge on Risk Management & Anti Money Laundering activities as well as their statutory duties as directors. A program has been outlined in accordance with the new corporate guidelines to continuously provide them further training on leadership and corporate governance.

Auditors and Audit fees

In accordance with Section 139(5) of the Companies Act, 2019 (Act 992), PKF will remain in office as auditors for the Company. As at 31 December 2023, the amount payable in respect of audit fees was GH¢48,071.

Going Concern

The Board of Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Dividend

The Directors do not recommend the payment of dividend to Shareholders.

Acknowledgement

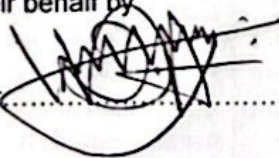
The Board of Directors hereby expresses its sincere appreciation for the support, loyalty and dedicated service of the staff, management and all stakeholders of the Company over the past year.

Approval of the report of the directors

The report of the Directors of Forms Capital Limited, was approved by the Board of Directors

on 21st May 2024 and signed on their behalf by

Director 

Director 

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FORMS CAPITAL LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2023**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Forms Capital Limited which comprise the statement of financial position as at December 31, 2023, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Forms Capital Limited as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards with the IAS 29 directive issued by the Institute of Chartered Accountants Ghana (ICAG) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Company in accordance with the international Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 30 to the financial statements (Breach of Regulatory Requirements). The Capital Adequacy Ratio was 8.29% for the year ended 31 December 2023 (2022: -2.49%). The Company failed to comply with the regulatory minimum requirement of 10% as required by Bank of Ghana. These events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances in line with IFRS 9 Loans and advances to customers constitute a significant portion of the total assets of the Company.	We focused our testing of the impairment of loans and advances to customers on the key assumptions and inputs made by management and directors. Specifically, our audit procedures included:

At 31 December 2023, gross loans and advances to customers were GH¢52.02million (2022:GH¢50.96 million) against which total loan impairment amount of GH¢7.05 million (2022: GH¢ 7.51million) was recorded, thus leaving a net loan balance of GH¢44.93 million (2022: GH¢ 43.45 million) which represents about 78.37 %(2022: 69.58%) of the total assets as at the reporting date (see note 14).
The basis of the impairment amount is summarised in the accounting policies in the financial statements.

The directors exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers.

This complex standard requires the company to recognise Expected Credit Losses (ECL) on financial instruments, which involves exercise of significant judgment and estimates. The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the company's implementation of IFRS 9 include:

i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions.

ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria.

iii. Modelling for estimation of ECL parameters:

- Probabilities of Default (PDs) – 12-month and lifetime;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

iv. Completeness and accuracy of data used to calculate the ECL.

Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.

- Obtaining an understanding of the loan loss impairment calculation process within the Company;
- Testing the design and determining implementation of key controls across the processes relevant to the ECL (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual provisions and processing of journal entries and disclosures);

- Assessing the ECL provision levels by stage to determine if they were reasonable considering the company's portfolio, risk profile, credit risk management practices and the macroeconomic environment;

- Challenging the criteria used to allocate assets to stages 1, 2 or 3 in accordance with IFRS 9;

- Testing the assumptions, inputs and formulae used in a sample of ECL models (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models);

- Testing the data used in the ECL calculation by reconciling to source systems; and

- Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards.

Based on our review, we found that the Company's impairment methodology, including the model, assumptions and key inputs used by management and directors to estimate the amount of loan impairment losses and the estimated loan impairment losses determined were appropriate in the circumstances.

Other information

The Board of Directors is responsible for the other information. The other information comprises reports of the Directors but does not include the Company's financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that gives a true and fair view in accordance with International Financial Reporting Standards with the IAS 29 directive issued by the Institute of Chartered Accountants Ghana(ICAG) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal control as the Board of Directors 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, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 International Standards on Auditing 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.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Companies Act 2019, (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion proper books of account have been kept by the Forms Capital Limited, so far as appears from our examination of those books,
- iii) The statement of financial position and statement of comprehensive income of the Company are in agreement with the accounting records and proper returns adequate for the purposes of the audit have been received from branches not visited by the auditors.
- iv) The financial statements give a true and fair view of the state of affairs of the Company and its results for the year under review
- v) Adequate disclosure have been made in the financial statements for the directors' remuneration and the amount reported in the financial statements are in agreement with the accounting records and returns.
- vi) We are independent of the Company in accordance with Section 143 of the Companies Act 2019 (Act 992).

- vii) The Company has complied with the disclosure requirement of section 136 of the Companies Act 2019 (Act 992).
- viii) The Company has complied with the provisions of the Anti-Money Laundering Act, 2020 (Act 1044) and the Anti-Terrorism Act, 2008 (Act 762) as amended by the Anti-Terrorism (Amendment) Act, 2014 (Act 875) and the regulations made under these enactments.
- ix) The Company's transactions are within its powers.

The engagement partner on the audit resulting in this independent auditor's report is **Albert Addo Cofie (ICAG/P/1403)**.

