6. Financial instruments and principles of financial risk management

Accounting policy applied

Accounting policy effective since 1 January 2018

The Group recognizes a financial asset or a financial liability in its statement of financial position when the Company becomes bound by the contractual provisions of the instrument.

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, financial assets of a debt nature are classified as measured:

a) at amortized cost;
b) at fair value through other comprehensive income;
c) at fair value through profit or loss.

Such classification is based on:

a) the entity's business model for managing financial assets;
b) the contractual cash flow characteristics of the financial asset, i.e. whether the contractual cash flows are 'solely payments of principal and interest' ("SPPI"). The nature and the purpose of financial assets are determined at the moment of initial recognition.

Financial assets carried at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by holding financial assets in order to collect contractual cash flows;
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In this category, the Group classifies mainly:

a) trade receivables;
b) bank deposits over 3 months;
c) cash and cash equivalents.

The differences in the accounting policy pertaining to impairment losses on trade receivables are described in Note 5.4.

As at 1 January 2018 and 31 December 2018, the Group did not have any financial assets of a debt nature measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Investments in equity instruments

Investments in equity instruments are measured at fair value through other comprehensive income.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

a) financial liabilities at fair value through profit or loss;
b) liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
c) financial guarantee contracts;
d) commitments to provide a loan at a below-market interest rate;
e) contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

All financial liabilities held by the Group are classified as measured at amortized cost. Additionally, for other financial assets and financial liabilities, the Group presents derivative forward-like financial instruments. These instruments are used to hedge future cash flows. Upon provision of the hedge, the Group defines the hedging relationship. The effective portion of profits / (losses) related to a hedging instrument is recognized in other comprehensive income. The non-effective portion of profits or losses related to the hedging instrument is recognized in the period's financial result unless it has no material value. Profits / losses related to evaluation of hedging instruments and recognized in other comprehensive income are recognized in the financial result when the hedged item affects the financial performance. The Group derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and all related risks and rewards of ownership of the financial asset to another entity.

Accounting policy effective until 31 December 2017

As at 31 December 2017, the Group presented the following categories under other financial assets:

a) Loans and receivables
Loans and receivables are non-derivative financial instruments with constant or foreseeable payments, not listed in an active market. The Group included in loans and receivables: cash and cash equivalents, bank deposits with maturity longer than three months, trade receivables and receivables from the sale of non-financial non-current assets. Loans and receivables are carried at amortized cost using the effective interest rate method, taking into account impairment, except for those assets where the discount effect is immaterial.

b) Available-for-sale financial assets
In the Group, available-for-sale financial assets included capital investments not listed on an active market, which were measured at cost minus impairment losses.

In addition to changes resulting from differences in the classification of financial assets, changes in the methodology for recognizing impairment losses on trade receivables and changes in the measurement of equity instruments in other entities, there have been no other significant differences in the accounting policy effective since 1 January 2018 that would affect these Consolidated Financial Statements.