



Vitafoam Nigeria Plc.  
Consolidated and separate financial statements  
for 3 months ended 31 December, 2019

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

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<b>Directors</b>	Dr. Bamidele O. Makanjuola Mr. Taiwo A. Adeniyi Mr. Abbagana M. Abatcha  Mr. Joseph Alegbesogie Mr. Bamidele S. Owoade Mr. Sam N. Okagbue  Mrs. Adeola Adewakun Mr. Gerson Sliva Mr. Mohammed Goni Alkali  Prof. (Mrs.) Rosemary Egonmwan	Chairman Group Managing Director/CEO Group Technical & Development Director Finance Director Commercial Director Non- Executive Director (Retired with effect from 9th October , 2019) Non- Executive Director Non- Executive Director Independent Non-Executive Director Independent Non-Executive Director
<b>Registrar</b>	Meristem Registrars Limited 213, Herbert Macaulay Way, Adekunle, Yaba, Lagos	
<b>Auditors</b>	Deloitte & Touche Civic Towers Plot GA 1,Ozumba Mbadiwe Avenue, Victoria Island, Lagos	
<b>Registered office</b>	140, Oba Akran Avenue Ikeja Industrial Estate Lagos, Nigeria	
<b>Website</b>	www.vitafoam.com.ng	
<b>Bankers</b>	Bank of industry Limited Zenith Bank Plc First Bank of Ngeria Limited United Bank for Africa Plc Wema Bank Plc Jaiz Bank Plc Access Bank Plc Union Bank of Nigeria Plc	
<b>Company Secretary</b>	Mr. Olalekan Sanni	
<b>Company registration number</b>	RC 3094	

## **VITAFOAM NIGERIA PLC**

### **THREE MONTHS (QUARTER 1) ENDED 31 DECEMBER 2019**

#### **SECURITIES TRADING POLICY**

The company's securities trading policy prohibits dealing in securities of the company by directors, senior employees and other related parties (Insiders) who by the nature of their position or relationship with the company may be in possession of price sensitive information. The policy stipulates the period of prohibition (closed period) and the nature of disclosure required in such circumstances.

In line with the Rule Book of the Nigerian Stock Exchange, the company has made specific inquiries of all the directors and is not aware of any infringement of the policy during the period. Details of the policy are on the company's website- [www.vitafoam.com.ng](http://www.vitafoam.com.ng).

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

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**Statement of Directors' responsibilities**

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The Directors of **Vitafoam Nigeria Plc** are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Group and the Company for the 3 months ended 31 December 2019, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011.

In preparing the consolidated and separate financial statements, the Directors are responsible for:

- properly selecting and applying suitable accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at anytime the financial position of the Group and Company, and which enable them to ensure that the financial statements of the Group and Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

**Going concern**

The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

The consolidated and separate financial statements of the Group and Company for the 3 months ended 31 December 2019 were approved by the directors on 23 January, 2020.

Signed on behalf of the Directors of the Group:



Mr. Taiwo A. Adeniyi  
Group Managing Director/CEO  
FRC/2015/IODN/00000010639



Mr. Joseph Alegbesogie  
Director  
FRC/2013/ICAN/00000003728

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Consolidated and separate statement of profit or loss and other comprehensive income


	Note(s)	Group		Company	
		3 months ended 31 December		3 months ended 31 December	
		2019	2018	2019	2018
		N. '000	N. '000	N. '000	N. '000
Revenue	5	5,984,213	6,388,573	5,493,012	5,490,080
Cost of sales	6	(3,430,631)	(4,655,345)	(3,315,276)	(4,035,509)
<b>Gross profit</b>		<b>2,553,582</b>	<b>1,733,228</b>	<b>2,177,736</b>	<b>1,454,571</b>
Other gains and losses	7	20,045	66,392	41,875	62,710
Administrative expenses	8	(986,225)	(857,647)	(784,362)	(662,214)
Distribution costs	9	(224,902)	(199,140)	(213,583)	(183,712)
<b>Operating profit</b>		<b>1,362,500</b>	<b>742,833</b>	<b>1,221,666</b>	<b>671,355</b>
Finance costs	10	(182,671)	(229,707)	(144,793)	(181,984)
<b>Profit before taxation</b>		<b>1,179,829</b>	<b>513,126</b>	<b>1,076,873</b>	<b>489,371</b>
Taxation	11	(360,155)	(151,254)	(323,062)	(143,055)
<b>Profit for 3 months</b>		<b>819,674</b>	<b>361,872</b>	<b>753,811</b>	<b>346,316</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified to profit or loss:</b>					
Exchange differences on translating foreign operations		18,187	11,246	-	-
<b>Other comprehensive income for the year net of taxation</b>		<b>18,187</b>	<b>11,246</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for 3 months</b>		<b>837,861</b>	<b>373,118</b>	<b>753,811</b>	<b>346,316</b>
<b>Profit attributable to :</b>					
Owners of the parent		781,147	339,934	753,811	346,316
Non-controlling interest		38,527	21,938	-	-
		<b>819,674</b>	<b>361,872</b>	<b>753,811</b>	<b>346,316</b>
<b>Total comprehensive income attributable to</b>					
Owners of the parent		799,334	351,180	753,811	346,316
Non-controlling interest		38,527	21,938	-	-
<b>Total comprehensive income for the year</b>		<b>837,861</b>	<b>373,118</b>	<b>753,811</b>	<b>346,316</b>
<b>Earnings per share</b>					
Basic earnings per share (kobo)	26	62.00	33.00	60.00	33.00

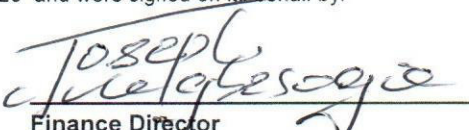
The accounting policies on pages 9 to 30 and the notes on pages 31 to 52 form an integral part of the consolidated and separate financial statements.

**Consolidated and separate statement of financial position as at 31 December, 2019**

		Group		Company	
	Note(s)	31 Dec. 2019 N. '000	30 Sept. 2019 N. '000	31 Dec. 2019 N. '000	30 Sept. 2019 N. '000
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	13	2,939,392	2,970,551	2,190,585	2,201,089
Intangible assets	14	25,832	29,882	24,330	28,081
Investment property	15	-	-	299,654	302,999
Investments in subsidiaries	40	-	-	234,966	234,966
Investment in financial assets	16	5,729	5,729	5,729	5,729
Finance lease receivables	30	40,573	25,752	40,573	25,752
		<b>3,011,526</b>	<b>3,031,914</b>	<b>2,795,837</b>	<b>2,798,616</b>
<b>Current Assets</b>					
Inventories	17	4,791,345	5,483,614	3,653,535	4,361,266
Trade and other receivables	18	1,568,262	760,758	3,092,096	2,354,476
Other assets	19	1,446,495	982,927	900,011	385,338
Cash and cash equivalents	20	3,693,384	779,364	3,182,915	710,486
		<b>11,499,486</b>	<b>8,006,663</b>	<b>10,828,557</b>	<b>7,811,566</b>
Non-current assets held for sale		2,708,561	2,782,997	1,748,160	1,748,160
<b>Total Assets</b>		<b>17,219,573</b>	<b>13,821,574</b>	<b>15,372,554</b>	<b>12,358,342</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share Capital	24	625,422	625,422	625,422	625,422
Reserves		570,636	552,449	442,184	442,184
Retained earnings		5,439,242	4,658,095	5,618,246	4,864,435
		<b>6,635,300</b>	<b>5,835,966</b>	<b>6,685,852</b>	<b>5,932,041</b>
Non-controlling interest		172,275	133,748	-	-
		<b>6,807,575</b>	<b>5,969,714</b>	<b>6,685,852</b>	<b>5,932,041</b>
<b>Liabilities</b>					
<b>Non-Current Liabilities</b>					
Borrowings	21	3,330,725	1,289,794	2,872,614	1,080,794
Deferred tax		255,015	293,456	347,752	347,752
Retirement benefit obligation		521,913	490,822	509,625	490,822
Deferred income	22	33,764	44,281	33,764	44,281
		<b>4,141,417</b>	<b>2,118,353</b>	<b>3,763,755</b>	<b>1,963,649</b>
<b>Current Liabilities</b>					
Current tax payable	12	1,392,706	1,017,577	1,178,825	855,763
Trade and other payables	23	2,338,028	1,957,250	1,838,689	1,516,025
Borrowings	21	2,138,650	2,143,499	1,865,725	2,051,746
Deferred income	22	44,927	39,118	39,708	39,118
		<b>5,914,311</b>	<b>5,157,444</b>	<b>4,922,947</b>	<b>4,462,652</b>
Liabilities of disposal groups		356,270	576,063	-	-
<b>Total Liabilities</b>		<b>10,411,998</b>	<b>7,851,860</b>	<b>8,686,702</b>	<b>6,426,301</b>
<b>Total Equity and Liabilities</b>		<b>17,219,573</b>	<b>13,821,574</b>	<b>15,372,554</b>	<b>12,358,342</b>

The consolidated and separate financial statements were approved by the board on 23 January, 2020 and were signed on its behalf by:

  
**Group Managing Director/CEO**  
**Mr. Taiwo A. Adeniyi**  
**FRC/2015/IODN/00000010639**

  
**Finance Director**  
**Mr. Joseph Alegbesogie FCA,**  
**FRC/2013/ICAN/00000003728**

The accounting policies on pages 9 to 30 and the notes on pages 31 to 52 form an integral part of the consolidated and separate financial statements.



