

9. CONSOLIDATED FINANCIAL STATEMENTS

OAOTMK

Notes to the Consolidated Financial Statements (continued)

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

17) Goodwill and Other Intangible Assets (continued)

As at December 31, 2014, the Group determined that the recoverable amount of American division was 1,054,894 (December 31, 2013: 1,270,592 using the pre-tax discount rate of 11.38%). The Group recognised the impairment loss of 150,396 in respect of American division goodwill in the year ended December 31, 2014.

The impairment of American division goodwill was primarily driven by expected decline in consumption of OCTG products in the US market due to the drop of oil prices in the past few months.

Based on external sources of information and management judgment the Group made the following assumption to calculate value in use of American division:

- forecast OCTG prices decrease by 9% in 2015 compared to 2014;
- forecast OCTG volumes decrease by 26% in 2015 compared to 2014;
- forecast raw materials costs (both scrap and HRC) decrease by \$150 in 2015 compared to 2014;
- OCTG volumes and prices are expected to steadily recover to the 2014 levels by 2017.

The reasonably possible deviations of assumptions from the underlying operating plans could affect the recoverable amount of American division. American division recoverable amount was the most sensitive to the growth of discount rate, changes in sales volumes, prices and costs. A 10% increase in the discount rate would result in an additional decrease of the recoverable amount by 123,563; a 5% rise in costs would result in an additional decrease of the recoverable amount by 801,007; a decrease in sales prices by 5% would result in an additional decrease of the recoverable amount by 990,120; a decrease in sales volume by 5% would result in an additional decrease of the recoverable amount by 197,585.

18) Other Non-Current Assets

Other non-current assets consisted of the following:

	2014	2013
Prepayment for acquisition of subsidiary (Note 27)	48,506	—
Prepayments for acquisition of property, plant and equipment	15,627	34,987
Loans to employees	2,497	5,193
Restricted cash deposits for fulfillment of guaranties	1,143	351
Long-term trade receivables	287	13,356
Other	6,180	15,184
	74,240	69,071
Allowance for doubtful debts	(38)	(18,819)
	74,202	50,252

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19) Trade and Other Payables

Trade and other payables consisted of the following:

	2014	2013
Trade payables	530,501	708,350
Accounts payable for property, plant and equipment	52,429	64,763
Liabilities for VAT	39,523	32,880
Payroll liabilities	21,095	31,685
Liabilities for property tax	12,980	16,898
Accrued and withheld taxes on payroll	11,361	16,123
Sales rebate payable	9,440	8,601
Liabilities under put options of non-controlling interest shareholders in subsidiaries	6,639	9,323
Notes issued to third parties	3,133	5,353
Liabilities for other taxes	1,309	1,840
Other payables	34,286	48,349
	722,696	944,165

20) Provisions and Accruals

Provisions and accruals consisted of the following:

	2014	2013
Current		
Provision for bonuses	17,190	16,816
Accrual for long-service bonuses	9,396	15,286
Accrual for unused annual leaves, current portion	3,060	4,213
Current portion of employee benefits liability	2,366	6,215
Environmental provision, current portion	1,351	1,510
Other provisions	8,034	7,144
	41,397	51,184
Non-current		
Accrual for unused annual leaves	14,062	22,515
Environmental provision	4,133	3,887
Provision for bonuses	770	2,532
Other provisions	3,951	4,393
	22,916	33,327

21) Interest-Bearing Loans and Borrowings

Interest-bearing loans and borrowings consisted of the following:

	2014	2013
Current		
Bank loans	265,439	69,647
Interest payable	30,841	32,735
Current portion of non-current borrowings	152,135	292,522
Current portion of bearer coupon debt securities	311,000	—
Unamortised debt issue costs	(610)	(963)
Total short-term loans and borrowings	758,805	393,941
Non-current		
Bank loans	1,571,236	2,139,397
Bearer coupon debt securities	1,311,000	1,412,500
Unamortised debt issue costs	(8,201)	(11,298)
Less: current portion of non-current borrowings	(152,135)	(292,522)
Less: current portion of bearer coupon debt securities	(311,000)	—
Total long-term loans and borrowings	2,410,900	3,248,077