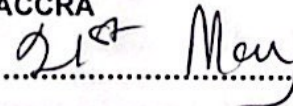


FOR AND ON BEHALF OF PKF (ICAG/F/2024/039)

CHARTERED ACCOUNTANTS

FARRAR AVENUE

ACCRA

2024

FORMS CAPITAL LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 GH¢	2022 GH¢
Interest and Similar Income	4	17,226,127	10,695,668
Interest and Similar Expenses	5	(10,254,669)	(8,480,987)
Net Interest Income		<u>6,971,458</u>	<u>2,214,681</u>
Net Commission and Fees	6	<u>1,070,403</u>	<u>1,293,011</u>
		8,041,861	3,507,692
Impairment Loss on Financial Assets	8	(23,115)	(51,129)
		<u>8,018,746</u>	<u>3,456,563</u>
Operating Expenses	9	(6,481,362)	(5,883,644)
Other Income	7	<u>1,356,300</u>	<u>1,426,111</u>
Net Profit/(Loss) Before Tax		2,893,684	(1,000,970)
Growth & Sustainability Levy		(144,684)	0
Taxation	10a(i)	(550,278)	0
Net Profit/(Loss) transferred to Retained Earnings		<u>2,198,722</u>	<u>(1,000,970)</u>
Basic earnings per share (Ghana cedi per share)	27	12.35	(5.61)

FORMS CAPITAL LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 GH¢	2022 GH¢
ASSETS			
Cash and Short Term Funds	11	3,440,577	628,948
Pledged Assets	12	923,787	3,379,199
Short Term Investments	13	2,851,451	10,154,739
Loans and Advances	14	44,927,569	43,447,295
Other Assets	15	3,992,511	4,450,864
Property, Plant & Equipment	16	1,189,247	379,536
TOTAL ASSETS		57,325,142	62,440,581
LIABILITIES			
Overdrawn Balances	11a	0	10,296,028
Deposits from Customers	17	35,346,135	33,702,981
Taxation	10b	379,956	(34,614)
Other Liabilities	18	482,528	294,185
TOTAL LIABILITIES		36,208,619	44,258,580
SHAREHOLDERS' FUND			
Stated Capital	20	32,136,121	32,136,121
Retained Earnings		(29,867,258)	(32,041,528)
Statutory Reserve		3,067,039	1,620,197
Credit Risk Reserve	21	15,044,821	16,467,211
Deposit for Shares	19	735,800	0
TOTAL SHAREHOLDERS' FUND		21,116,523	18,182,001
TOTAL LIABILITIES AND SHAREHOLDERS FUND		57,325,142	62,440,581

Approved by the Board on... 21st May2024

Emmanuel A. A. A. DIRECTOR

[Signature] DIRECTOR

FORMS CAPITAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Stated Capital GH¢	Retained Earnings GH¢	Credit Risk Reserve GH¢	Statutory Reserve GH¢	Deposit for Shares GH¢	Total GH¢
2023						
Balance as at 1 January	32,136,121	(32,041,528)	16,467,211	1,620,197	0	18,182,001
Deposit for Shares	0	0	0	0	735,800	735,800
Net Profit for the Year	0	2,198,722	0	0	0	2,198,722
Transfer to Statutory Reserve	0	(1,446,842)	0	1,446,842	0	0
Transfer from Credit Risk Reserve	0	1,422,390	(1,422,390)	0	0	0
Balance as at 31 December	<u>32,136,121</u>	<u>(29,867,258)</u>	<u>15,044,821</u>	<u>3,067,039</u>	<u>735,800</u>	<u>21,116,523</u>
2022						
Balance as at 1 January	29,536,121	(30,889,269)	16,315,922	1,620,197	2,600,000	19,182,971
Issuance of Shares	2,600,000	0	0	0	(2,600,000)	0
Transfer from Credit Risk Reserve	0	(151,289)	151,289	0	0	0
Net Loss for the Year	0	(1,000,970)	0	0	0	(1,000,970)
Balance as at 31 December	<u>32,136,121</u>	<u>(32,041,528)</u>	<u>16,467,211</u>	<u>1,620,197</u>	<u>0</u>	<u>18,182,001</u>

FORMS CAPITAL LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 GH¢	2022 GH¢
Cash flows from operating activities			
Net Profit/(Loss) before taxation		2,893,684	(1,000,970)
Adjustments for:			
Impairment loss on financial assets		23,115	51,129
Depreciation		173,429	247,849
Operating Profit/(Loss) before working capital changes		3,090,228	(701,992)
Changes in Loans and Advances		(1,503,389)	(12,445,842)
Changes in Other Assets		458,353	3,729,495
Changes in Pledged Assets		2,455,412	(222,173)
Changes in Short Term Investments		7,303,288	(1,285,543)
Changes in Customers Deposits		1,643,154	2,341,951
Changes in Other Liabilities		188,343	(223,936)
Cash generated in operations		13,635,389	(8,808,040)
Taxation			
Tax Paid		(280,392)	0
Net Cash generated in operations		13,354,997	(8,808,040)
Cash outflows from investing activities			
Purchase of Property, Plant & Equipment		(983,140)	(163,404)
Net cash used in investing activities		(983,140)	(163,404)
Cash flows from financing activities			
Deposit for Shares		735,800	0
Proceed from issue of shares		0	2,600,000
		735,800	2,600,000
Net Increase/(Decrease) in cash and cash Equivalents		13,107,657	(6,371,444)
Cash and Cash Equivalents at beginning of the year		(9,667,080)	(3,295,636)
Cash and Cash Equivalents at end of the year	22	3,440,577	(9,667,080)

**FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Reporting Entity

Forms Capital Limited (FCL) is a Limited Liability Company incorporated and domiciled in Ghana under the Companies Act, 2019 (Act 992). Forms Capital is authorised to carry out intermediate financial services and specialises in providing tailored financial solutions to businesses, organisations and individuals.

