

IG Seismic Services Plc

Interim condensed consolidated  
financial statements

*for the 6 month period ended 30 June 2014 (unaudited)*

IG Seismic Services Plc  
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for the 6 month period ended 30 June 2014 (unaudited)

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## Report on review of interim condensed consolidated financial statements

To the shareholders of IG Seismic Services Plc

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of IG Seismic Services Plc and its subsidiaries (the "Group") as at 30 June 2014, comprising the interim consolidated statement of financial position as at 30 June 2014 and the related interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board and adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", as issued by the International Accounting Standards Board and adopted by the European Union. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Stavros Pantzaris  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia  
15 September 2014

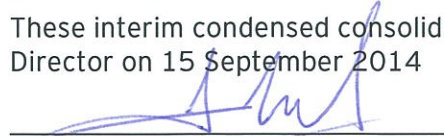
IG Seismic Services Plc

Interim consolidated statement of financial position (unaudited)

(amounts in thousands of Russian Roubles)

	Note	At 30 June 2014 (unaudited)	At 31 December 2013 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	14,216,975	15,212,832
Goodwill		3,760,082	3,760,082
Intangible assets other than goodwill		294,656	310,149
Investments in associates		974,230	1,009,989
Other non-current assets		36,550	47,844
Deferred tax assets		187,088	235,649
<b>Total non-current assets</b>		<b>19,469,581</b>	<b>20,576,545</b>
<b>Current assets</b>			
Inventories		2,365,450	2,230,070
Accounts receivable and prepayments	6	7,094,086	7,564,265
Other financial assets	7	499,501	227,989
VAT receivable		198,626	691,727
Prepayments for income tax		104,132	99,394
Other current assets	8	105,003	26,158
Cash and cash equivalents	9	172,991	711,396
<b>Total current assets</b>		<b>10,539,789</b>	<b>11,550,999</b>
<b>Total assets</b>		<b>30,009,370</b>	<b>32,127,544</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		6,513	6,513
Share premium		13,837,978	13,837,978
Reverse acquisition reserve		(5,805,259)	(5,805,259)
Other non-distributable reserves		2,233,488	2,233,488
Foreign currency translations reserve		(261,592)	270
Accumulated losses		(956,110)	(1,099,123)
<b>Total shareholders' equity</b>		<b>9,055,018</b>	<b>9,173,867</b>
Non-controlling interest		886,699	1,806,717
<b>Total equity</b>		<b>9,941,717</b>	<b>10,980,584</b>
<b>Non-current liabilities</b>			
Loans and borrowings	10	7,496,535	10,330,310
Finance lease liabilities		-	1,935
Promissory notes payable	11	341,078	606,774
Deferred tax liabilities		1,500,080	1,482,208
<b>Total non-current liabilities</b>		<b>9,337,693</b>	<b>12,421,227</b>
<b>Current liabilities</b>			
Loans and borrowings	10	3,661,576	2,077,111
Promissory notes payable	11	480,194	496,612
Accounts payable	11	4,454,818	4,642,671
Income tax payable		23,608	21,349
Other taxes payable	12	2,071,042	1,444,045
Provisions		34,960	39,891
Finance lease liabilities		3,762	4,054
<b>Total current liabilities</b>		<b>10,729,960</b>	<b>8,725,733</b>
<b>Total liabilities</b>		<b>20,067,653</b>	<b>21,146,960</b>
<b>Total liabilities and equity</b>		<b>30,009,370</b>	<b>32,127,544</b>

These interim condensed consolidated financial statements were approved and signed by the Director on 15 September 2014

