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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 liabilities4.6.1 *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. Orosi 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 and accrued expenses.

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.

4.7 Derivative financial instruments and hedge accounting4.7.1 *Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, interest rate 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.

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