2. Basis of Preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) with the IAS 29 directive issued by the Institute of Chartered Accountants Ghana (ICAG) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The ICAG issued a directive in November 2023 to accountants in business and accountants in practice, together with an update in January 2024 on the application of IAS 29 in Ghana. The ICAG asserts in the directive that based on its analysis of the quantitative and qualitative indicators referred to in IAS 29, Ghana was not a hyperinflationary economy as of December 2023, therefore, IAS 29 will not be applicable for December 2023 financial reporting period. In compliance with the directive, the financial statements of the Company, including the comparative figures, have not been stated in terms of the measuring unit current at the end of the reporting period.

a. Basis of measurement

The financial statements have been prepared under the below basis:

- Historical cost convention, unless otherwise stated;
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value;
- Fair value through other comprehensive income (FVOCI) financial assets are measured at fair value through equity;
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the fair value of the plan assets;

b. Presentation of financial statements

The Company presents its statement of financial position in order of liquidity. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the company.

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

c. Functional & presentation currency

The financial statements are presented in Ghana Cedis(GH¢) which is also the Company's functional currency.

3. Summary of Significant Accounting Policies

The Company has adopted the following significant accounting policies in the preparation of these financial statements:

a. Property Plant & Equipment

The company recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the amount meets materiality threshold set by the company.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the company would currently obtain from the disposal of an asset in similar age and condition as expected at the end of the useful life of the asset.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

Asset Classification	Basis	Rate
Plant & Machinery	Straight Line	20%
Office Equipment	Straight Line	20%
Furniture & Fittings	Straight Line	20%
Motor Vehicles	Straight Line	20%
Computers & Data Handling Equipment	Straight Line	33.3%

Costs associated with routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalized if it is probable that future economic benefits associated with the item will flow to the company.

The carrying values of property, plant and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the item. Any gain or loss arising on derecognizing of the asset (calculated as the difference between

**FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

the net disposal proceeds and the carrying amount of the item) is included in the pre-operating expenses.

Residual values, useful lives and methods of depreciation for property and equipment are reviewed, and adjusted if appropriate, at the date of financial statements.

b. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

Interest Income

Interest income is recognized in the income statement for all interest-bearing financial instruments measured at amortised cost, including loans and advances, as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated on initial recognition of the financial asset, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts for processing and commitment fees paid or received by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument.

Where a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commissions and fees

The Company earns commission and fees from a limited range of services provided to its customers. Fees earned for the provision of services over a period of time are accrued over that period. Facility fees for loans and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

c. Interest expense

Interest expense is recognised in the statement of comprehensive income for all interest-bearing financial instruments measured at amortised cost as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the

**FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

instrument. The calculation includes all amounts for processing and commitment fees paid by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

d. Financial instruments

Initial Recognition and Measurement Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

The contractual terms of the financial asset give rise, on specified dates, to cash flows that solely payments of principal and interest on the principal amount outstanding.

Business Model Assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, matching the duration of financial assets to the liabilities;
- that are funding those assets or realizing cash flows through the sales of the assets; how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized. Assessment of whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount

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outstanding during a particular period of time and for other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customer (if any);
- contingent events that would change the amount and timing of cash flow;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (for example, non-recourse asset arrangements) and features that modify consideration of time value of money (for example, periodical reset of interest rates).

Financial assets which have been classified as measured at amortised cost include cash and cash equivalents, trade and other receivables and loans and advances.

If the business model/SPPI test are not met, the financial asset would be classified as fair value through profit or loss.

Initial recognition and measurement

The Company initially recognizes financial assets and liabilities on the date the Company becomes a party to the contractual provisions of the instruments, i.e. trade date. This is on the date that these financial instruments are originated.

Financial instruments are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition, except if fair value through profit and loss.

The Company generally does not reclassify financial instruments between different categories subsequent to initial recognition. Financial assets are reclassified only if the Company changes its business model for managing financial assets. In accordance with IFRS 9.

- Financial liabilities can never be reclassified; and
- Financial assets can only be reclassified if there is a change in business model.

Subsequent Measurement

Amortised Cost

Financial assets which are classified as measured at amortised cost, are measured using the effective interest method, less any expected credit losses which are recognized in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the

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effective interest rate. Origination fees and service fees are both considered to be integral to the effective interest rate. Origination fees are added to the original debt amount and included in the initial measurement of the loan.

Expected credit losses are calculated through the use of an appropriate impairment methodology.

Derecognition

Financial assets (or a portion thereof) are derecognized when the Company realizes the rights to the benefits specified in the contract, the rights expire, the asset is substantially modified or the Company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in profit and loss.

Impairment of Financial Assets

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue costs and effort. The Company has utilized the 30-days past due rebuttable presumption to identify a significant increase in credit risk since initial recognition.

Definition of Default

The Company considers the following as constituting an event of default, and therefore credit – impaired, for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised costs are credit impaired.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the Company, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Company would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties.

Write off Policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of Expected credit losses

The Company recognizes loss allowances for expected credit losses on the following financial assets:

- Loans and Advances
- Cash and Bank Balances
- Intercompany Receivables
- Other Assets.