  
Nikolay Levitskiy  
Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

## IG Seismic Services Plc

### Interim consolidated statement of comprehensive income (unaudited)

*(amounts in thousands of Russian Roubles)*

	Note	For six months ended	
		30 June 2014 (unaudited)	30 June 2013 (unaudited)
Revenue	14	10,398,232	10,716,216
Cost of sales	15	(8,404,831)	(8,468,745)
Gross profit		1,993,401	2,247,471
General and administrative expenses	16	(1,226,495)	(1,052,287)
Other operating income		69,315	75,891
Other operating expense	17	(285,374)	(255,295)
Operating profit		550,847	1,015,780
Finance income		43,646	48,470
Finance expense		(803,225)	(787,208)
Net foreign exchange loss	18	(10,512)	(188,154)
Share of (loss)/profit of an associate		(35,759)	123,899
(Loss)/profit before tax		(255,003)	212,787
Current income tax expense		(5,463)	(19,712)
Deferred income tax expense		(74,359)	(113,858)
(Loss)/profit for the period		(334,825)	79,217
Other comprehensive expense to be reclassified to profit/loss in subsequent periods			
Translation difference		(276,256)	(2,918)
Total comprehensive (expense)/income		(611,081)	76,299
(Loss)/profit for the period attributable to:			
Shareholders of IG Seismic Services plc		(294,000)	94,134
Non-controlling interest		(40,825)	(14,917)
Total comprehensive (expense)/income attributable to:			
Shareholders of IG Seismic Services plc		(555,862)	91,391
Non-controlling interest		(55,219)	(15,092)
(Loss)/earning per share:			
Basic earning for the period attributable to shareholders of IG Seismic Services plc	19	-14.11 p.	4.52 p.

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

IG Seismic Services Plc

Interim consolidated statement of cash flows (unaudited)

(amounts in thousands of Russian Roubles)

	Note	For six months ended	
		30 June 2014 (unaudited)	30 June 2013 (unaudited)
Cash flows from operating activities			
(Loss)/profit before tax		(255,003)	212,787
<i>Adjustments for:</i>			
Depreciation and amortization	15, 16	1,359,927	1,102,814
Bad debt, provisions and inventory allowance		39,346	81,928
Loss on disposal of property, plant and equipment and other assets	17	99,179	100,878
Net interest expense		759,579	738,738
Net foreign exchange loss	18	10,512	188,154
Share in loss/(profit) of an associate		35,759	(123,899)
Cash flows from operating activities before changes in working capital		2,049,299	2,301,400
Working capital adjustments net of acquisitions			
Change in accounts receivable		203,341	342,263
Change in inventories		(175,252)	80,418
Change in prepayments and other current assets		366,283	138,195
Change in accounts payable		497,895	1,127,118
Change in taxes payable other than income tax		591,629	791,895
Change in provisions		(4,931)	(33,091)
Cash flows before income tax		3,528,264	4,748,198
Income tax paid		(15,753)	(13,801)
Net cash from operating activities		3,512,511	4,734,397
Investing activities			
Purchase of property, plant and equipment		(1,226,867)	(1,390,045)
Proceeds from sale of property, plant and equipment		2,017	2,729
Short-term loans issued		(22,304)	(2,946)
Purchase of bank promissory notes	7	(239,926)	-
Interest received		-	93
Net cash used in investing activities		(1,487,080)	(1,390,169)
Financing activities			
Proceeds from loans and borrowings		19,121,327	4,920,794
Repayment of loans and borrowings		(20,422,851)	(7,569,861)
Repayment of finance lease obligations		(2,227)	(157,951)
Interest paid		(733,303)	(764,880)
Payment to acquire non-controlling interest	3	(283,242)	-
Redemption of promissory notes		(238,279)	(80,517)
Net cash used in financing activities		(2,558,575)	(3,652,415)
Net decrease in cash and cash equivalents		(533,144)	(308,187)
Cash and cash equivalents at the beginning of the reporting period	9	711,396	565,407
Effect of exchange differences on cash and cash equivalents		(5,261)	(4,873)
Cash and cash equivalents at the end of the reporting period	9	172,991	252,347

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

IG Seismic Services Plc  
Interim consolidated statement of changes in equity (unaudited)  
(amounts in thousands of Russian Roubles)

