S02.02-AS-05-I.3

I - Financial Assets: General principles

3. Recognition, valuation, write-downs, impairments

3.1. Valuation

- **Note to the consolidated financial statements related to 20. Financial assets**
- **Receivables** are recorded in the balance sheet at their par value.
- **Receivables denominated in foreign currencies** are considered as monetary assets. They should be valued to the rate of exchange ruling at the balance sheet date at the end of each period.
  Amounts, which are hedged, should be converted at the rate of exchange as determined by the hedging contract.
- **External financial receivables**:
  - Loans in the form of bond investments are valued at their acquisition cost.
  - Other loans are recorded in the balance sheet at their par value
- **Available cash**:
  - **Other investments and deposits**:
    - Deposits with credit institutions: nominal value.
    - Securities (stocks and bond investments): acquisition cost.
      - Related ancillary costs may be charged to the annual income statement as costs of buying and selling securities.
      - For securities with fixed income, when the acquisition cost differs from the expected sale/redemption value, the difference between the two is accounted for showing earnings pro-rated on a linear basis, and for the outstanding duration of the securities, as a constituent element of the interest produced by them. That difference is accounted for, as the case may be, as an increase or a decrease of acquisition value of those securities.
  - **Cash at banks and in hand**: face value of the underlying currency.
    - Cash in hand denominated in foreign currencies are converted into the local currency at the exchange rate in application at the **end of the accounting period**.
    - Unrealized losses or gains on foreign currency exchange adjustments resulting from the application of this rule are charged to the income statement.
  - Revaluation of **cash investments**: not allowed.
- **Internal loans**:
  - Receivables in the form of fixed income securities are valued at their acquisition cost.
  - Other receivables are recorded in the balance sheet at their par value.

3.2. Write-downs

- Receivables are subject to write-downs if there is a risk or reason to suspect that they will not be collected, or not in full, on the due date. They may also be subject to write-downs if their realizable value at year-end closing is lower than their book value as duly determined. Write-downs should be reversed if they become fully or partially inapplicable.
- Doubtful trade receivables should be written down to the probable realizable amount.
- Increases and releases of write-downs should not be netted off.
- There should not be any reversal of write-downs in the case of the sale of a financial asset. The starting point for determining the gain or loss is the fair value at the time of the sale.
- Available cash:
  - Write-downs apply when the realizable value at the balance sheet date is lower that the acquisition cost or normal value.
    - Quoted securities are subjected to write-downs in the event of a lasting decline in value, assessed essentially on the basis of the market price, as long as that price reflects a normal appreciation of worth and not speculation or fluctuation.
    - Unquoted stocks and shares representing term deposits are subjected to write-downs where appraisal suggests that their probable sale value is lower than their book value.
    - Unquoted fixed income securities are subjected to write-downs where the redemption price is lower than the book value.
    - Receivables on deposit accounts with financial intermediaries and unquoted fixed income securities are subjected to write-downs where there is a significant risk of debtor insolvency.
    - Cash at banks and in hand: subjected to write-downs when there is a significant risk of debtor insolvency.
  - The write-down is charged to the income statement under the financial miscellaneous heading and should be reversed if at the end of a period it is no longer justified.