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The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

(ii) Financial liabilities—

Initial recognition and measurement—

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value (in the case of loans and payables carried at amortized cost) plus transaction costs directly attributable.

The Company's financial liabilities include accounts payable, accounts payable to related parties, other accounts payable and financial obligations.

Subsequent measurement—

The subsequent measurement of financial liabilities depends on their classification. As of December 31, 2014 and 2013, the Company only maintains loans and borrowings as follows:

Debt and interest bearing loans—

After initial recognition, financial liabilities are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process, using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is recognized as "Finance cost" in the statement of comprehensive income.

Derecognition—

A financial liability is derecognized when the relevant obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms are substantially modified, such replacement or amendment is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

(iii) Offsetting of financial instruments—

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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