	Attributable to shareholders of IG Seismic Services plc								Total equity
	Share capital	Share premium	Reverse acquisition reserve	Other non-distributable reserves	Foreign currency translation reserve	Accumulated (losses) / retained earnings	Total	Non-controlling interests	
Balance as at 1 January 2013	6,513	13,837,978	(5,805,259)	2,233,488	412,451	(568,950)	10,116,221	1,207,011	11,323,232
Profit/(loss) for the period	-	-	-	-	-	94,134	94,134	(14,917)	79,217
Other comprehensive expense	-	-	-	-	(2,743)	-	(2,743)	(175)	(2,918)
Total comprehensive (expense)/income	-	-	-	-	(2,743)	94,134	91,391	(15,092)	76,299
Balance as at 30 June 2013	6,513	13,837,978	(5,805,259)	2,233,488	409,708	(474,816)	10,207,612	1,191,919	11,399,531
Balance as at 1 January 2014	6,513	13,837,978	(5,805,259)	2,233,488	270	(1,099,123)	9,173,867	1,806,717	10,980,584
Loss for the period	-	-	-	-	-	(294,000)	(294,000)	(40,825)	(334,825)
Other comprehensive expense	-	-	-	-	(261,862)	-	(261,862)	(14,394)	(276,256)
Total comprehensive expense	-	-	-	-	(261,862)	(294,000)	(555,862)	(55,219)	(611,081)
Acquisition of non-controlling interest (Note 3)	-	-	-	-	-	437,013	437,013	(864,799)	(427,786)
Balance as at 30 June 2014 (unaudited)	6,513	13,837,978	(5,805,259)	2,233,488	(261,592)	(956,110)	9,055,018	886,699	9,941,717

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# IG Seismic Services Plc

## Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

### 1. Corporate information

#### Organizational structure and operations

These are the interim condensed consolidated financial statements of IG Seismic Services PLC (the "Company" or "IGSS") and its subsidiaries (together referred to as the "Group") which is engaged in provision of land and transition zone seismic data acquisition and data processing and interpretation to the petroleum industry in the Russian Federation, the Commonwealth of Independent States ("CIS") and other countries outside of the CIS.

The Company was incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is located at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, P.C. 1065, Nicosia, Cyprus. On 10 October 2012 the Company changed its legal form from private limited company into public limited company.

On 11 December 2012 the Company's GDRs were admitted to the Official List maintained by the UK Listing Authority and started trading on the London Stock Exchange's main market on 12 December 2012. Global Depositary Receipts (GDRs) of the Company representing two ordinary shares each are listed and traded on the Main Market of the London Stock Exchange under the ticker IGSS (Bloomberg: IGSS LI, Reuters: IGSSq.L). As of 30 June 2014, the free float of the Company amounted to approximately 24.4% of the issued share capital. The JP Morgan Chase Bank is the depositary bank for the GDR programme of the Company. In April 2014 Mr. Nikolay Levitskiy became the ultimate controlling shareholder of the Group.

Shareholder structure as of 30 June 2014:

Mr. Nikolay Levitskiy	55.82%
Schlumberger	12.00%
Industrial Investors Group	7.78%
Other institutional and private shareholders	24.40%

The Group did not pursue any business acquisitions throughout the first six months 2014 and to the date of the issuance of these interim condensed consolidated financial statements, except for the acquisition of certain non-controlling interest (Note 3).

### 2. Basis of preparation

#### Statement of compliance

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in compliance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and adopted by the European Union.

The Group entities registered in the territory of the Russian Federation ("RF") maintain accounting records and prepare financial reports in accordance with Federal Law No.402-FZ *Concerning Accounting*, the Statute Concerning Accounting and Reporting in the RF and Accounting Statements as approved by relevant orders of the RF Ministry of Finance. The Group entities registered in the territory of the Kazakhstan ("KZ") maintain accounting records and prepare financial reports in accordance with Law of the Republic of Kazakhstan No. 234-III *Concerning Accounting*.



## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 2. Basis of preparation (continued)

##### Statement of compliance (continued)

These consolidated financial statements have been prepared based on the Russian and Kazakh statutory accounting data adjusted for the purposes of presentation in accordance with IFRS.

The Group has elected to present statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows in the same format as the annual financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required to be included in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2013.

##### Basis of measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain items that have been measured at fair value as disclosed in the accounting policies. The interim condensed consolidated financial statements are presented in Russian Roubles ("RUR") and all values are rounded to the nearest thousand except when otherwise indicated.

