
Table of Contents**4.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. Borrowing costs include interest, exchange differences and other borrowing costs. Borrowing costs that do not meet the criteria for capitalization are recorded in the results of the year in which they are incurred.

4.13 Benefits for termination of employment contracts

The post-employment benefits liability is recognized by the Company in the period results to cover the payment of the seniority premium for personnel who resign, retire or are dismissed without cause, which is required by Nicaragua's Labor Code as follows: one month of salary for each year worked for the first three years of service, and twenty days of salary for each additional year. However, no compensation shall be less than one month or greater than five months of salary. Eolo records a liability on a monthly basis to cover future disbursements for this concept. The Company has not established a pension benefit plan after retirement.

4.14 Taxes

The Company offsets its current and deferred tax assets with current and deferred tax liabilities, respectively, if a legally enforceable right exists to set off the amounts recognized before the same taxation authority and when it has the intention to liquidate them for the net amount or to realize the asset and settle the liability simultaneously.

4.14.1 Current income tax

The Company calculates income tax by applying adjustments from certain items, affected by or subject to income tax, in conformity with current tax regulations. Current tax, corresponding to present and prior periods, is recognized by the Company as a liability to the extent that it is not settled. If the amount already paid, which corresponds to present and prior periods, exceeds the amount payable for those periods, the excess is recognized as an asset.

The Company recognizes current income tax related to items of other comprehensive income directly in these items and not in the results of the period.

4.14.2 Deferred income tax

Deferred income tax is determined by applying the liability method to all temporary differences existing between the asset, liability, and net equity tax base and the amounts recorded for financial purposes as of the date of the statement of financial position. Deferred income tax is calculated using the tax rate expected to apply on the period when the asset is realized or the liability is settled. Deferred tax assets are recognized only when there is reasonable probability of their realization.

The carrying amount of deferred income tax assets is reviewed on the date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Likewise, on the closing date of each financial period, the Company reassesses the unrecognized deferred tax assets to the extent that it is probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred taxes related to items of other comprehensive income are recognized directly in those items and not in the results of the period.

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