# Vitafoam Nigeria Plc.

Consolidated And Separate Financial Statements for 3 months ended 31 December, 2019

## Consolidated and separate statement of changes in equity

	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Fair value adjustment reserve	Retained earnings	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000
<b>Group</b>									
<b>Balance at 1 October , 2018</b>	<b>521,035</b>	<b>3</b>	<b>114,267</b>	<b>-</b>	<b>-</b>	<b>2,851,081</b>	<b>3,842,356</b>	<b>40,351</b>	<b>3,882,707</b>
Profit for 3 months						339,934	339,934	21,938	361,872
Other comprehensive income	-	-	11,246	-	-	-	11,246	-	11,246
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>11,246</b>	<b>-</b>	<b>-</b>	<b>339,934</b>	<b>351,180</b>	<b>21,938</b>	<b>373,118</b>
<b>Balance at 31 December , 2018</b>	<b>521,035</b>	<b>3</b>	<b>125,513</b>	<b>393,018</b>	<b>(37,048)</b>	<b>3,191,015</b>	<b>4,193,536</b>	<b>62,289</b>	<b>4,255,825</b>
<b>Balance at 1 October, 2018</b>	<b>521,035</b>	<b>3</b>	<b>114,267</b>	<b>393,018</b>	<b>(37,048)</b>	<b>2,718,826</b>	<b>3,710,101</b>	<b>40,351</b>	<b>3,750,452</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,282,018</b>	<b>2,282,018</b>	<b>104,690</b>	<b>2,386,708</b>
Other comprehensive income (Note 42)	-	-	90,398	-	(8,186)	(70,037)	12,175	-	12,175
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>90,398</b>	<b>-</b>	<b>(8,186)</b>	<b>2,211,981</b>	<b>2,294,193</b>	<b>104,690</b>	<b>2,398,883</b>
Issue of bonus shares	104,237	(3)	-	-	-	(104,234)	-	-	-
Shares adjustment	150	-	-	-	-	-	150	-	150
* Changes in value of non-controlling interest	-	-	-	-	-	20,523	20,523	20,735	41,258
Statute barred undividend received	-	-	-	-	-	71,592	71,592	-	71,592
Dividends	-	-	-	-	-	(260,593)	(260,593)	(32,028)	(292,621)
<b>Balance as at 30 SEPTEMBER , 2019</b>	<b>625,422</b>	<b>-</b>	<b>204,665</b>	<b>393,018</b>	<b>(45,234)</b>	<b>4,658,095</b>	<b>5,835,966</b>	<b>133,748</b>	<b>5,969,714</b>
<b>Profit for 3 months</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>781,147</b>	<b>781,147</b>	<b>38,527</b>	<b>819,674</b>
Other comprehensive income (Note 42)	-	-	18,187	-	-	-	18,187	-	18,187
<b>Total comprehensive income for 3 months</b>	<b>-</b>	<b>-</b>	<b>18,187</b>	<b>-</b>	<b>-</b>	<b>781,147</b>	<b>799,334</b>	<b>38,527</b>	<b>837,861</b>
<b>Balance at 31 December, 2019</b>	<b>625,422</b>	<b>-</b>	<b>222,852</b>	<b>393,018</b>	<b>(45,234)</b>	<b>5,439,242</b>	<b>6,635,300</b>	<b>172,275</b>	<b>6,807,575</b>



## Vitafoam Nigeria Plc.

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### Separate statement of changes in equity

	Share capital	Share premium	Other reserves	Fair value adjustments reserve	Retained earnings	Total equity
	N. '000	N. '000	N. '000	N. '000	N. '000	N. '000
<b>Company</b>						
<b>Balance as at 1 October , 2018</b>	<b>521,035</b>	<b>3</b>	<b>487,418</b>	<b>(37,048)</b>	<b>3,851,586</b>	<b>4,822,994</b>
Profit for 3 months	-	-	-	-	346,316	346,316
<b>Total comprehensive income for the period</b>		-	-	-	<b>346,316</b>	<b>346,316</b>
<b>Balance as 31 December , 2018</b>	<b>521,035</b>	<b>3</b>	<b>487,418</b>	<b>(37,048)</b>	<b>4,197,902</b>	<b>5,169,310</b>
<b>Balance as at 1 October, 2018</b>	<b>521,035</b>	<b>3</b>	<b>487,418</b>	<b>(37,048)</b>	<b>3,652,801</b>	<b>4,624,209</b>
<b>Profit for the year</b>	-	-	-	-	1,574,909	1,574,909
Other comprehensive income (Note 42)	-	-	-	(8,186)	(70,037)	(78,223)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(8,186)</b>	<b>1,504,872</b>	<b>1,496,686</b>
Issue of bonus shares	104,237	(3)	-	-	(104,237)	(3)
Share adjustment	150	-	-	-	-	150
Statute barred unclaimed dividend	-	-	-	-	71,592	71,592
Dividends	-	-	-	-	(260,593)	(260,593)
<b>Balance as at 30 September, 2019</b>	<b>625,422</b>	-	<b>487,418</b>	<b>(45,234)</b>	<b>4,864,435</b>	<b>5,932,041</b>
<b>Profit for 3 months</b>	-	-	-	-	753,811	753,811
<b>Total comprehensive income for 3 months</b>	-	-	-	-	<b>753,811</b>	<b>753,811</b>
<b>Balance at 31 December, 2019</b>	<b>625,422</b>	-	<b>487,418</b>	<b>(45,234)</b>	<b>5,618,246</b>	<b>6,685,852</b>

The accounting policies on pages 9 to 30 and the notes on pages 31 to 52 form an integral part of the consolidated and separate financial statements..

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Consolidated and separate statement of cash flows

		Group		Company	
	Note(s)	31 Dec. 2019 N. '000	31 Dec. 2018 N. '000	31 Dec. 2019 N. '000	31 Dec. 2018 N. '000
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	1,104,419	1,631,518	1,039,836	1,477,299
Tax received (paid)	12	14,974	(10,591)	-	(6,750)
<b>Net cash provided/(used in) by operating activities</b>		<b>1,119,393</b>	<b>1,620,927</b>	<b>1,039,836</b>	<b>1,470,549</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	13	(58,785)	(122,008)	(33,448)	(102,095)
Purchase of intangible assets	14	-	(6,774)	-	(6,774)
Finance income		-	-	-	-
<b>Net cash (used in) investing activities</b>		<b>(58,785)</b>	<b>(128,782)</b>	<b>(33,448)</b>	<b>(108,869)</b>
<b>Cash flows from financing activities</b>					
Proceeds from other financial liabilities		3,395,352	-	2,735,207	-
Repayment of other financial liabilities		(1,384,344)	(901,062)	(1,123,900)	(774,046)
Finance costs	10	(182,671)	(229,707)	(144,793)	(181,984)
<b>Net cash (used in) / produced by financing activities</b>		<b>1,828,337</b>	<b>(1,130,769)</b>	<b>1,466,514</b>	<b>(956,030)</b>
<b>Total movement for cash &amp; cash equivalent for the year</b>		<b>2,888,945</b>	<b>361,376</b>	<b>2,472,902</b>	<b>405,650</b>
Cash and cash equivalent at the beginning of the year		768,285	(79,434)	710,010	(78,424)
<b>Cash and cash equivalent at the end of the year</b>	20	<b>3,657,230</b>	<b>281,942</b>	<b>3,182,912</b>	<b>327,226</b>

The accounting policies on pages 9 to 30 and the notes on pages 31 to 52 form an integral part of the consolidated and separate financial statements.