##### Functional and presentation currency

The Group's revenues, profits and cash flows are primarily generated in Russian Roubles, and are expected to remain principally denominated in Russian Roubles in the future. During the first half of 2014, the Group changed the currency in which it presents its consolidated financial statements from US dollars to Russian Roubles, in order to better reflect the underlying performance of the Group.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Interim condensed consolidated financial statements including comparative amounts as of 31 December 2013 and for the period ended 30 June 2013 previously reported in US dollars have been restated into Russian Roubles using the procedures outlined below:

- assets and liabilities denominated in non-Russian Roubles currencies were translated into Russian Roubles at the closing rates of exchange on the relevant statement of financial position date;
- non-Russian Roubles income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- the cumulative translation reserves except for subsidiaries registered in the territory of the Kazakhstan were set to nil at 1 January 2013, the earliest statement of financial position date which will be presented in the annual consolidated financial statements due to the abovementioned change in accounting policy, and these reserves have been restated on the basis that the Group had reported in Russian Roubles as if this had always been the Group's presentation currency. Share capital, share premium and the other reserves were translated at the historic rates and subsequent rates prevailing on the date of each transaction;
- all exchange rates were extracted from the Group's underlying financial records.

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 2. Basis of preparation (continued)

##### Going concern

These interim condensed consolidated financial statements have been prepared on the going concern basis which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. These accompanying financial statements do not include any adjustments that may be necessary if the Group is unable to continue as a going concern. The Group's interim results and financial position are affected by seasonal factors and are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. Management expects that the Group will be in compliance with its financial obligations and has adequate resources to continue in operational existence in the foreseeable future.

##### Seasonality

There is a limited season for providing seismic services in certain Siberian regions of the Russian Federation which remain in flood-like, or swampy conditions, in warm weather. Such conditions generally restrict the provision of seismic services in Siberia to a period from December to April.

##### New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013 except for the adoption of new standards and interpretations effective 1 January 2014. The nature and the impact of each new standard or amendment is described below:

##### *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments have no impact on the Group.

##### *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group.

##### *IFRIC 21 Levies*

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. These interpretation has no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective..

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 3. Acquisition of non-controlling interest

In June 2014, the Group acquired an additional 10.43% interest in the voting shares of its major operating subsidiary OJSC Geotech Seismic Services, having increased its ownership interest to 98.84%, and 1.53% in the share capital of LLC Boguchanskaya Geophisicheskaya Expeditiya, having increased its ownership interest to 97.14%. Cash consideration of 406,595 was paid to the non-controlling shareholders and expenses in the amount of 21,191 were incurred in relation to these transactions.

Following is a schedule of additional interests acquired by the Group in its operational subsidiaries:

Cash consideration paid to non-controlling shareholders and related expenses	427,786
Carrying value of the additional interests	<u>(864,799)</u>
Difference recognized in retained earnings within Equity	<u><u>(437,013)</u></u>

#### 4. Segment information

For management purposes, the Company is organized into business units based on their products and services, and has two reportable operating segments which are Seismic segment and Data processing and interpretation (DPI) segment. Seismic segment includes conducting seismic works for the purpose of search and exploration of oil and gas fields, comprising oilfield seismic works in two or three dimensions, field seismic works in a land-sea transit zone. DPI segment includes processing of seismic and geophysical data, structural interpretation of results of processing, dynamic processing and interpretation of results of processing.

Information on transactions of the holding and managerial companies which conduct managerial services and financial and investment activities was included into the Corporate block, that is not separate operating segment. Information on transactions of the small non-core companies (subsidiaries) was included into the Other block, that is not separate operating segment.

Transfer prices between Seismic segment, DPI segment and Corporate block are on an arm's length basis in a manner similar to transactions with third parties. Internal revenues and expenses primarily pertain to management services rendered by Corporate block to Seismic segment and DPI segment. In the periods presented below, the Group operated primarily in the Russian Federation and Kazakhstan.

The following table's present revenue and profit information regarding the Group's segments for the six months ended 30 June 2014 and 2013, respectively. Intersegment revenues and intersegment costs are presented for reference only and are not taken into account in calculating gross profit.

