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I - Financial Assets: General principles

1. Definitions

1.1. General definitions

Financial assets include any assets that give rise to a contractual right to receive cash or other financial assets, e.g. cash, trade receivables, investment in shares, loans receivable.

(IAS 32, par 11)

A **financial asset** is any asset that is:

- a. cash;
- b. an equity instrument of another entity;
- c. a contractual right:
 - i. to receive cash or another financial asset from another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- d. a contract that will or may be settled in the entity's own equity instruments and is:
 - i. a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - ii. a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

1.2. Detailed Definitions

- **Trade receivables:** Outstanding short-term trade receivables (within one year) resulting from the sale of goods or services in the course of the entity's regular activity.

Under IFRS, **trade receivables** are deemed to be non-derivative financial assets with fixed or determinable payments that are not listed on a regulated market. From an economic perspective, the receivables are the result of sales of products and services over the course of a company's normal operating cycle. Held for sale receivables are excluded (they will be classified under the available-for-sale financial assets).

Normal operating cycle is the average period from the purchase of materials used as inputs in the manufacturing process to their conversion into cash. This average period is generally a year.

- **Other short-term receivables:** Short-term miscellaneous receivables (within one year) that arise from an entity's operations, and that are not related to trade or financial debtors. They include miscellaneous debtors, short-term loans and short-term portion of long-term loans, prepaid expenses.
- **Other non-current financial assets:** Outstanding long-term trade receivables (of more than one year) resulting from the sale of goods or services in the course of the entity's regular activity. They also include the pension funds surplus.
- **Dividends receivable:** Receivables arising from distribution agreements, income from investments, and shareholders' equity transfers received /paid.
- **Income taxes receivable:** Estimated tax on income and on capital (wealth) owned by or to an entity.
- **Other long-term financial assets:** They include:
 - **External financial receivables:** Total amount loaned by an entity to companies not being part of the consolidation perimeter of the Group to provide them with the funds they require to finance their activities, without acquiring participating interests in the recipients' capital stock. It covers loans, receivables and notes intended as long-term support for the activities of these companies. These items are reported under financial fixed assets in the official publications.
 - **Internal loans:** Total amount loaned by one entity to others consolidated entities of the Group in order to provide them with the funds they require to finance their activities, without acquiring participating interests in their capital stock and where the receivables are not recorded as financial assets.
 - **Cash & cash equivalents:** Amount of liquid assets to which the entity has immediate access.
 - **Cash** includes cash on hand and demand deposits
 - **Cash equivalents** are short-term investments and readily convertible liquid instruments, with an insignificant risk of a change in value and maturing in under three months from the date of acquisition.
The determining factor for classification as Cash equivalents is that the latter be held for the purposes of meeting short-term cash commitments rather than for investment or other purposes.
Note: Equity investments are excluded from cash equivalents unless they are in substance cash equivalents, for example in the case of preference shares acquired shortly before their maturity date that have a specified redemption date.
 - **Securitization:** is the process by which financial assets are transformed into securities.
 - **Securitized receivables cashed in and to pay back to financial institutions:** Amount of securitized trade receivables collected by the entity on behalf of the financial intermediary.
 - **Outstanding securitized receivables:** Difference between the total net amount received from the financial intermediary as securitization of an entity's receivables, and the total amount of payments received from the customers on those receivables.
- **Discounted receivables and liabilities:** Outstanding notes discounted by financial institutions.
- **Other current financial assets:** Include:
 - Financial assets available for sale - Money Market Fund
 - Financial assets available for sale - Bonds and Treasury Bills
- **Internal financial current accounts (Assets):** Total amount of internal bank account positions towards consolidated companies.