# Vitafoam Nigeria Plc.

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## Significant accounting policies

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### 1.1 General information

Vitafoam Nigeria Plc is Nigeria's leading manufacturer of flexible, reconstituted and rigid foam products. It has the largest foam manufacturing and distribution network, which facilitates just-in-time delivery of its products throughout Nigeria. Incorporated on 4 August 1962 and listed on the floor of the Nigerian Stock Exchange in 1978. Vitafoam's successful brands remain household names in the country.

The company is consolidating its core business by the introduction of innovative value added products and services. It is exploiting polyurethane technology in the more profitable technical/ industrial and construction business. It has become a full range solutions provider for polyurethane products and bedding/ cushion products. Its Comfort Centers provide a one-stop shop for discerning consumers of its products. In addition, Vitafoam is striving to be a major player in the Oil and Gas industry by providing insulation solutions to Oil companies.

The Company has carved a niche for itself in the industry by its offer of a vast array of high and superior quality products that present the customers multiple choices. Mattresses of varied resilience and hardness are available nationwide. By use of contours cutting equipment, Vitafoam designs and constructs custom-made mattresses and pillows. In addition, a range of profile products that are versatile in use are offered to the market - Mats (Vitarest, Leisure mats etc.) and Foam sitting chairs (Vitasolid). The needs of nursing mothers are addressed by the offering of a number of foam based baby products (Changing mat, Baby cot mattresses, pillows etc.). Rigid polyurethane foam manufactured by Vitafoam is found useful in the oil industry, refrigeration, conditioners, poultry enclosure and office partitioning.

The address of the registered office is 140, Oba Akran Avenue, Ikeja Industrial Estate, Lagos, Nigeria.

Vitafoam is a Public Limited Liability company and it has seven subsidiaries as well as one subsidiary classified as a disposal group and disclosed as held for sale. These subsidiaries include Vitagreen Ltd, Vitavisco Ltd, Vitafoam Ghana Ltd, Vitapur Ltd, Vono Furnitures Ltd, Vitablom Ltd, Vitafoam Sierra Leone Ltd (Held for sale) and Vitapart. Vitapart is a new company (subsidiary) established to manufacture oil filters. The company is yet to commence operations in the current year

Foreign operations are included in accordance with the policies set out in note 1.4.

These consolidated and separate financial statements are presented in Nigerian Naira, which is the functional currency of the primary economic environment in which the Group operates. The financial statements have been rounded to the nearest thousands

The consolidated financial statements incorporate the financial statements of Vitafoam Nigeria Plc. and its subsidiaries, collectively called "the Group" made up to 30 September each year. The ultimate controlling party of the Group is the parent, Vitafoam Nigeria Plc.

Separate financial statements for Vitafoam Nigeria Plc (the Company) have also been presented. The same accounting policies are used by both the Group and Company.

The consolidated and separate financial statements were authorised for issue by the Board of Directors on 19 December, 2019

### 1.2 Basis of measurement and preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective for the year ended 30 September 2019, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of consolidated and separate financial statements in conformity with generally accepted accounting principles under IFRS requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Disclosed in note 1.25 are areas where significant judgement and estimate has been applied in the preparation of these financial statements.

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

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Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Significant accounting policies

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Fair value for measurement and/or disclosure purposes in these Consolidated and Separate Financial Statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

### Going concern

The consolidated and separate financial statements have been prepared on a going concern basis. Nothing has come to the attention of the directors that cast doubt about the ability of the Group and company to continue as a going concern.

### 1.3 Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved when the Company:

- ♦ has power over the investee;
- ♦ is exposed, or has rights, to variable returns from its involvement with the investee; and
- ♦ has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- ♦ The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- ♦ potential voting rights held by the Company, other vote holders or other parties;
- ♦ rights arising from other contractual arrangements; and
- ♦ any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interest even if the results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling deficit.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

## Significant accounting policies

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When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture

### 1.4 Business combinations

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- ◆ deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- ◆ liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- ◆ assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

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## Significant accounting policies

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### 1.4 Business combinations (continued)

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date

#### 1.4.1 Common control business combinations

Business combinations involving entities ultimately controlled by the Vitafoam group are accounted for using the pooling of interest method (also known as merger accounting).

A business combination is a "common control combination" if:

- i. The combining entities are ultimately controlled by the same party both before and after the combination and
- ii. Common control is not transitory.

**Under a pooling of interest- type method**, the acquirer is expected to account for the combination as follows:

- i. The assets and the liabilities of the acquiree are recorded at book value and not at fair value
- ii. Intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable IFRS (in particular IAS 38: Intangible Assets).
- iii. No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented separately within OCI on consolidation.
- iv. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities.
- v. Any expenses of the combination are written off immediately in the statement of profit or loss.
- vi. Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented; and
- vii. Adjustments are made to achieve uniform accounting policies.

### 1.5 Foreign currency

#### Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and separate financial statements are presented in 'Nigerian Naira' (N).

#### Transactions and balances

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## Significant accounting policies

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In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the prevailing rate as at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- ◆ Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- ◆ exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- ◆ exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance income or cost. All other foreign exchange gains and losses are presented separately in the income statement where material.

### Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity

(attributed to non-controlling interests as appropriate).

the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the group losing control over the subsidiary, the proportionate share of accumulated foreign exchange differences are re-distributed to non-controlling interest and are not recognised in profit or loss. For other partial disposal (i.e. partial disposal of associates or joint arrangements that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income

### 1.6 Revenue recognition

#### Policy applicable before 1 October, 2018

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods supplied in the normal course of business, stated net of trade discounts, change to returns, volume rebates, and value added tax

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### Policy applicable after 1 October, 2018



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## Significant accounting policies

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### 1.6 Revenue recognition (continued)

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from sales of foams, mattress, pillows etc

#### Sale of goods and Delivery

The Company sells its goods both to wholesalers (Key distributors) and directly to customers through its retail outlets (comfort centres).

For sales of its goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Company when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Company's standard contract terms, customers are entitled to variable consideration. This represents the discount applied directly on invoice and all other rebates to customers for performance. The Company uses its accumulated historical experience to estimate the volume of rebates using the expected value method.

### 1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using standard costing model. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Cost is calculated based on standard costs with material price and usage variances apportioned using the Periodic Unit Pricing method. The basis of costing is as follows:

Raw materials, non-returnable packaging materials and consumable spare parts	- purpose cost on a weighted average basis including transportation and applicable clearing charges
Finished products and products in-process (work in progress)	- weighted average cost of direct materials, labour costs and a proportion of production overheads based on normal operating capacity
Inventory-in-transit	- Purchase cost incurred to date

Net realisable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. Allowance is made for defective and slow moving items as appropriate. If carrying value exceeds net realizable amount, a write down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

### 1.8 Provisions

Provisions are recognised when: the Group has present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

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**Significant accounting policies**

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**1.9 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and Group and the cost can be measured reliably. Repairs and maintenance costs are charged to the profit or loss in the period they are incurred.

The Group allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the profit or loss.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

<b>Asset category</b>	<b>Useful lives (years)</b>
Buildings	33
Plant and machinery	5
Motor vehicles	4
Furniture and fixtures	5

Land is not depreciated. In case where an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference (impairment loss) is recorded as expense in profit or loss.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Capital work in progress represents assets under construction. Accordingly, they are not depreciated until they are completed and available for use.

The annual rates of depreciation are consistent with those of prior year.

Property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

**1.10 Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Significant accounting policies

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### 1.10 Impairment of assets (continued)

Recoverable amount is the higher of fair value less costs of disposal 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 1.11 Financial instruments- IAS 39 Comparative

#### Classification

The Company classifies its financial assets in the following categories:

Loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

#### 1.11.1 Financial assets

The Group's financial assets are classified into available for sale (AFS) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Management determines the classification of financial assets at initial recognition.

##### i Available-for-sale financial assets (AFS financial assets)

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Group's available-for sale assets comprise investments in equity securities. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from remeasurement are recognized in other comprehensive income.