Impairments are measured as 12 month expected credit losses upon origination. Where there has been a significant increase in credit risk since initial recognition of a financial asset, the loss allowance is measured as an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Expected credit losses are a probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired at the reporting date – as the present value of all cash flow shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive);
- Financial assets that are credit impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows.

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- Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Other Assets

Other assets are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in profit and loss.

e. Other Payables

Other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

f. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

g. Bank overdraft and borrowings

Bank overdraft and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

h. Offsetting

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

i. Provisions

The Company recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

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estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Contingent liabilities and contingent assets are disclosed in the notes to the financial statements.

j. Credit Risk Reserve

Loans and Receivables

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a transfer is made from distributable to non-distributable reserves in the statement of changes in equity, being the regulatory general risk reserve. The non-distributable regulatory general credit risk reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

k. Employee Benefits

The Company contributes to the defined contribution schemes (the Social Security Fund) on behalf of employees.

Retirement Benefits Cost

The Company contributes to the statutory Social Security and National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Social Security Act. The Bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. All employer contributions are charged to profit or loss as incurred and included under staff costs.

Provision for employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the year end.

Short-Term Employment Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, if the Company 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.

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l. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

The Company's intangible assets comprise of its software which is currently being amortised at a rate of 33.33%.

m. Share Capital and Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Dividends are recognised as a liability in the year in which they are declared.

n. Related Parties

Related parties are individuals and companies, where the individual and Company have the ability, directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balance are disclosed in the notes to the financial statements.

o. Taxation

a) Income Tax

Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in shareholders' equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set-off exists.

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b) Deferred tax

Deferred taxation is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets recognized for all deductible temporary differences and carry-forward of unused tax assets and losses, to the extent that it is probable that taxation profits will be available against which the deductible temporary differences and carry-forward of unused tax assets and losses, can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and the legal right to set-off exists.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

c) Value Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of value added tax included.

p. New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2023, and have not been applied in preparing these financial statements. These are disclosed as follows:

Amendment to IFRS 16

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

Amendment to IAS 1 – Non-current liabilities with covenants

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These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Annual periods beginning on or after 1 January 2024.

Amendment to IAS 7 and IFRS 7 - Supplier finance

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Annual periods beginning on or after 1 January 2024

The above new standards, interpretations and amendments are not expected to have any material impact on the financial statements.

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	2023 GH¢	2022 GH¢
4. Interest and Similar Income		
Loans and Advances to Customers	15,439,755	8,627,086
Investments at Amortised Cost	1,749,432	2,065,198
Cash and Cash Equivalents	36,940	3,384
	<u>17,226,127</u>	<u>10,695,668</u>
5. Interest and Similar Expenses		
Deposit from Customers	8,245,625	6,276,914
Due to Banks	2,009,044	2,204,073
	<u>10,254,669</u>	<u>8,480,987</u>
6. Net Commission Fees		
Facility Fees From Corporate Finance	1,070,403	1,432,823
Fee Expenses-Corporate Finance	0	(139,812)
	<u>1,070,403</u>	<u>1,293,011</u>
7. Other Income		
Foreign Exchange Gain	87,542	294,401
Penal Charges	600,162	559,742
Recoveries	486,281	382,419
Other Services Income	182,315	189,549
	<u>1,356,300</u>	<u>1,426,111</u>

8. Impairment Losses on Financial Assets

The table below shows the Expected Credit Loss charges on financial instruments for the year recorded in statement of profit or loss and other comprehensive income:

	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
2023				
Loans and Advances	0	0	23,115	23,115
Bank Balances	0	0	0	0
Other Receivables	0	0	0	0
	<u>0</u>	<u>0</u>	<u>23,115</u>	<u>51,129</u>
2022				
Loans and Advances	0	0	51,129	51,129
Bank Balances	0	0	0	0
Other Receivables	0	0	0	0
	<u>0</u>	<u>0</u>	<u>51,129</u>	<u>51,129</u>

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	2023 GH¢	2022 GH¢
9. Operating Expenses		
Staff Cost	2,718,303	1,905,049
Directors' Emoluments	376,057	265,470
Audit Fee	48,071	113,406
Depreciation	173,429	247,849
Occupancy	767,383	517,277
General & Administrative Expenses	2,398,119	2,834,593
	<u>6,481,362</u>	<u>5,883,644</u>

10a. Taxation

(i) Income tax expense

Current Tax Expense	550,278	0
Deferred Tax (10c)	0	0
	<u>550,278</u>	<u>0</u>

All tax liabilities are subject to the agreement of the Ghana Revenue Authority.

