

S03.05-IS-01-R535

I - Financial charges on net debt

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Interest charges (R53610)

Include

- interest on borrowings and financing operations: loans, bank current accounts.
Borrowing charges, i.e.
 - Interests on borrowings, i.e. financial charges on borrowings and bank credits reimbursed during the fiscal year.
 - Loan issue expenses (apportioned over the term) and reimbursement premiums
 - Premiums and discounts on interest and currency
 - Interest cost for late payment of income taxes (adjustments due to the passage of time), outside of income tax penalties (reported under "R73100 - Current income taxes" as they generally relate to prior years)
 - income and expenses from interest-rate options and swaps meeting the hedge accounting conditions.

Do NOT include

- Interest on non-financial liabilities (for example trade payables), recorded in other financial expenses.
- Capitalized interests
The terminology "*capitalized interests*" is used when financial charges relating to capital borrowed to finance the construction of tangible fixed assets are capitalized. Such interests are reported under "[R53200 - Capitalized interests](#)".

Other financial charges related to non-operational items (R54620),

including

- indemnities for early repayment of borrowings
- interest on non-financial payables
- net expenses on investment security disposals
- decreases in the probable sale value of held-for-trading securities
- losses on the repurchase by the company of shares, fixed-income securities and other securities it issues, apart from specific cases
- expenses on banking lines not drawn down (such as unused syndicated credit)
- interest on items in the working capital requirement when these in effect constitute financing operations (for example trade discounts agreed).
- charges on discounted bills, i.e. interest expenses recorded by an entity and resulting from discounting its receivables with banks or CICC.
Remarks:
 - Internal discounting of receivables is not allowed between two Group companies
 - Exception: For Mercosur, the charges and income on discounted bills are reported under "[R53620/R53720 - Other financial expenses /income related to operational](#)" above REBIT; this to be in line with the exception for Mercosur in the way to treat the discounted bills in the statement of financial position (in deduction of [trade receivables](#)).

Loans and borrowings written off (R53700)

These in particular include:

- allocations to and reversals from provisions for impairment of loans and accrued interest receivables
- waivers granted on (loan) receivables
- waivers received on (borrowing) claims
- losses on unrecoverable loans.

Losses on trade receivables are classified in sales and administrative expenses.

Costs on transferred receivables (R53730)

including

- finance income recorded pro rata temporis as part of operations not resulting in the elimination of the receivable from the balance sheet, that is, a financing operation
- expenses for the assignment of receivables, paid to the taker
- **expenses on securitization transactions** such as interests, insurance, bank charges.
Note: See [example of accounting entries applied to securitization operations](#).

Charges related to interest rate derivative instruments (R53740),

including

losses (changes in fair value/interest income and expense) on the types of financial instrument covered by interest-rate options and interest-rate swaps not meeting hedge accounting conditions.

Example: charges on swaps.

Accretion of discount / impact of changes of discount rates on provisions (excluding Employee Benefits) (R53100)

Takes into account

- the cost of discounting Environmental and Other provisions (not related to Employee Benefits), i.e. the increase of the carrying amount of long-term provisions to reflect the passage of time (ref: [IAS 37, par 45-60](#)).

Does not take into account

- the cost of discounting Employee Benefits provisions (reported under "[R53650 - Expected return on plan assets](#)" and "[R53640 - Interest costs - pension & other employee benefits / actuarial gains\(losses\) on other long-term benefits](#)").

Concerning the annual increase of environmental provisions:

- The annual increase in the discounted amount arising from the passage of time (unwinding of the discount) is computed using the rate defined by GAR.
- This increase only applies to provisions covering events that are likely to occur within the next 10 years.
- This increase does not apply to provisions covering events in the 10 to 20-year range as we consider that it will be offset by a reduction in expected remedial costs due to future changes in technology.