

## 9. CONSOLIDATED FINANCIAL STATEMENTS

### OA O TMK

#### Notes to the Consolidated Financial Statements (continued)

(All amounts are in thousands of US dollars, unless specified otherwise)

#### 14) Inventories (continued)

The amount of inventories carried at net realisable value was 290,851 as at December 31, 2014 (December 31, 2013: 343,047).

As at December 31, 2014, certain items of inventory with a carrying amount of 40,489 were pledged as security for borrowings (December 31, 2013: 100,000).

The following table summarises the changes in the allowance for net realisable value of inventory:

	2014	2013
Balance at the beginning of the year	22,896	23,044
Increase in allowance	8,782	1,008
Currency translation adjustments	(8,449)	(1,156)
<b>Balance at the end of the year</b>	<b>23,229</b>	<b>22,896</b>

#### 15) Prepayments and Input VAT

Prepayments and input VAT consisted of the following:

	2014	2013
Prepayment for VAT, input VAT	59,034	79,520
Prepayment for services, inventories	33,164	38,602
Prepayment for other taxes	8,568	13,974
Prepayment for insurance	3,843	3,890
Other prepayments	534	644
<b></b>	<b>105,143</b>	<b>136,630</b>

#### 16) Property, Plant and Equipment

Movement in property, plant and equipment for the year ended December 31, 2014 was as follows:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	TOTAL
<b>COST</b>							
Balance at January 1, 2014	1,442,677	3,220,619	67,389	76,175	25,262	677,754	<b>5,509,876</b>
Additions	–	–	–	–	–	351,145	<b>351,145</b>
Assets put into operation	112,035	449,849	18,253	5,739	4,856	(590,732)	<b>–</b>
Disposals	(4,358)	(67,969)	(1,533)	(1,341)	–	(5,214)	<b>(80,415)</b>
Reclassifications	(440)	(127)	(1)	(826)	803	591	<b>–</b>
Currency translation adjustments	(526,850)	(1,092,648)	(27,673)	(23,236)	(2,108)	(239,201)	<b>(1,911,716)</b>
<b>BALANCE AT DECEMBER 31, 2014</b>	<b>1,023,064</b>	<b>2,509,724</b>	<b>56,435</b>	<b>56,511</b>	<b>28,813</b>	<b>194,343</b>	<b>3,868,890</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
Balance at January 1, 2014	(287,005)	(1,290,127)	(33,684)	(48,138)	(5,567)	–	<b>(1,664,521)</b>
Depreciation charge	(37,454)	(215,393)	(4,895)	(8,904)	(1,318)	–	<b>(267,964)</b>
Impairment	(1,135)	–	–	–	–	–	<b>(1,135)</b>
Disposals	1,136	62,978	1,309	1,257	–	–	<b>66,680</b>
Reclassifications	19	(488)	–	495	(26)	–	<b>–</b>
Currency translation adjustments	109,504	469,492	12,032	17,058	134	–	<b>608,220</b>
<b>BALANCE AT DECEMBER 31, 2014</b>	<b>(214,935)</b>	<b>(973,538)</b>	<b>(25,238)</b>	<b>(38,232)</b>	<b>(6,777)</b>	<b>–</b>	<b>(1,258,720)</b>
<b>NET BOOK VALUE AT DECEMBER 31, 2014</b>	<b>808,129</b>	<b>1,536,186</b>	<b>31,197</b>	<b>18,279</b>	<b>22,036</b>	<b>194,343</b>	<b>2,610,170</b>
<b>NET BOOK VALUE AT JANUARY 1, 2014</b>	<b>1,155,672</b>	<b>1,930,492</b>	<b>33,705</b>	<b>28,037</b>	<b>19,695</b>	<b>677,754</b>	<b>3,845,355</b>

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#### Notes to the Consolidated Financial Statements (continued)

(All amounts are in thousands of US dollars, unless specified otherwise)

#### 16) Property, Plant and Equipment (continued)

Movement in property, plant and equipment for the year ended December 31, 2013 was as follows:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	TOTAL
<b>COST</b>							
Balance at January 1, 2013	1,397,843	3,066,462	65,938	69,257	18,920	697,932	<b>5,316,352</b>
Additions	–	–	–	–	–	516,214	<b>516,214</b>
Assets put into operation	124,539	343,396	4,248	10,890	6,554	(489,627)	<b>–</b>
Disposals	(4,854)	(34,406)	(1,440)	(1,037)	–	(1,948)	<b>(43,685)</b>
Increase due to acquisition of subsidiaries (Note 10)	10,845	10,680	271	882	–	27	<b>22,705</b>
Reclassifications	(2,302)	918	1,384	–	–	–	<b>–</b>
Currency translation adjustments	(83,394)	(166,431)	(3,012)	(3,817)	(212)	(44,844)	<b>(301,710)</b>
<b>BALANCE AT DECEMBER 31, 2013</b>	<b>1,442,677</b>	<b>3,220,619</b>	<b>67,389</b>	<b>76,175</b>	<b>25,262</b>	<b>677,754</b>	<b>5,509,876</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
Balance at January 1, 2013	(262,127)	(1,167,234)	(31,450)	(41,743)	(4,164)	–	<b>(1,506,718)</b>
Depreciation charge	(39,618)	(222,556)	(4,361)	(9,879)	(1,440)	–	<b>(277,854)</b>
Impairment	(4,243)	–	–	–	–	–	<b>(4,243)</b>
Disposals	2,982	28,505	1,164	928	–	–	<b>33,579</b>
Reclassifications	133	428	(561)	–	–	–	<b>–</b>
Currency translation adjustments	15,868	70,730	1,524	2,556	37	–	<b>90,715</b>
<b>BALANCE AT DECEMBER 31, 2013</b>	<b>(287,005)</b>	<b>(1,290,127)</b>	<b>(33,684)</b>	<b>(48,138)</b>	<b>(5,567)</b>	<b>–</b>	<b>(1,664,521)</b>
<b>NET BOOK VALUE AT DECEMBER 31, 2013</b>	<b>1,155,672</b>	<b>1,930,492</b>	<b>33,705</b>	<b>28,037</b>	<b>19,695</b>	<b>677,754</b>	<b>3,845,355</b>
<b>NET BOOK VALUE AT JANUARY 1, 2013</b>	<b>1,135,716</b>	<b>1,899,228</b>	<b>34,488</b>	<b>27,514</b>	<b>14,756</b>	<b>697,932</b>	<b>3,809,634</b>

As at December 31, 2014, bank borrowings were secured by properties and equipment with a carrying value of 129,274 (December 31, 2013: 117,945).

As at December 31, 2014, there were indicators of impairment of certain property in the Russia operating segment, therefore, the Group performed an impairment test in respect of these assets. As a result of the test, the Group determined that the carrying value of the property exceeds its recoverable amount. Resulting impairment loss of 1,135 was recognised in the income statement for the year ended December 31, 2014 (December 31, 2013: 4,243).

#### Capitalised Borrowing Costs

The Group has the combination of borrowings, that are specific to the acquisition and construction of a particular qualifying asset, and general borrowings. The amount of borrowing costs capitalised during the year ended December 31, 2014 was 25,535 (2013: 16,972). The rate of the specific borrowing used to determine the amount of capitalised borrowing costs in the year ended December 31, 2014 was 9.47% (2013: 5.19%); the capitalisation rate relating to general borrowings was 9.64% (2013: 6.52%).