(ii) Reconciliation of effective tax rate

Profit Before Tax	<u>2,893,684</u>	<u>(1,000,970)</u>
Corporate Tax at 25% (2022: 25%)		
Tax calculated at corporate tax rate	723,421	(250,243)
Tax effect of non-deductible expenses	68,258	508,048
Tax loss for which no deferred tax asset is recognised	0	(203,143)
Tax effect of capital allowance	(241,401)	(34,193)
	<u>550,278</u>	<u>20,469</u>
Effective tax rate %	19	(2.0)

10b. Income Tax

	Balance 1 Jan. GH¢	Payment during the year GH¢	Charge for the year GH¢	Balance 31 Dec GH¢
2015	8,389	0	0	8,389
2016	(24,554)	0	0	(24,554)
2017	(21,450)	0	0	(21,450)
2018	(10,999)	0	0	(10,999)
2019	(3,037)	0	0	(3,037)
2020	0	0	0	0
2021	0	0	0	0
2022	0	0	0	0
2023	0	(145,392)	550,278	404,886
	<u>(51,651)</u>	<u>(145,392)</u>	<u>550,278</u>	<u>353,235</u>
Growth & Sustainability levy	17,037	(135,000)	144,684	26,721
	<u>(34,614)</u>	<u>(280,392)</u>	<u>694,962</u>	<u>379,956</u>

10c. Deferred Tax

Deferred tax assets have not been recognised in respect of the following items:

	2023 GH¢	2022 GH¢
Tax Loss	2,708,169	2,708,169
Unutilised Capital Allowance	0	0
	<u>2,708,169</u>	<u>2,708,169</u>

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	2023 GH¢	2022 GH¢
11. Cash and Short Term Funds		
Balance with Banks and Other Financial Institutions	3,438,993	628,938
Cash on Hand	1,584	10
	<u>3,440,577</u>	<u>628,948</u>
Expected Credit Loss on bank balances	0	0
	<u><u>3,440,577</u></u>	<u><u>628,948</u></u>
11a. Amount represents an overdrawn balances from Zenith Bank Ghana Limited and First Atlantic Bank Limited respectively.		
12. Pledged Assets		
Treasury Bills	923,787	3,379,199
	<u>923,787</u>	<u>3,379,199</u>
Pledged assets are in respect of treasury bills and placements assigned by Forms Capital Limited to its bankers in respect of credit facilities granted to the company. These assets cannot be assigned to any other party while being assigned to the bankers of the company. Bills are held to maturity. All pledged assets are carried at amortised cost.		
13. Short Term Investments		
Fixed Deposit	0	7,654,739
GOG Bond	2,851,451	2,500,000
	<u>2,851,451</u>	<u>10,154,739</u>
14. Loans and Advances		
Personal & Business Loans	51,159,627	50,034,317
Staff Loans	864,992	921,978
Finance Leases	0	0
	<u>52,024,619</u>	<u>50,956,295</u>
Less Credit Impairment Loss	14a (7,045,834)	(7,509,000)
Deferred Fees	(51,216)	0
	<u>44,927,569</u>	<u>43,447,295</u>
14a. Allowance for Impairment		
Balance as at 1 January	7,509,000	7,832,053
Recoveries	(486,281)	(374,182)
Impairment	23,115	51,129
Balance as at 31 December	<u>7,045,834</u>	<u>7,509,000</u>

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	2023 GH¢	2022 GH¢
15. Other Assets		
Accounts Receivable	899,015	465,279
Inter-Company Receivables	116,394	1,797,071
Other Debtors	1,210,526	988,529
Prepayments	<u>1,795,212</u>	<u>1,382,113</u>
	4,021,147	4,632,992
 Impairment on financial asset	 (28,636)	 (182,128)
	<u><u>3,992,511</u></u>	<u><u>4,450,864</u></u>

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2023

16. Property, Plant and Equipment

Cost	Office Equipment GH¢	Office Furn & Fittings GH¢	Motor Vehicles GH¢	Computers & Data Handling Equipment GH¢	Computer Software GH¢	Plant & Machinery GH¢	Capital Work in Progress GH¢	Total GH¢
Balance at 1 January	465,574	344,823	461,867	175,080	453,488	59,915	0	1,960,747
Additions	12,909	0	0	11,100	0	0	959,131	983,140
Balance at 31 December	<u>478,483</u>	<u>344,823</u>	<u>461,867</u>	<u>186,180</u>	<u>453,488</u>	<u>59,915</u>	<u>959,131</u>	<u>2,943,887</u>
Depreciation								
Balance at 1 January	324,417	276,684	461,867	137,853	320,475	59,915	0	1,581,211
Charge for the year	44,417	8,098	0	21,885	99,029	0	0	173,429
Balance at 31 December	<u>368,834</u>	<u>284,782</u>	<u>461,867</u>	<u>159,738</u>	<u>419,504</u>	<u>59,915</u>	<u>0</u>	<u>1,754,640</u>
Net Book Value 31/12/23	<u>109,649</u>	<u>60,041</u>	<u>0</u>	<u>26,442</u>	<u>33,984</u>	<u>0</u>	<u>959,131</u>	<u>1,189,247</u>

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2022

16. Property, Plant and Equipment

Cost	Office Equipment GH¢	Office Furn & Fittings GH¢	Motor Vehicles GH¢	Computers & Data Handling Equipment GH¢	Computer Software GH¢	Plant & Machinery GH¢	Total GH¢
Balance at 1 January	355,065	304,128	461,867	162,880	453,488	59,915	1,797,343
Additions	110,509	40,695	0	12,200	0	0	163,404
Balance at 31 December	<u>465,574</u>	<u>344,823</u>	<u>461,867</u>	<u>175,080</u>	<u>453,488</u>	<u>59,915</u>	<u>1,960,747</u>
Depreciation							
Balance at 1 January	271,498	250,446	441,703	119,940	189,860	59,915	1,333,362
Charge for the year	52,919	26,238	20,164	17,913	130,615	0	247,849
Balance at 31 December	<u>324,417</u>	<u>276,684</u>	<u>461,867</u>	<u>137,853</u>	<u>320,475</u>	<u>59,915</u>	<u>1,581,211</u>
Net Book Value 31/12/22	<u>141,157</u>	<u>68,139</u>	<u>0</u>	<u>37,227</u>	<u>133,013</u>	<u>0</u>	<u>379,536</u>

