
Table of Contents

significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows due to defaults on contracts.

Impairment of financial assets recorded at amortized cost

When the Company determines that it has incurred in an impairment loss in the value of its financial assets carried at amortized cost, it estimates the loss amount as the difference between the asset's carrying amount and the present value of future cash flows discounted at the financial asset's original effective interest rate; it deducts the loss from the asset's carrying amount and recognizes such loss in the results of the year in which it occurs. If, in a subsequent period, the amount of the loss due to impairment decreases and may be objectively related to an event subsequent to the recognition of impairment, the impairment loss is reversed. Once the reversal is recorded, the carrying amount of the financial asset cannot exceed the original amortized amount. The amount of the reversal is recognized in the results of the year in which it occurs.

4.5.4 Derecognition of financial assets

Financial assets are derecognized by the Company when the rights to receive cash flows from the asset have expired, or when the financial asset is transferred along with its inherent risks and benefits and contractual rights to receive cash flows from the asset are surrendered, or when the Company retains the contractual rights to receive cash flows and assumes the obligation to pay them to one or more parties.

4.6 Financial liabilities**4.6.1 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 borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Energía Edíca recognizes all financial liabilities initially at fair value on the date of acceptance or contracting of the liability, plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include notes and accounts payable, accrued expenses and derivative financial instruments (Note 4.7).

4.6.2 Subsequent measurement of notes and accounts payable, and accrued expenses

After initial recognition, these financial instruments are subsequently measured at amortized cost using the effective interest method. The Company recognizes gains or losses in the statement of comprehensive income when the financial liability is derecognized as well as through the amortization process.

4.6.3 Derecognition

Financial liabilities are derecognized when the obligation has been paid, cancelled or expires. When a financial liability is replaced by another, the Company derecognizes the original and recognizes a new liability. Differences that may result from these financial liability replacements are recognized through profit or loss when incurred.

F-450