When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of comprehensive income and are included in "other gains and losses (net)". Available-for-sale investments are classified as non-current, unless an investment matures within twelve months, or management expects to dispose of it within twelve months. Dividends on available-for-sale equity instruments are recognized in the statement of income as dividend income when the Company's right to receive payment is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reasonably estimated are carried at cost.

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Significant accounting policies

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### 1.11 Financial instruments- IAS 39 Comparative (continued)

#### ii Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade receivables, staff debtors, Intercompany receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are carried at amortised cost less any impairment.

#### 1.11.2 Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost. There are no financial liabilities at fair value through profit or loss (FVTPL). Financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, inclusive of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification as follows:

##### (a) Financial liabilities at amortised cost

These include trade payables and bank borrowings. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Bank borrowings are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities. Interest bearing financial liabilities are classified as loans on the statement of financial position.

#### Offsetting financial Instruments

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 recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### Derecognition

All financial instruments are initially measured at fair value. Financial assets and liabilities are derecognised when the rights to receive cash flows from the investments or settle obligations have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

### 1.12 Financial instruments- IFRS 9

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments. On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income; or fair value through profit or loss.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or FVTPL (fair value through profit or loss)

# Vitafoam Nigeria Plc.

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## Significant accounting policies

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On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost of FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Business model assessment

The Group and Company make an assessment of the objective of the business model in which a financial 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. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group and 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;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and Company changes its business model for managing financial assets, in which case all affected assets are reclassified on the first day of the first reporting period following the change in business model.

### 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 the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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## Significant accounting policies

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The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

### 1.12.1 Loans receivable at amortised cost

#### Classification

Loans to Group companies are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

#### Recognition and measurement

Loans receivable are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### Impairment

The Group and Company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group and Company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and Company's historical experience and informed credit assessment and including forward-looking information.

The Group and Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising securities (if any held); or the financial asset is more than 90 days past due.

#### Credit impaired financial assets

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At each reporting date, the Company assesses whether financial assets carried at amortised cost 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 the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### Write off policy

The gross carrying amount of a financial asset is written off when the Group and Company have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and Company expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recovery made is recognised in profit or loss.

### Measurement and recognition of expected credit losses

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

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### 1.12.2 Trade and other receivables

#### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 18) and Note 3.

Trade receivables are amounts due from customers for sale of foam products or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

#### Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.



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The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

### Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding statutory receivables and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable using a simplified impairment methodology adjusted for current conditions and forward looking information.

### 1.12.3 Investments in equity instruments

#### Classification

Investments in equity instruments are presented in Note 19 . They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

#### Recognition and measurement

Investments in equity instruments are recognised when the group and Company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments). Investments in equity instruments are not subject to impairment provisions. Details of the valuation policies and processes are presented in Note 5 .

Dividends received on equity investments are recognised in profit or loss when the group's and Company's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included investment income (Note 9).

### 1.12.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions, bank overdrafts and highly liquid investments generally with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

### 1.12.5 Borrowings and loans from related parties

#### Recognition and measurement

Borrowings and loans from related parties are recognised when the Group and Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

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The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (Note 10)

Borrowings expose the Group and Company to liquidity risk and interest rate risk. Refer to Note for details of risk exposure and management thereof.

### 1.12.6 Trade and other payables

#### Recognition and measurement

They are recognised when the Group and Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (Note 10).

Trade and other payables expose the Group and Company to liquidity risk and possibly to interest rate risk. Refer to note for details of risk exposure and management thereof.

### 1.12.7 Bank overdrafts

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

### 1.12.8 Derivatives and hedge accounting

The Group and Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

At inception of the designated hedging relationship, the Group and Company documents the risk management objective and strategy for undertaking the hedge. The Group and Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group and Company enters into a variety of derivative financial instruments in order to manage its exposure to foreign exchange risk and interest rate risk. Derivatives held by the Group and Company which are not in designated hedging relationships, include forward exchange contracts. (Note 22 ).

Derivatives are recognised when the Group and Company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Directly attributed transaction costs are also recognised in profit or loss.

Fair value gains or losses are included in other gains and losses (Note 9 ). Details of the valuation policies and processes are presented in Note 5 .

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### 1.12.9 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 1.12.10 Derecognition

#### Financial assets

The Group and Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party or in which the Group and Company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. If the Group and Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### Financial liabilities

The Group and Company derecognises financial liabilities when, and only when, the Group and Company obligations are discharged, cancelled or they expire. The Group and Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 1.13 Taxation

#### Current Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at each reporting period end in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### Deferred Income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at each report period end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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### **1.13 Taxation (continued)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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### 1.14 Employee benefits

#### Pension obligations

The Company operates a pension scheme which is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group has both defined benefit and defined contributory schemes.

#### a) Defined Contributory scheme

In Nigeria, the Group, in line with the provisions of the Pension Reform Act 2014, operates a defined contribution pension scheme under which the Group contributes 10% and its employees each contribute 8% of the employees' monthly basic salary, housing and transport allowances to the fund.

The Group also operates defined contribution schemes in accordance with the relevant local laws. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

The staff contributions to the scheme are funded through payroll deductions while the Group's contributions are accrued and charged fully to the profit or loss account. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### b) Defined benefits scheme

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses are recognized in full in the period in which they occurred, in other comprehensive income and cumulated in other reserves without recycling to profit or loss in subsequent periods.

The current service cost of the defined benefit plan, recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognised immediately in income.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Pensions and other post-employment benefits

The Group and Company operate a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2004 with employee contributing 7.5% and the employer contributing 9% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions.

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### 1.14 Employee benefits (continued)

The Group also operates a gratuity scheme for its qualified staff. Benefits are related to the employees' length of service and remuneration. The cost of providing gratuity benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses are recognised immediately through other comprehensive income. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income.
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item ['employee benefits expense'/others (please specify)]. Curtailment gains and losses are accounted for as past service costs

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

In addition the Group operates long service award to its qualified staff. The benefits are graduated depending on the employees number of years in service to the group.

### Other long term benefits

Other long term benefits - Long Service awards are paid to qualifying staff when earned. The Group's liability to staff is measured annually by independent actuaries using the projected credit unit method.

### Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 1.15 Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded as share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

### 1.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Unclaimed dividends which remain unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with section 385 of the Companies and Allied Matters Acts of Nigeria are written back to retained earnings.

### 1.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group leases certain land and buildings. Leases of land and buildings where the Group has substantially all the risks and rewards of ownership are classified as finance leases otherwise, they are operating leases.

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### 1.17 Leases (continued)

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. For finance leases, each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other longterm payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant & equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

#### Finance leases - lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

### 1.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are deferred and credited to the profit or loss on a straight-line basis over the expected useful lives of the related assets.

### 1.19 Segment reporting

An Operating segment is a component of an entity

- a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c) for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing director of Vitafoam Nigeria Plc.

### 1.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.



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### 1.20 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Land held under operating leases is classified and accounted for by the Company as investment property when the definition of investment property would otherwise be met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and (where applicable) borrowing costs. After initial recognition, investment property is carried at cost. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost can be reliably measured.

This is usually when all risks are transferred. Rental income represents income received from letting of properties. Income is recognised on an accrual basis and credited to the profit or loss.

### 1.22 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

There were no development expenditure capitalised as internally generated intangible asset during the year (2018 Nil). Intangible assets represent cost of development of and implementation of Enterprise risk management which have useful life of 5 years and amortised on a straight line basis over these years. No impairment charges as the assets were not impaired.

### 1.23 Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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### 1.22 Intangible assets (continued)

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

When a Group is committed to sale plan involving disposal of an investment in subsidiary or associate, such investment will be classified as held for sale when the criteria described above are met.

### 1.24 Critical accounting estimates and judgements

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

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

#### 1.24.1 Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Default rate constitutes a key input in measuring ECL. Loss rate is the estimate of the proportion of historical receivables balances that were never recovered within the defined loss point for various categories of customers. In determining the loss rates, an historical age analysis detailing the amounts that remained unpaid by customers as at the defined loss points defined by management for the various customer Companies. The calculation of which includes historical data, assumptions and expectations of future conditions. An historical/observed default rates obtained and regress with the historical data of the two chosen macroeconomic variables sourced over the same length of period which the default rates were obtained. The model generates regression coefficients (intercept and slopes) which are applied of the forecast macroeconomic data. A scalar is obtained which is applied to the Historical loss rate.