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	2023 GH¢	2022 GH¢
17. Deposits From Customers		
Term Deposits	35,346,135	33,702,981
Other Deposits	0	0
	<u>35,346,135</u>	<u>33,702,981</u>
18. Other Liabilities		
Short term employee benefits	32,716	20,803
Accounts Payable & Accruals	449,812	273,382
	<u>482,528</u>	<u>294,185</u>
19. Deposit for Shares		
Balance as at 1 January	0	2,600,000
New Deposits	735,800	0
Transfer to Stated Capital	0	(2,600,000)
	<u>735,800</u>	<u>0</u>

Contributions made by shareholder have been approved by Bank of Ghana and registered with the statutory authorities.

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	2023	2022
	Number of Shares	Number of Shares
20. Stated Capital		
Authorised Ordinary Shares of no par value	1,000,000	1,000,000
Issued Ordinary Shares of no par value	178,400	178,400
	GH¢	GH¢
Proceeds of issue for cash - Ordinary Shares	32,136,121	32,136,121
	32,136,121	32,136,121

There is no unpaid liability on any share and there are no shares in treasury.

21. Credit Risk Reserve

This reserve represents excess loan provision as per Bank of Ghana guidelines over IFRS loan provisions.

22. Analysis of Cash and Cash Equivalents

	GH¢	GH¢
Gross Cash and Bank Balances	3,440,577	(9,667,080)
	3,440,577	(9,667,080)

23. Contingent Liabilities.

The Company had no contingent liabilities arising in ordinary course of business as at 31 December 2023. (2022: Nil).

24. Capital Commitments

The Company has no commitment for capital expenditure as at 31 December 2023. (2022: Nil).

25. Other Commitments

The Company had no other commitments as at 31 December 2023. (2022: Nil).

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

26. Related Party Transactions

Transactions with Executive Directors and Key Management Personnel

Key management personnel are defined as those person having authority and responsibility for planning, directing and controlling the activities of the company(directly or indirectly) and comprise the Executive Directors and Officers of the Company

Remuneration of executive directors and other key management personnel

	2023	2022
	GH¢	GH¢
Salaries and other short term benefits	1,363,923	1,027,968
	<u>1,363,923</u>	<u>1,027,968</u>

Loans and advances to executive directors and their associates as follows:

Balance as at 1 January	1,221,910	2,071,451
Interest Charged	103,611	62,455
Loans Disbursed	0	16,450
Payment received	(1,010,000)	(928,446)
Balance as at 31 December	<u>315,521</u>	<u>1,221,910</u>

Due from related parties

The Company transacted business with these related parties. The outstanding balances relating to these transactions are as follows:

Life Forms Limited	913,220	1,547,635
Forms & Struchas Limited	116,394	116,394
	<u>1,029,614</u>	<u>1,664,029</u>

27. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders	2,198,722	(1,000,970)
Weighted average number of ordinary shares	<u>178,000</u>	<u>178,400</u>
Basic earnings per share (Ghana cedi per share)	<u>12.35</u>	<u>(5.61)</u>

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial Risk Management

The company's activities expose the business to a number of risks. These risks are managed professionally and in a targeted manner. Key risks arising from the core functions are identified and measured to facilitate management and determination of risk positions and capital allocations. The company has exposure to the following types of risks from its use of financial instruments:

Credit risk
 Liquidity risk
 Market risk
 Operational risk

The company continues to assess its overall risk management framework and governance structure.

i Credit Risk Management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans to customers.

a Exposure to credit risk

The table below set out information about the credit quality of loans to customers and the allowances for impairment /loss held by the company against those loans.

	2023 GH¢	2022 GH¢
Allowance for Impairment		
Balance as at 1 January	7,509,000	7,832,053
Impairment	23,115	51,129
Recoveries	(486,281)	(374,182)
Balance as at 31 December	<u><u>7,045,834</u></u>	<u><u>7,509,000</u></u>
Impairment Charge for the Year	<u><u>23,115</u></u>	<u><u>51,129</u></u>

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial Risk Management (Continued)

b Concentration of credit risk

The company monitors concentrations of credit risk by product. The analysis on the concentrations of credit risk at the reporting date is shown below:

	2023 GH¢	2022 GH¢
Personal & Business Loans	51,159,627	50,034,317
Staff loans	864,992	921,978
Finance Leases	0	0
Total gross loan portfolio	52,024,619	50,956,295
Deferred processing fees	(51,216)	0
Impairment provision	(7,045,834)	(7,509,000)
Total net portfolio	44,927,569	43,447,295

c Key ratios on loans and advances

Non Performing Loan Ratio is 39% (2022 : 49%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (especially impaired) to total gross loans and advances is 39% (2022: 49%).

ii Liquidity risk

The company defines liquidity risk as the risk that the company will encounter difficulty meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The company maintains liquidity limits advised by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana.

a Exposure to Liquidity Risk

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investments for which there is an active and liquid market.