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 4. Segment information (continued)

For six months ended 30 June 2014	Seismic segment	DPI segment	Others	Corporate block	Adjustments and eliminations	Total
Revenue - external	10,295,926	96,168	3,530	2,608	-	10,398,232
Revenues from transactions with other operating segments of the Group	63,471	66,585	13,584	491,742	(635,382)	-
Cost of sales	(8,213,099)	(164,993)	(25,859)	(880)	-	(8,404,831)
Intersegment expenses	(545,695)	(76,538)	-	(13,149)	635,382	-
Gross profit/(loss)	2,082,827	(68,825)	(22,329)	1,728	-	1,993,401
General and administrative expenses	(660,011)	(97,042)	(13,808)	(455,634)	-	(1,226,495)
Other operating income	63,418	822	1,249	3,826	-	69,315
Other operating expense	(274,113)	(4,132)	(4,693)	(2,436)	-	(285,374)
Operating profit/(loss)	1,212,121	(169,177)	(39,581)	(452,516)	-	550,847

For six months ended 30 June 2013	Seismic segment	DPI segment	Others	Corporate block	Adjustments and eliminations	Total
Revenue - external	10,431,234	275,492	6,606	2,884	-	10,716,216
Revenues from transactions with other operating segments of the Group	23,416	247,331	37,526	502,354	(810,627)	-
Cost of sales	(8,190,400)	(234,492)	(43,853)	-	-	(8,468,745)
Intersegment expenses	(680,960)	(105,011)	(9,459)	(15,197)	810,627	-
Gross profit/(loss)	2,240,834	41,000	(37,247)	2,884	-	2,247,471
General and administrative expenses	(641,888)	(68,074)	(17,429)	(324,896)	-	(1,052,287)
Other operating income	59,733	1,365	14,173	620	-	75,891
Other operating expense	(214,233)	(25,803)	(11,630)	(3,629)	-	(255,295)
Operating profit/(loss)	1,444,446	(51,512)	(52,133)	(325,021)	-	1,015,780

Calculation of the adjusted EBIT and adjusted EBITDA from operating profit/(loss):

For six months ended 30 June 2014	Seismic segment	DPI segment	Others	Corporate block	Adjustments and eliminations	Total
Operating profit/(loss)	1,212,121	(169,177)	(39,581)	(452,516)	-	550,847
Restructuring and redundancy costs	96,797	-	-	47,748	-	144,545
Distribution of Corporate overheads	(397,637)	(3,714)	-	401,351	-	-
Adjusted EBIT	911,281	(172,891)	(39,581)	(3,417)	-	695,392
Depreciation of property, plant and equipment	1,281,345	30,040	12,829	4,105	-	1,328,319
Amortization of intangible assets	8,190	20,988	-	2,430	-	31,608
Loss/(gain) on disposals of property, plant and equipment and other assets	98,355	(1,852)	2,676	-	-	99,179
Adjusted EBITDA	2,299,171	(123,715)	(24,076)	3,118	-	2,154,498

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 4. Segment information (continued)

For six months ended 30 June 2013	Seismic segment	DPI segment	Others	Corporate block	Adjustments and eliminations	Total
Operating profit/(loss)	1,444,446	(51,512)	(52,133)	(325,021)	-	1,015,780
Restructuring and redundancy costs	109,136	14,793	4,094	-	-	128,023
Loss from the contract in Yemen	7,722	-	-	-	-	7,722
Distribution of Corporate overheads	(315,964)	(8,343)	-	324,307	-	-
Adjusted EBIT	1,245,340	(45,062)	(48,039)	(714)	-	1,151,525
Depreciation of property, plant and equipment	1,012,296	17,398	24,501	-	-	1,054,195
Amortization of intangible assets	14,691	33,339	-	589	-	48,619
Loss on disposals of property, plant and equipment and other assets	43,921	5,862	-	496	-	50,279
Adjusted EBITDA	2,316,248	11,537	(23,538)	371	-	2,304,618

Restructuring and redundancy costs incurred during six months 2014 primarily relates to the reduction of staff in Moscow office of GEOTECH Holding JSC in connection with the optimization of the Company's corporate structure and business units management structure.

During the 6 month period ended 30 June 2014 and 2013, the Group earned its external sale by its geographical areas as follows:

	For six months ended	
	30 June 2014	30 June 2013
Russia	9,874,406	10,361,405
Kazakhstan and international projects	523,826	354,811
Total external sales	10,398,232	10,716,216

As of 30 June 2014 and 31 December 2013, the Group had its goodwill and intangible assets, property, plant and equipment and investments in associates by their geographical areas as follows:

	As at 30 June 2014	As at 31 December 2013
	Russia	18,621,996
Kazakhstan and international projects	623,947	913,438
Total goodwill and intangible assets, property, plant and equipment and investments in associates	19,245,943	20,293,052