#### 1.24.2 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The company determines the business model at a level that reflects how Companies of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensate. The company monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for disposal and whether the reasons are consistent with the objective of the business for which the asset was held. The company continues to assess whether the business model for which the remaining financial assets are held continues to be appropriate, and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### 1.24.3 Business combination

The Group applies Pooling of Interest method in accounting for business combination among entities under common control as such transactions are not covered under IFRS 3: Business Combination. The excess of the consideration over the Company's share of the acquiree's assets and liabilities is recognised as a reserve in equity.

#### 1.24.4 Assessment of control and significant influence

In determining whether an entity represents a subsidiary or associate of the Vitafoam Group, the management are required to consider the degree to which the company exercises control or significant influence respectively over the

investee. Decisions relating to the determination of control over the subsidiaries, and significant influence over potential

associate companies involves an element of judgment, which may have a significant impact on the constitution of the

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group amounts.

### 1.24.5 Pension obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for these benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

The Group's actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations.

In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligation. Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is disclosed in note .

### 1.24.6 Income taxes

Taxes are paid by Companies under a number of different regulations and laws, which are subject to varying interpretations. In this environment, it is possible for the tax authorities to review transactions and activities that have not been reviewed in the past and scrutinize these in greater detail, with additional taxes being assessed based on new interpretations of the applicable tax law and regulations.

Accordingly, management's interpretation of the applicable tax law and regulations as applied to the transactions and activities of the Companies within the Group may be challenged by the relevant taxation authorities. The Group's management believes that its interpretation of the relevant tax law and regulations is appropriate and that the tax position included in these financial statements will be sustained.

### 1.1 Interests in subsidiaries

# **Vitafoam Nigeria Plc.**

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## **Notes to the consolidated and separate financial statements**

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### **2. New Standards and Interpretations**

#### **2.1 Standards and interpretations effective and adopted in the current year**

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **2.2 Standards and interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 October 2020 or later periods:

# Vitafoam Nigeria Plc.

Consolidated And Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

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### 3. Changes in significant accounting policies

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

#### 3.1 Application of IFRS 9 Financial Instruments

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period. The impact of the new standard on financial instruments can be summarised under three phases:

- Classification and measurement of financial assets and financial liabilities
- Impairment methodology
- Hedge Accounting (Not applicable to the Company)

Details of these new requirements as well as their impact on the Group's financial statements are described below:

#### Classification and measurement of financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale financial instruments.

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 October 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 October 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018. The transition provisions of IFRS 9 allows an entity not to restate comparatives. The Company has elected not to restate comparatives in respect of the classification and measurement (including impairment) of financial instruments. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 October 2018.

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Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 3. Changes in significant accounting policies (continued)

#### Effect of adopting IFRS 9

The tables below show the amount of adjustment for each financial asset line item affected by the application of IFRS 9 for the prior year.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Group N. '000	New carrying amount under IFRS 9 Group N. '000	Original carrying amount under IAS 39 Company N. '000	New carrying amount under IFRS 9 Company N. '000
Trade and other receivables	Loans and receivables	Amortised cost	1,392,685	1,198,504	744,612	550,431
Intercompany receivables	Loans and receivables	Amortised cost	-	-	2,484,830	2,386,997
Cash and cash equivalents	Loans and receivables	Amortised cost	965,721	965,404	893,223	892,906
<b>Total financial assets</b>			<b>2,358,406</b>	<b>2,163,908</b>	<b>4,122,665</b>	<b>3,830,334</b>

#### Transition notes

Upon transition an additional provision of (N,194.5 million Group) and (N292.33 million Company) The retained earning will be reduced by this amount.

#### Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on:

1. Lease receivables and;
2. Trade receivables and contract assets
3. Debts investments measured at amortised cost or FVOCI

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments. For an explanation of how the Group and Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 1.12 Financial Instruments).

The tables below show the amount of adjustment for each financial liability line item affected by the application of IFRS 9 for the prior year

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## Notes to the consolidated and separate financial statements

### 3. Changes in significant accounting policies (continued)

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			Group N. '000	Group N. '000	Company N. '000	Company N. '000
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	5,546,574	5,546,574	7,018,962	7,018,962
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,860,701	2,860,701	2,208,997	2,208,997
<b>Total financial liabilities</b>			<b>8,407,275</b>	<b>8,407,275</b>	<b>9,227,959</b>	<b>9,227,959</b>

### Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 October 2018.

#### Group

Previous measurement	New measurement category: IFRS 9		
IAS 39	Amortised cost	Re-measurement equity	Change attributable to:
Cash and cash equivalents	965,721	965,404	(317)
Trade and other receivables	1,392,685	1,198,504	(194,181)
<b>2,358,406</b>	<b>2,163,908</b>	<b>(194,498)</b>	

#### Financial asset at amortised cost

Cash and cash equivalents  
Trade and other receivables

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Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 3. Changes in significant accounting policies (continued)

#### Company

#### Previously Loans and receivables:

Cash and cash equivalents  
Intercompany receivable  
Trade and other receivables

Previous measurement	New measurement category: IFRS 9		
IAS 39	Amortised cost	Re-measurement equity	Change attributable to:
893,223	892,906	(317)	
2,484,830	2,386,997	(97,833)	
744,612	550,431	(194,181)	
<b>4,122,665</b>	<b>3,830,334</b>	<b>(292,331)</b>	

### 4. Financial instruments by category

The Group's financial instruments are categorised as follows:

#### 30 September 2019

##### Financial assets

Trade receivables  
Other receivables (including staff debtors and related parties receivables)  
Cash and bank balances  
Available-for-sale equity instruments

Category	Group N'000	Company N'000
Amortised cost	£ -	£ -
Amortised cost	-	-
Amortised cost	3,693,384	3,182,915
FVOCI	5,729	5,729
	<b>3,699,113</b>	<b>3,188,644</b>

##### Financial liabilities

Borrowings (current)  
Trade and other payables  
Borrowings (non-current)

Category	Group N'000	Company N'000
Amortised cost	2,138,650	1,865,725
Amortised cost	2,338,028	1,838,689
Amortised cost	3,330,725	2,872,614
	<b>7,807,403</b>	<b>6,577,028</b>

The Group's financial instruments are categorised as follows:

#### 30 September 2018

##### Financial assets

Trade receivables  
  
Cash and cash equivalents  
Available-for-sale equity instruments

Category	Group N'000	Company N'000
Loans and receivables	5,729	5,729
Loans and receivables	779,364	710,486
Available for Sale	5,729	5,729
	<b>790,822</b>	<b>721,944</b>

##### Financial liabilities

Borrowings (current)  
Trade and other payables  
Borrowings (non-current)

2018 Category	Group N'000	Company N'000
Other liabilities	2,143,499	2,051,746
Other liabilities	1,957,250	1,516,025
Other liabilities	1,289,794	1,080,794
	<b>5,390,543</b>	<b>4,648,565</b>

The Group's financial instruments are categorised as follows:

Trade receivables are stated net of impairments. Other receivables excludes prepayments. Trade and other payables excludes deferred income and provisions.

#### Financial instruments by category

	2019	N'000	N'000
Borrowings (Current)	-	-	-
Other liabilities		2,143,499	2,051,746



# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

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### 4. Financial instruments by category (continued)

Trade and other payables	-	-	Other liabilities	1,957,253	1,516,022
Borrowings ( Non-current)	-	-	Other liabilities	1,289,794	1,080,794
	-	-	-	<b>5,390,546</b>	<b>4,648,562</b>

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Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

	Group		Company	
	3 months to 31 December		3 months to 31 December	
	2019	2018	2019	2018
	N. '000	N. '000	N. '000	N. '000

### 5. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 38). Group analyses its net revenue by the following categories:

#### Revenue from contracts with customers

Sale of goods (Foams and other products)	5,797,412	6,214,228	5,306,211	5,315,726
Rendering of service (Freight income)	186,801	174,345	186,801	174,354
	<b>5,984,213</b>	<b>6,388,573</b>	<b>5,493,012</b>	<b>5,490,080</b>

#### Analysis by Geographical area

Within Nigeria	5,829,675	6,246,101	5,493,012	5,490,080
Outside Nigeria	154,538	142,472	-	-
	<b>5,984,213</b>	<b>6,388,573</b>	<b>5,493,012</b>	<b>5,490,080</b>

