

9. CONSOLIDATED FINANCIAL STATEMENTS

ОАО ТМК

Notes to the Consolidated Financial Statements (continued)

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

8) Income Tax

Income tax expense for the year ended December 31 was as follows:

	2014	2013
Current income tax expense	61,721	77,059
Adjustments in respect of income tax of previous periods	(5,358)	3,306
Deferred tax expense/(benefit) related to origination and reversal of temporary differences	(41,087)	17,478
Total income tax expense	15,276	97,843

Profit/(loss) before tax is reconciled to tax expense as follows:

	2014	2013
Profit/(loss) before tax	(201,373)	312,383
Theoretical tax charge at statutory rate in Russia of 20%	(40,275)	62,477
Adjustments in respect of income tax of previous periods	(5,358)	3,306
Effect of items which are not deductible for taxation purposes or not taxable	70,525	20,021
Effect of different tax rates in countries other than Russia	(14,005)	10,551
Tax on dividends distributed inside the Group	1,326	904
Effect of differences in tax rates on dividend income	(9)	(326)
Increase due to acquisition of subsidiaries	–	479
Effect of unrecognised tax credits, tax losses and temporary differences of previous periods	3,210	145
Other	(138)	286
Total income tax expense	15,276	97,843

Deferred income tax assets and liabilities, their movements for the year ended December 31, 2014 were as follows:

	2014	Change recognised in income statement	Change recognised in other comprehensive income/(loss)	Currency translation adjustments	2013
Valuation and depreciation of property, plant and equipment	(246,057)	(25,888)	–	79,252	(299,421)
Valuation and amortisation of intangible assets	(31,617)	1,707	–	(134)	(33,190)
Tax losses available for offset	169,140	48,957	120,406	(53,121)	52,898
Provisions and accruals	18,246	4,132	–	(4,684)	18,798
Finance lease obligations	8,319	2,827	–	(3,650)	9,142
Valuation of inventory	15,396	10,106	–	(2,800)	8,090
Valuation of accounts receivable	4,549	1,154	–	(1,876)	5,271
Other	1,200	(1,908)	(406)	(648)	4,162
	(60,824)	41,087	120,000	12,339	(234,250)
Reflected in the statement of financial position as follows:					
Deferred tax liability	(205,667)	33,938	–	58,269	(297,874)
Deferred tax asset	144,843	7,149	120,000	(45,930)	63,624

ОАО ТМК

Notes to the Consolidated Financial Statements (continued)

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

8) Income Tax (continued)

Deferred income tax assets and liabilities, their movements for the year ended December 31, 2013 were as follows:

	2013	Change recognised in income statement	Change recognised in other comprehensive income/(loss)	Acquisition and disposal of subsidiaries	Currency translation adjustments	2012
Valuation and depreciation of property, plant and equipment	(299,421)	(16,486)	–	479	14,823	(298,237)
Valuation and amortisation of intangible assets	(33,190)	5,791	–	–	4	(38,985)
Tax losses available for offset	52,898	(16,950)	16,348	(117)	(3,701)	57,318
Provisions and accruals	18,798	2,544	–	(8)	(779)	17,041
Finance lease obligations	9,142	316	–	–	(694)	9,520
Valuation of inventory	8,090	7,785	–	(370)	152	523
Valuation of accounts receivable	5,271	3,456	–	(152)	(208)	2,175
Other	4,162	(3,934)	(163)	–	(171)	8,430
	(234,250)	(17,478)	16,185	(168)	9,426	(242,215)

Reflected in the statement of financial position as follows:

Deferred tax liability	(297,874)	(7,987)	–	–	12,427	(302,314)
Deferred tax asset	63,624	(9,491)	16,185	(168)	(3,001)	60,099

Deferred tax assets were recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at December 31, 2014, the Group has not recognised deferred tax liability in respect of 907,714 (December 31, 2013: 1,372,526) temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

9) Earnings per Share

Basic earnings per share are calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders of the parent entity adjusted for interest expense and other gains and losses for the period, net of tax, relating to convertible bonds by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

Earnings/(loss) per share attributable to equity holders of the parent entity were as follows:

	2014	2013
Profit/(loss) for the period attributable to the equity holders of the parent entity	(215,559)	213,029
Weighted average number of ordinary shares outstanding	865,576,037	865,026,466
Earnings/(loss) per share attributable to the equity holders of the parent entity, basic and diluted (in US dollars)	(0.25)	0.25

In the years ended December 31, 2014 and 2013, the convertible bonds were antidilutive.