Details of the reported company ratio of the net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2023 GH¢	2022 GH¢
At end of period	20%	42%
Average during the year	36%	43%

a Maturity analysis of financial assets & liabilities

The table below presents cashflows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date adjusted to reflect behavioral characteristics of the financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cashflows, whereas the company manages liquidity risk taking into account the behavioral characteristics of deposits.

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial Risk Management (Continued)

Maturity analysis of financial asset and liabilities(continued)

2023	Up to 1 month GH¢	2 - 3 months GH¢	4 - 12 months GH¢	1 - 5 year(s) GH¢	Total GH¢
Financial Asset					
Cash & Cash Equivalents	3,440,577	0	0	0	3,440,577
Government Securities	0	0	923,787	0	923,787
Short term Investments	0	0	2,851,451	0	2,851,451
Loans & Advances	22,197,279	6,700,353	3,578,062	12,451,875	44,927,569
Other Assets (excluding prepayments)	0	1,795,212	899,015	1,298,284	3,992,511
Total financial assets	25,637,856	8,495,565	8,252,315	13,750,159	56,135,895
Financial liabilities					
Deposit from customers	3,386,020	1,769,281	30,190,834	0	35,346,135
Taxation	0	379,956	0	0	379,956
Accounts Payables	32,716	449,812	0	0	482,528
Total financial liabilities	3,418,736	2,599,049	30,190,834	0	36,208,619
	22,219,120	5,896,516	(21,938,519)	13,750,159	19,927,276

2022	Up to 1 month GH¢	2 - 3 months GH¢	4 - 12 months GH¢	1 - 5 year(s) GH¢	Total GH¢
Financial Asset					
Cash & Cash equivalents	628,948	0	0	0	628,948
Government Securities	0	0	3,379,199	0	3,379,199
Short term investments	0	0	10,154,739	0	10,154,739
Loans & Advances	4,425,028	2,744,454	10,911,956	25,365,857	43,447,295
Other assets (excluding prepayments)			3,068,752	4,610,477	7,679,229
Total financial assets	5,053,976	2,744,454	27,514,646	29,976,334	65,289,410
Financial liabilities					
Deposit from customers	2,736,223	4,793,538	26,173,220	0	33,702,981
Taxation	0	(34,614)	0	0	(34,614)
Amount owed to Banks	0	0	10,296,028	0	10,296,028
Accounts Payables	120,169	174,016	0	0	294,185
Total financial liabilities	2,856,392	4,932,940	36,469,248	0	44,258,580
	2,197,584	(2,188,486)	(8,954,602)	29,976,334	21,030,830

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial risk management (continued)

Market risks

Management of market risks

The Company recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Company's exposure to market risk arises principally from customer driven transactions. Overall authority for market risk is vested in management.

Exposure to interest rate risk – Non trading portfolios

The principal risk to which non trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having preapproved limits for repricing bands. The Asset and Liability Committee (ALCO) is the monitoring body for compliance with these limits in its day to day monitoring activities.

Interest rate risk

Interest rate risk is managed principally through monitoring interest rate. The interest rates on the company's financial assets and liabilities are fixed and all financial assets and liabilities are measured at amortised cost. Hence, changes in interest rate in the future will not impact the profit and equity of the company.

Market risks

Foreign currency exposure risk

Exposure to other market risks – Non trading portfolios

At 31 December 2023		EUR GH¢	USD GH¢	GBP GH¢	CED GH¢
Asset					
Cash & Cash equivalents		0	0	0	3,440,577
Pledged assets		0	0	0	923,787
Short term investments		0	0	0	2,851,451
Loans and advances to customers		0	0	0	44,927,569
Other assets		0	0	0	3,992,511
Property, plant and equipment		0	0	0	1,189,247
Total financial assets	A	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,325,142</u>
Liabilities					
Deposits from customers		0	0	0	35,346,135
Other liabilities		0	0	0	482,528
Current tax liabilities		0	0	0	379,956
Total financial liabilities	B	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,208,619</u>
Net on statement of financial position	A - B	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,116,523</u>
At 31 December 2022					
Total assets		0	0	0	62,440,581
Total liabilities		0	0	0	33,962,552
Net on statement of financial position		<u>0</u>	<u>0</u>	<u>0</u>	<u>28,478,029</u>

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial risk management (continued)

The management of foreign exposure by monitoring the sensitivity of the Company's financial assets and liabilities in foreign currencies and the movement in the local currency. Standard scenarios that are considered on a monthly basis include a basis point (bp) fall or rise in local currency relative to US dollar, EURO and Great Britain Pound Sterling.

A decrease in the value of Ghana Cedi relative to US dollar by 5 % would have impacted equity and profit / (loss) by the amounts shown below:

Currency	Increase/decrease in basis points	effect on profit before tax	effect on equity
USD	5%	107,658	107,658

The Company's foreign exchange exposures comprise non trading foreign currency translation exposures. The following mid interbank exchange rates were applied at the end of the years:

	2023	2022
USD	11.8800	8.5760
EUR	13.1264	9.1457
GBP	15.1334	10.3118

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

The Company's Risk and Internal Audit & Inspection Departments are responsible for establishing and maintaining an appropriate framework of the Company's compliance policies and procedures.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigations, including insurance where this is effective.

Capital management

The Company's regulator, the Bank of Ghana sets and monitors capital requirements for the Company as a whole. In implementing current capital requirements, the Bank of Ghana requires the Company to maintain a prescribed ratio of total capital to total risk weighted assets.