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers

### 6. Cost of sales

#### Sale of goods

Raw materials and consumables	3,358,408	4,597,104	3,278,127	4,006,633
Labour cost	23,759	13,166	20,126	10,722
Depreciation	48,464	45,075	17,023	18,154
	<b>3,430,631</b>	<b>4,655,345</b>	<b>3,315,276</b>	<b>4,035,509</b>

### 7. Other gains and losses

Sale of scrap items	31,426	19,491	29,598	15,809
Rental income	5,364	6,983	4,975	6,983
Investment income	1,854	4,431	1,854	4,431
	-	-	-	-
Exchange gains/(losses)	(28,526)	-	(4,479)	-
Provision no longer required ( Note 9.2 )	-	-	-	-
	-	-	-	-
Statute barred unclaimed dividend received	-	35,487	-	35,487
Government grants	9,927	-	9,927	-
	<b>20,045</b>	<b>66,392</b>	<b>41,875</b>	<b>62,710</b>

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## Notes to the consolidated and separate financial statements

	Group		Company	
	3 months to 31 December		3 months to 31 December	
	2019	2018	2019	2018
	N. '000	N. '000	N. '000	N. '000
<b>8. Administrative Expenses</b>				
<b>The following items are included within administrative expenses:</b>				
AGM, Conferences & award expenses	6,835	2,496	5,968	2,403
Advertising	102,465	90,079	96,746	83,732
Audit fees	7,829	8,091	5,625	5,250
Impairment allowance on trade receivable	74,312	-	74,312	-
Bank charges	10,697	12,780	9,103	9,462
Cleaning	5,815	6,249	3,738	3,565
Professional and Consulting fees	13,066	19,320	7,406	16,037
Professional fee	1,257	-	-	-
Depreciation, amortisation and impairments	44,931	52,026	34,023	39,459
Donations	350	4,819	-	4,576
Employee costs	442,278	401,774	344,143	316,083
Entertainment	5,429	5,699	4,401	4,321
Other admin and general expenses*	8,067	9,853	1,288	82
Gratuity Expenses	28,805	26,200	24,488	20,034
Insurance	14,363	13,517	11,034	12,131
Rent and rates	29,997	25,102	9,976	8,798
Fines, levies and penalties	657	52	-	-
Stationery, newspapers and periodicals	3,652	5,520	2,299	4,336
Postage, telecommunication and internet	17,111	11,945	15,263	9,568
Loss on exchange difference	-	12,888	-	-
Protective clothing	748	715	403	627
Repairs and maintenance	42,805	32,746	32,285	27,258
Research and development costs ( Note 10.1 )	2,739	7	-	-
Security	12,418	12,560	9,604	9,516
Subscriptions	3,955	4,894	3,129	4,523
Transport and travelling	39,350	39,370	31,500	27,880
Electricity and other utilities	66,294	58,945	57,628	52,573
	<b>986,225</b>	<b>857,647</b>	<b>784,362</b>	<b>662,214</b>

10.1 Research and development costs relate to project vitality that resulted in cost reduction and product quality improvement

## 9. Distribution Expenses

Distribution cost	224,902	199,140	213,583	183,712
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## 10. Finance costs

Interest on loans and overdraft	146,188	217,732	108,590	172,032
Other Bank charges	3,371	11,975	3,091	9,952
Interest on defined benefit obligation	33,112	-	33,112	-
	<b>182,671</b>	<b>229,707</b>	<b>144,793</b>	<b>181,984</b>

## 11. Taxation

### Income tax expense

Income tax	360,155	151,254	323,062	143,055
	<b>360,155</b>	<b>151,254</b>	<b>323,062</b>	<b>143,055</b>
<b>Tax expense</b>	<b>360,155</b>	<b>151,254</b>	<b>323,062</b>	<b>143,055</b>

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## Notes to the consolidated and separate financial statements

Group		Company	
3 months to 31 December		3 months to 31 December	
2019	2018	2019	2018
N. '000	N. '000	N. '000	N. '000

### 11. Taxation (continued)

The current tax charge has been computed at the applicable rate of 30% (30 September 2018: 30%) plus education levy of 2% (30 September 2018: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes.

Non-deductible expenses include items such as donations and subscriptions, legal expenses, depreciation, amortisation and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as unrealised exchange difference and profit on disposal of fixed asset which are not taxable.

Group		Company	
31 Dec. 2019	30 Sept. 2019	31 Dec. 2019	30 Sept. 2019
N. '000	N. '000	N. '000	N. '000

### 12. Tax Payable

The movement in tax payable/receivable is as follows:

At 1 October	1,017,577	345,751	855,763	272,252
Company income tax	360,155	1,000,961	323,062	855,762
Payment during the year	14,974	(329,135)	-	(272,251)
<b>At 30 September</b>	<b>1,392,706</b>	<b>1,017,577</b>	<b>1,178,825</b>	<b>855,763</b>

# Vitafoam Nigeria Plc.

Consolidated And Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 13. Property, plant and equipment

#### Group

	Land N.'000	Building N.'000	Plant and machinery N.'000	Furniture and fixtures N.'000	Motor vehicle N.'000	Total N.'000
Cost						
Balance at 1 October, 2018	291,023	2,164,715	2,466,513	361,408	453,282	5,736,941
Additions	-	6,334	163,426	15,587	118,045	303,392
Transfer from held for sale	-	126,982	-	-	-	126,982
Disposal	-	-	-	(734)	(37,419)	(38,153)
Transfer from Investment property (Note 18)	-	441,550	-	-	-	441,550
Effect of foreign currency exchange differences	-	-	-	(301)	(557)	(858)
Balance at 30 September, 2019	291,023	2,739,581	2,629,939	375,960	533,351	6,569,854
Additions	-	5,410	22,248	4,687	26,440	58,785
Effect of foreign currency exchange difference	-	-	-	(107)	(176)	(283)
Balance at 31 December, 2019	291,023	2,744,991	2,652,187	380,540	559,967	6,628,708

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### Notes to the consolidated and separate financial statements

Group	Land N.'000	Building N.'000	Plant and machinery N.'000	Furniture and fixtures N.'000	Motor vehicle N.'000	Total N.'000
<b>Accumulated depreciation</b>						
Balance at 1 October, 2018	-	472,416	1,978,262	292,684	409,805	3,153,167
Charge for the year	-	67,216	198,387	24,036	51,317	340,956
Transfer from Investment property (Note 18)	-	138,550	-	-	-	138,550
Disposal	-	-	-	(634)	(31,404)	(32,038)
Effect of foreign currency exchange differences	-	-	(823)	(203)	(306)	(1,332)
Transfer	-	-	-	-	-	-
Balance at 30 September, 2019	-	678,182	2,175,826	315,883	429,412	3,599,303
Charge for the year	-	22,231	48,464	7,345	12,133	90,173
Effect of foreign currency exchange difference	-	-	-	(64)	(96)	(160)
Balance at 31 December, 2019	-	700,413	2,224,290	323,164	441,449	3,689,316
Carrying amount						
Balance as at 31 December, 2019	291,023	2,044,578	427,897	57,376	118,518	2,939,392
Balance as at 30 September, 2019	291,023	2,061,399	454,113	60,077	103,939	2,970,551

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## Notes to the consolidated and separate financial statements

### Company

	Land	Buildings	Plant and machinery	Furniture and fixtures	Motor Vehicle	Total
	N.'000	N.'000	N.'000	N.'000	N.'000	N.'000
<b>Cost</b>						
Balance at 1 October, 2018	291,023	2,156,082	1,720,127	278,222	372,347	4,817,801
Addition	-	6,129	115,898	8,951	103,754	234,732
Disposal	-	-	-	-	(27,843)	(27,843)
Balance at 30 September, 2019	291,023	2,162,211	1,836,025	287,173	448,258	5,024,690
Addition	-	5,250	-	2,726	25,472	33,448
Balance at 31 December , 2019	291,023	2,167,461	1,836,025	289,899	473,730	5,058,138
<b>Accumulated depreciation</b>						
Balance at 1 October, 2018	-	469,276	1,585,508	256,155	345,888	2,656,827
Charge for the year	-	65,504	76,646	15,416	37,047	194,613
Disposal	-	-	-	-	(27,843)	(27,843)
Balance at 30 September, 2019	-	534,780	1,662,156	271,572	355,093	2,823,601
Charge for the year	-	16,381	17,026	1,327	9,219	43,953
Disposal	-	-	-	-	-	-
Balance at 31 December, 2019	-	551,161	1,679,182	272,899	364,311	2,867,553
Carrying amount						
Balance as at 31 December, 2019	291,023	1,616,300	156,843	17,000	109,419	2,190,585
Balance as at 30 September, 2019	291,023	1,627,431	173,869	15,601	93,165	2,201,089

### Contractual commitments

At 30 September, 2019 the company had no contractual commitments for the acquisition of property, plant and equipment (2018: Nil).

