

9. CONSOLIDATED FINANCIAL STATEMENTS

ОАО ТМК

Notes to the Consolidated Financial Statements (continued)

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

10) Acquisition and Disposal of Subsidiaries

Acquisition of Pipe Services and Precision Manufacturing Business in the U.S.

In April 2013, the Group acquired pipe services and precision manufacturing business located in the U.S. for 26,600.

The fair values of assets acquired, liabilities assumed and purchase consideration were as follows at the acquisition date:

	Initial estimation of fair values	Final estimation of fair values
Property, plant and equipment	23,522	22,705
Intangible assets	648	1,606
Trade and other receivables	1,171	1,152
Inventories	1,823	1,660
Deferred tax asset	438	479
Total assets	27,602	27,602
Trade and other payables	(1,002)	(1,002)
Total liabilities	(1,002)	(1,002)
Total identifiable net assets	26,600	26,600
Purchase consideration	(26,600)	(26,600)

During 2013, the Group paid the full amount of purchase consideration for the acquisition of the business.

Acquisition-related costs of 1,282 were charged to general and administrative expenses in the consolidated income statement for the year ended December 31, 2013.

Disposal of ООО "Складской Комплекс ТМК"

On March 27, 2013, the Group sold 81% ownership interest in ООО "Складской Комплекс ТМК". The following table summarises the carrying values of assets and liabilities of ООО "Складской Комплекс ТМК", cash flows on disposal of subsidiary and the carrying value of investments retained by the Group as at the date of disposal:

	Carrying values
Cash and cash equivalents	1,932
Trade and other receivables	12,525
Inventories	7,927
Other assets	907
Total assets	23,291
Trade and other payables	(25,082)
Other liabilities	(39)
Total liabilities	(25,121)
Net liabilities	(1,830)
Cash consideration	(26)
19% ownership interest retained	(6)
Gain on disposal of subsidiary	1,862

ОАО ТМК

Notes to the Consolidated Financial Statements (continued)

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11) Investments in Associates

The movement in investments in associates was as follows:

	2014	2013
Balance at January 1	1,900	1,862
Share of profit of associates	273	176
Dividend income	(87)	
Currency translation adjustment	(839)	(138)
Balance at December 31	1,247	1,900

12) Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

	2014	2013
Russian rouble	163,557	62,838
US dollar	84,214	22,490
Euro	3,335	6,609
Romanian lei	1,043	165
Other currencies	749	1,196
	252,898	93,298

The above cash and cash equivalents consisted primarily of cash at banks. As at December 31, 2014, the restricted cash amounted to 1,139 (December 31, 2013: 7,452).

13) Trade and Other Receivables

Trade and other receivables consisted of the following:

	2014	2013
Trade receivables	745,379	1,014,149
Officers and employees	1,166	2,890
Other accounts receivable	22,013	14,504
Gross accounts receivable	768,558	1,031,543
Allowance for doubtful debts	(40,218)	(36,172)
Net accounts receivable	728,340	995,371

Accounts receivables in the carrying amount of 87,563 were pledged as security for borrowings as at December 31, 2014 (December 31, 2013: 106,741).

14) Inventories

Inventories consisted of the following:

	2014	2013
Raw materials	288,597	287,247
Work in process	344,731	467,909
Finished goods and finished goods in transit	268,246	368,857
Goods for resale	4,377	6,677
Supplies	164,185	216,681
Gross inventories	1,070,136	1,347,371
Allowance for net realisable value of inventory	(23,229)	(22,896)
Net inventories	1,046,907	1,324,475