
Table of Contents**4.7 Derivative financial instruments and hedge accounting****4.7.1 Initial recognition and subsequent measurement**

The Company uses derivative financial instruments, interest rate swaps and caps, to hedge the risk of interest rate fluctuations, and does not hold or issue derivative financial instruments for trading purposes. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is obtained, and are subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of an interest rate swap/cap is the estimated amount that the Company would receive or pay to terminate the swap/cap on the date of the statement of financial position, taking into account current interest rates and the payment capacity of the counterparties.

Changes in fair value of the Company's derivative financial instruments that qualify for hedge accounting are recognized as follows: changes in the time value of instruments and any ineffectiveness are taken directly to the income statement while changes in the intrinsic value are recognized as part of other comprehensive income.

For hedge accounting purposes, the Company's interest rate swaps/caps are classified as cash flow hedges. At the beginning date of a hedge agreement, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on a quarterly basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are recorded as follows: a) the effective portion of the gain or loss on the hedging instrument is recognized directly in equity, within other comprehensive income, while any ineffective portion is recognized immediately in the income statement; b) amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued. The cumulative gain or loss previously recognized in equity remains there until the forecast transactions occurs.

4.7.2 Current versus non-current classification

Derivative instruments that are designated as hedges, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

4.8 Inventory**4.8.1 Spare parts inventory**

Inventories are valued at the lower of cost and net realizable value on a weighted average basis.