**Transfer** - The investment property for the company was transferred to property, plant and equipment under group.

**Assets pledged** - Some borrowings are secured by a debenture on all the fixed and floating assets of the Group (see Note 24 for details ).

# Vitafoam Nigeria Plc.

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## Notes to the consolidated and separate financial statements

### 14. Intangible assets

#### Group

	Computer software N.'000
Cost	
Balance at 1 October, 2018	99,468
Additions	11,765
Balance at 30 September, 2019	111,233
Balance at 31 December, 2019	111,233
Accumulated amortisation	
Balance at 1 October, 2018	62,247
Charge for the year	19,104
Disposal	-
Balance at 30 September, 2019	81,351
Charge for the year	4,050
Balance at 31 December, 2019	85,401
Carrying amount	
Balance as at 31 December, 2019	25,832
Balance at 30 September, 2019	29,882

#### Company

	Computer Software N.'000
Cost	
Balance at 1 October, 2018	94,195
Addition	11,765
Balance at 30 September, 2019	105,960
Balance at 31 December, 2019	105,960
Accumulated amortisation	
Balance at 1 October, 2018	59,974
Charge for the year	17,905
Balance at 30 September, 2019	77,879
Charge for the year	3,751
Balance at 31 December, 2019	81,630
Carrying amount	
Balance as at 30 September, 2019	24,330
Balance at 30 September, 2018	28,081

There were no development expenditure capitalised as internally generated intangible asset during the year (2018 Nil)  
Intangible assets represent cost of development of and implementation of Enterprise risk management which have useful life of 5 years and amortised on a straight line basis over these years. No impairment charges was recorded as the assets were not impaired.

### 15. Investment property

The investment property relates to factory building located at Acme road, Ikeja rented to Vitapur and a factory building rented to Vitavisco.  
The Group earns rental income on these properties



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## Notes to the consolidated and separate financial statements

### 15. Investment property (continued)

	Group and Company N.'000
Cost	
Balance at 1 October, 2018	455,096
Transfer (Note 16)	(441,550)
Disposal	(13,546)
Balance at 31 December, 2019	-
Accumulated depreciation	
Balance at 1 October, 2018	133,128
Charge for the year	13,380
Disposal	(7,957)
Transfer (Note 16)	(138,551)
Carrying amount	
Balance as at 31 December, 2019	-

The buildings are depreciated on a straight line basis at a rate of 3% per annum.

The company investment property occupied by related party was transferred to building under group property , plant and equipment in 2019 financial year.

Group		Company	
31 Dec. 2019 N. '000	30 Sept. 2019 N. '000	31 Dec. 2019 N. '000	30 Sept. 2019 N. '000

### 16. Investment in financial assets

Investment in financial assets include the following:

Investment in quoted shares	5,729	5,729	5,729	5,729
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### 17. Inventories

Finished goods - cost	817,002	1,017,572	568,011	747,366
Raw materials - cost	3,239,854	3,666,852	2,500,449	2,882,482
Work in progress - cost	399,759	449,679	371,295	415,950
Spare parts and consumables - cost	328,072	346,245	285,123	315,468
Goods in transit	124,296	49,561	-	-
	4,908,983	5,529,909	3,724,878	4,361,266
Inventories (write-downs) ( Note 20.1 )	(117,638)	(46,295)	(71,343)	-
	<b>4,791,345</b>	<b>5,483,614</b>	<b>3,653,535</b>	<b>4,361,266</b>
	46,295	87,238	-	80,714
	71,343	(40,943)	71,343	(80,714)
<b>At 30 September</b>	<b>117,638</b>	<b>46,295</b>	<b>71,343</b>	<b>-</b>

### 18. Trade and other receivables

#### Financial instruments:

Trade receivables	1,852,925	1,108,073	1,432,913	750,943
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## Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

### Notes to the consolidated and separate financial statements

#### 18. Trade and other receivables (continued)

Allowance for doubtful debt receivables	(570,536)	(563,078)	(519,924)	(445,612)
Trade receivables at amortised cost	1,282,389	544,995	912,989	305,331
Staff debtors	17,427	13,173	9,479	6,097
Other receivables	268,446	202,590	205,003	174,273
Receivables from related parties ( Note 28 )	-	-	1,964,625	1,868,775
<b>Total trade and other receivables</b>	<b>1,568,262</b>	<b>760,758</b>	<b>3,092,096</b>	<b>2,354,476</b>

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

Vitafoam always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using the simplified model to derive a historical loss rate with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 360 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Vitafoam writes off a trade receivable 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. This is done by management on a case by case assessment of the debtor. None of the trade receivables that have been written off is subject to enforcement activities.

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Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 19. Other assets

Other assets represents various forms of prepayments. They are as follows:

	Group		Company	
	31 Dec. 2019	30 Sept. 2018	31 Dec. 2019	30 Sept. 2018
	N. '000	N. '000	N. '000	N. '000
Prepaid rent	97,359	119,219	66,590	82,876
Prepaid insurance	36,118	13,393	31,415	11,531
Prepaid advertisement	-	4,016	-	4,016
Prepaid subscription	9,275	7,019	6,868	6,931
Advance payment for forex ( Note 19.1 )	1,120,464	696,103	642,439	155,482
Other prepayments ( Note 19.2 )	183,279	143,177	152,699	124,502
	<b>1,446,495</b>	<b>982,927</b>	<b>900,011</b>	<b>385,338</b>

19.1 Advance payments for forex relates to payments on account of forex for various letters of credit opened with commercial banks

19. 2 Other prepayment relates to prepaid bank charges on letter of credits and property leased from third (3rd) party

### 20. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cashflows:

	Group		Company	
	31 Dec. 2019	30 Sept. 2018	31 Dec. 2019	30 Sept. 2018
	N. '000	N. '000	N. '000	N. '000
Cash on hand	17,913	12,045	16,053	10,743
Bank balances (Note 21.1)	3,501,520	591,863	2,992,911	524,287
Fixed deposit	173,951	175,456	173,951	175,456
Cash and bank	3,693,384	779,364	3,182,915	710,486
Bank overdraft	(36,154)	(11,079)	(3)	(476)
	<b>3,657,230</b>	<b>768,285</b>	<b>3,182,912</b>	<b>710,010</b>

#### 21.1 Bank balances

The company on the 6th of December , 2019 received disbursement of N2 Billion term loan from Bank of industry for replacement of Plant and Machinery with tenor of 5years plus twelve (12) months moratorium on principal repayment at interest rate of 10 %.

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# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 21. Borrowings

	Group		Company	
	31 Dec. 2019 N. '000	30 Sept. 2018 N. '000	31 Dec. 2019 N. '000	30 Sept. 2018 N. '000
<b>Non Current</b>				
Bank borrowings	3,330,725	1,289,794	2,872,614	1,080,794
<b>Current</b>				
Bank overdraft	36,154	11,079	3	476
Commercial papers	832,313	975,346	910,948	1,030,532
Bank borrowings	1,270,183	1,157,074	954,774	1,020,738
	<b>2,138,650</b>	<b>2,143,499</b>	<b>1,865,725</b>	<b>2,051,746</b>
	5,469,375	3,433,293	4,738,339	3,132,540
Bank Overdraft	(36,154)	(11,079)	(3)	(476)
	<b>5,433,221</b>	<b>3,422,214</b>	<b>4,738,336</b>	<b>3,132,064</b>

Bank borrowings

The term loans represent the outstanding balances on four facilities - 4-year term loan of N350 million, UBA 4-year term loan of N225 million, Zenith bank 2-year term loan of N100 million and 4 -year term loan of N2 billion granted to the parent by bank of industry in 2018 with a 12 months moratorium. Both loans are secured by a negative pledge on the parent's fixed and floating assets and are carried at fair values based on cash flows discounted using effective interest rate of 20%. The Group obtained loan from International Finance Corporation to finance capital construction at the Sierra Leone Subsidiary. In 2016, the loan was bought over by a local bank in Sierra Leone with a tenor of 4 years denominated in leones, the term loan was restructured in April 2018 to 5 years maturing in October 2022.. Bank overdrafts and commercial papers are not discounted as the fair value equals carrying amounts.

