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described below. It is considered that the amount of revenue cannot be reliably measured until all contingencies related to the sale have been resolved. Revenue is recognized as follows:

Sale of energy and power—

Revenues from sales of electricity and power delivered and unbilled are recognized as income in the month in which the service is provided based on the reports of the Committee on Economic Operation of COES-SINAC National Grid, which are issued a month after the delivery of energy. Sales of energy from Renewable Energy Resources (RER) include a premium established under the RER contracts (see note 1(b)).

(k) Taxes—

Current income tax—

Current income tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities, according to the existing rules for determining taxable income. The income tax is calculated based on the Company's financial information.

Deferred income tax—

Deferred income tax is recognized using the liability method on temporary differences between the accounting basis and the tax basis at the date of statement of financial position.

Liabilities for deferred income taxes are recognized for all taxable temporary differences, when the opportunity of reversal can be controlled and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the future offset of unused tax credit and tax loss carryforward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforwards of unused tax credits and unused tax losses can be used.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow the benefit of part or the entire deferred asset to be utilized. Unrecognized deferred assets are re-assessed on each statement of financial position date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax rules that were approved to date end of the period over which it is reported, or whose approval is near to completion at that time.

Deferred tax items are recognized in correlation to the underlying transaction either in the income statement or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and when the deferred taxes related to the same taxable entity and the same taxation authority.

Value added tax—

Revenues, expenses and assets are recognized net of the amount of Value Added Tax (VAT), except for the accounts receivable and payable which are already stated with the amount of VAT included.

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