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial risk management (continued)

Regulatory capital

The Company's regulatory capital is analyzed into two tiers:

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non cumulative preference shares.

Disclosed reserves relate to those created or in or Increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.

- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealized gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank of Ghana requires that Finance Houses maintain a minimum paid up capital of GHS15.0 million. As indicated in note 19 and 20 of the financial statements, the company's paid up capital at the reporting date was GHS32.14 million. The company's paid up capital at the reporting date was GH¢32.14 million which is above the minimum requirement.

The capital adequacy ratio looks at the percentage of the capital base of the Company and the Company's risk weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained. The Capital Adequacy Ratio (CAR) of 8.29% (2022: -2.49%) as recorded was below the Central Bank's defined minimum limit.

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial risk management (continued)

Tier 1 Capital	2023 GH¢	2022 GH¢
Stated capital	32,136,121	32,136,121
Disclosed Reserved	(26,800,219)	(32,041,528)
Less: Other assets/Intangibles & others	(1,795,212)	(1,382,113)
Total Regulatory Capital	3,540,690	(1,287,520)
Total Assets	42,280,321	45,973,370
Less:		
Cash in hand	1,584	10
Treasury Securities	923,787	3,379,199
Claims on other banks	3,490,224	(5,030,313)
Intangibles	1,795,212	1,382,113
Adjusted Total Assets	36,069,514	46,242,361
Add:		
100% of 3 years Average Annual Gross Income	6,638,957	5,429,655
Adjusted Asset Base	42,708,471	51,672,016
Capital adequacy ratio	8.29	(2.49)

Breach of capital adequacy requirement

The company in the year under review recorded a Capital Adequacy Ratio (CAR) of 8.29% below the 10% minimum required by the Bank of Ghana.

Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by the Company's Board Credit Committee or ALCO as appropriate.

Although maximization of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company's longer term strategic objectives.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Financial risk management (continued)

Fair value of financial instruments

The carrying values of financial assets included in other assets and financial liabilities included in creditors and accruals approximate their fair values.

The fair value of claims and liabilities at fixed rates of interest was determined using the discounted cash flow method, using money market interest rates for financial instruments with similar default risks and similar remaining terms to maturity.

The estimated fair value of the receivables corresponds to the discounted amount of the estimated expected future cash flows, i.e. net of allowance for impairment. The expected cash flows are discounted to fair value at the current market interest rates of the respective markets.

Valued Added Statement	2023 GH¢	2022 GH¢
Interest earned and other operating income	17,226,127	10,695,668
Direct cost of services	<u>(10,254,669)</u>	<u>(8,480,987)</u>
Value added by banking services	6,971,458	2,214,681
Non-banking income	2,426,703	2,719,122
Impairment charge	(23,115)	(51,129)
Value added	9,375,046	4,882,674
Distributed as follows		
To employees:		
Non-executive directors	0	0
Executive directors	376,057	265,470
Other employees	<u>2,718,303</u>	<u>1,905,049</u>
	3,094,360	2,170,519
To Government:		
Income tax	(694,962)	0
To shareholders:		
Dividends to shareholders	<u>0</u>	<u>0</u>
To expansion and growth:		
Depreciation and amortisation	173,429	247,849
Other operating expenses	<u>3,213,573</u>	<u>3,465,276</u>
	<u>3,387,002</u>	<u>3,713,125</u>
To retained earnings	<u>2,198,722</u>	<u>(1,000,970)</u>

FORMS CAPITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

29. Events after the reporting date

The Directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report that require disclosure or adjustment.

30. Breach of regulatory requirement

Section 29 of the Banks and Specialised Deposit-Taking Institutions Act 2016 (Act 930), requires a minimum capital adequacy ratio of 10%. As at 31 December 2023, the Capital Adequacy Ratio(CAR) of the company was a 8.29% (2022: (2.49)%).

FORMS CAPITAL LIMITED
SCHEDULE TO OPERATING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 GH¢	2022 GH¢
STAFF COST		
Salaries and Wages	1,203,438	1,016,572
Social Security Cost	181,659	174,368
Other Staff Cost	1,229,668	581,526
Staff Training	19,879	12,251
Medical Expenses	83,659	120,332
	<u>2,718,303</u>	<u>1,905,049</u>
OCCUPANCY		
Repairs and Maintenance	63,305	111,241
Rent & Rates	667,106	390,164
Water, Electricity & Conservancy	36,972	15,872
	<u>767,383</u>	<u>517,277</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Security Services	43,899	34,162
Bank Charges	44,269	63,192
Board Expenses	254,882	127,875
Direct Operating Expenses	894,974	268,953
Commission on Sales	326,215	768,899
Printing & Stationery	51,315	19,538
Canteen expenses	203,373	207,197
Communications	106,683	79,136
Subscription & Publication	29,698	44,678
Advertising and Branding	33,574	84,558
Insurance	48,063	31,770
Cleaning and Sanitation	31,650	23,222
CSR & Donations	0	1,928
Exchange Loss	51,573	0
Fuel & Lubricants	35,780	775,352
IT System Support and Maintenance	60,778	192,734
Professional & Legal Fees	123,450	108,039
Transport & Travelling	57,943	3,360
	<u>2,398,119</u>	<u>2,834,593</u>