### 22. Deferred income

Government grants have been recognised on the loans (Wema Bank and Zenith Bank) received under the CBN/BOI intervention fund for a former subsidiary of the Group, Vono Products Plc. and N2 billion granted to the parent company. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The company government grant was presented in the statement of financial position by setting up a deferred income.

	Group		Company	
	31 Dec. 2019 N. '000	30 Sept. 2018 N. '000	31 Dec. 2019 N. '000	30 Sept. 2018 N. '000
Non-current liabilities	33,764	44,281	33,764	44,281
Current liabilities	44,927	39,118	39,708	39,118
	<b>78,691</b>	<b>83,399</b>	<b>73,472</b>	<b>83,399</b>

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## Notes to the consolidated and separate financial statements

	Group		Company	
	3 months to 31 December		3 months to 31 December	
	2019	2018	2019	2018
	N. '000	N. '000	N. '000	N. '000

### 23. Trade and other payables

	Group		Company	
	31 Dec. 2019	30 Sept. 2019	31 Dec. 2019	30 Sept. 2019
	N. '000	N. '000	N. '000	N. '000
Trade payables	992,330	451,260	786,714	301,722
Dealers' security deposit	13,954	32,451	13,954	32,451
Dividends unclaimed ( Note 28.1 )	306,783	420,195	306,783	420,195
Other credit balances	150,467	152,199	114,651	73,823
Value added tax payable	398,208	350,166	370,613	326,849
Accrued expenses	259,136	205,737	112,021	42,487
Withholding tax payable	111,399	83,417	105,064	87,922
Other accounts payable	105,751	71,913	28,889	40,664
Contract liability	-	189,912	-	189,912
	<b>2,338,028</b>	<b>1,957,250</b>	<b>1,838,689</b>	<b>1,516,025</b>

All trade payables are due within twelve (12) months.

Other credit balances comprise of trade debtors with credit balances and amount due to freighters.

### 24. Share capital

	Group		Company	
	31 Dec. 2019	30 Sept. 2019	31 Dec. 2019	30 Sept. 2019
	N. '000	N. '000	N. '000	N. '000
<b>Authorised</b>				
2,400,000,000 Ordinary shares of 50 kobo each	-	1,200,000	-	1,200,000

	Group		Company	
	31 Dec. 2019	30 Sept. 2018	31 Dec. 2019	30 Sept. 2018
	N. '000	N. '000	N. '000	N. '000
<b>Issued</b>				
Ordinary share 1,042.070 of 50k each	625,422	521,035	625,422	521,035
Share adjustment	-	150	-	150
Bonus issue	-	104,237	-	104,237
	<b>625,422</b>	<b>625,422</b>	<b>625,422</b>	<b>625,422</b>

### 25. Share premium

### 26. Basic earnings per share

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

	Group		Company	
	31 Dec. 2019	30 Sept. 2018	31 Dec. 2019	30 Sept. 2018
Net profit attributable to shareholders (N'000)	781,147	2,282,018	753,811	1,574,909

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

	Group		Company	
	3 months to 31 December		3 months to 31 December	
	2019	2018	2019	2018
	N. '000	N. '000	N. '000	N. '000
Weighted number of ordinary shares in issue as at year end (000)	1,250,844	1,250,844	1,250,844	1,250,844
(Loss)/earnings per share (Kobo)	62	182	60	126

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive ordinary shares during the year.

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 27. Cash generated from /(used in) operations

	Group		Company	
	31 Dec. 2019 N. '000	31 Dec. 2018 N. '000	31 Dec. 2019 N. '000	31 Dec. 2018 N. '000
Profit before taxation	1,179,829	513,126	1,076,873	489,371
<b>Adjustments for:</b>				
Depreciation and amortisation	93,395	97,101	51,046	57,613
Translation effect on property, plant and equipment	(122)	-	-	-
Gain/loss on exchange difference	18,187	11,246	-	-
Finance costs	182,671	229,707	144,793	181,984
Movement in assets held for sale	(145,357)	-	-	-
Movements in retirement benefit assets and liabilities	31,091	32,587	18,803	1,375
Movement in Non controlling interest	(38,528)	-	-	-
<b>Changes in working capital:</b>				
Inventories	692,269	511,276	707,731	728,656
Trade and other receivables	(807,504)	(277,603)	(737,620)	(386,297)
Other assets	(463,568)	371,675	(514,673)	384,558
Trade and other payables	380,778	164,001	322,664	5,909
Deferred income	-	1	(29,781)	1
Deferred tax liabilities	(18,722)	(21,599)	-	14,129
	<b>1,104,419</b>	<b>1,631,518</b>	<b>1,039,836</b>	<b>1,477,299</b>

# Vitafoam Nigeria Plc.

Consolidated and Separate Financial Statements for 3 months ended 31 December, 2019

## Notes to the consolidated and separate financial statements

### 28. Related party disclosures

#### Related party balances

The following are the amount due from/to subsidiaries:

	Group		Company	
	31 Dec. 2019 N. '000	30 Sept. 2018 N. '000	31 Dec. 2019 N. '000	30 Sept. 2018 N. '000
<b>Due from/to Related entities</b>				
Vitavisco Nigeria Limited	-	-	46,629	59,511
Vitagreen Limited	-	-	32,405	43,503
Vitafoam Sierra Leone	-	-	1,099,585	942,595
Vono Furniture Products Limited	-	-	134,448	132,933
Vitablom Nigeria Limited	-	-	(122,049)	(109,959)
Vitapur Nigeria Limited	-	-	557,010	593,809
Vitaparts Nigeria Limited	-	-	216,597	206,383
	-	-	<b>1,964,625</b>	<b>1,868,775</b>

The related party balance are presented net of provision for impairment on expected credit loss

### 29. Investment in subsidiaries (at cost)

All subsidiaries have the same year end as the parent. The investments represent cost of shares in subsidiaries. They exclude loans to subsidiaries as these are to be repaid and do not represent an increase in the parent's net investment in the subsidiaries.

Name	Country of incorporation and place of business	Nature of Business	Proportion of ordinary shares directly held by parent	Proportion of ordinary shares held by non controlling interests	2019 N'000	2018 N'000
Vitafoam Ghana Limited	Ghana	Sales and distribution of foam and allied products	90%	10%	-	38,243
Vitafoam Sierra Leone Limited	Sierra Leone	Manufacture of foam and allied products	81.92%	18.08%	-	-
Vitapur Nigeria Limited	Nigeria	Manufacturing of Insulation Products	40%	60%	40,000	40,000
Vitablom Nigeria Limited	Nigeria	Fibre processing and soft furnishing company	40.64%	51.21%	103,066	103,066
Vitavisco Nigeria Limited	Nigeria	Production and sales of Visco elastic foam and latex products	80%	20%	8,000	8,000
Vitagreen Nigeria Limited	Nigeria	Manufacturing of shoe wears	60%	40%	6,000	6,000
Vono Furnitures Products Limited	Nigeria	Manufacture of furniture products	100%	0%	134,863	134,863
Vitaparts Nigeria Limited	Nigeria	Manufacture of motor vehicle oil filters	52.95%	47.05%	123,900	123,900
	-	-			<b>415,829</b>	<b>454,072</b>



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### Notes to the consolidated and separate financial statements

	Group		Company	
	3 months to 31 December		3 months to 31 December	
	2019	2018	2019	2018
	N. '000	N. '000	N. '000	N. '000
Provision for diminution in value of investment in subsidiary	-	-	(180,863)	(219,106)
	-	-	234,966	234,966

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

### 30. Finance lease receivables

#### Gross investment in the lease due

within two years	40,573	25,752	40,573	25,752
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The unguaranteed residual values of assets leased under finance lease at the end of the reporting period amount to N. - (2018: N. -).

The group entered into finance leasing arrangements for its dealers to own their truck after full payment of the lease rental .

The average lease terms are 2 years and the average effective lending rate was -% (2018: -%)

None of the trade and other receivables have been pledged as security for liabilities or contingent liabilities.