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 5. Property, plant and equipment

Property, plant and equipment as at 30 June 2014 comprised the following:

	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Gross book value						
Balance as at						
31 December 2013	4,076,382	13,901,371	3,509,750	269,992	7,162	21,764,657
Additions	104,374	336,593	118,497	37,669	8,832	605,965
Transfers	747	-	-	-	(747)	-
Disposals	(16,210)	(216,789)	(77,778)	(10,501)	-	(321,278)
Translation difference	(38,923)	(108,461)	(27,485)	(2,141)	-	(177,010)
Balance as at 30 June 2014	<u>4,126,370</u>	<u>13,912,714</u>	<u>3,522,984</u>	<u>295,019</u>	<u>15,247</u>	<u>21,872,334</u>
Accumulated depreciation and impairment						
Balance as at						
31 December 2013	(920,846)	(4,097,018)	(1,399,114)	(134,847)	-	(6,551,825)
Depreciation	(157,043)	(949,648)	(200,568)	(20,252)	-	(1,327,511)
Disposals	4,719	96,394	38,259	7,183	-	146,555
Translation difference	10,382	51,720	14,537	783	-	77,422
Balance as at 30 June 2014	<u>(1,062,788)</u>	<u>(4,898,552)</u>	<u>(1,546,886)</u>	<u>(147,133)</u>	<u>-</u>	<u>(7,655,359)</u>
Net book value						
Balance as at						
31 December 2013	<u>3,155,536</u>	<u>9,804,353</u>	<u>2,110,636</u>	<u>135,145</u>	<u>7,162</u>	<u>15,212,832</u>
Balance as at 30 June 2014	<u>3,063,582</u>	<u>9,014,162</u>	<u>1,976,098</u>	<u>147,886</u>	<u>15,247</u>	<u>14,216,975</u>

The above amounts include several vehicles under finance lease agreements. Net book value of these vehicles amounted to 11,089 as of 30 June 2014 (31 December 2013: 11,778).

Properties with a carrying amount of 838,281 are subject to a registered debenture to secure bank loans (31 December 2013: 556,986) (Note 21).

#### 6. Accounts receivable and prepayments

Trade and other receivables comprised the following:

	As at 30 June 2014	As at 31 December 2013
Financial receivables		
Trade receivables (net of bad debt provision)	2,617,461	1,463,477
Other receivables	150,474	145,707
Non-financial receivables		
Amounts due from customers for construction works	4,015,105	5,313,303
Advances issued	311,046	641,778
Total	<u>7,094,086</u>	<u>7,564,265</u>

Trade receivables are non-interest bearing and are normally settled within 12 months from the origination date.

Receivables and advances issued are presented net of provision for impairment of 273,592 and 248,783 as at 30 June 2014 and 31 December 2013, respectively.

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 7. Other financial assets

Other financial assets comprised the following:

	As at 30 June 2014	As at 31 December 2013
Loans issued	193,338	168,967
Interest receivable on loans issued	65,163	59,022
Bank promissory notes	241,000	-
Total	499,501	227,989

Loans issued to third parties are unsecured and mature within one year and bear interest rate between 12% and 14%.

Bank promissory notes include 9% interest bearing promissory notes from City Invest Bank in the amount of 150,000 maturing in September 2014, and discount promissory notes from Sberbank with effective interest rate of 5.5% in the amount of 91,000 maturing in December 2014.

#### 8. Other current assets

Other current assets comprised the following:

	As at 30 June 2014	As at 31 December 2013
Prepayments for social taxes	92,578	15,508
Prepayments for other taxes and charges	9,176	5,318
Other current assets	3,249	5,332
Total	105,003	26,158

#### 9. Cash and cash equivalents

Cash and cash equivalents comprised the following:

	As at 30 June 2014	As at 31 December 2013
Cash in hand	2,801	2,328
Cash denominated in RUR	153,207	423,164
Cash denominated in USD	6,473	11,590
Cash denominated in EUR	1,733	1,740
Cash denominated in other currencies	4,877	33,223
Short-term deposits in RUR	3,900	239,351
Total	172,991	711,396

Cash represents current bank accounts that carry no interest and demand deposits maturing in less than 3 months.

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 10. Loans and borrowings

Long-term and short-term borrowings comprised the following:

	Security	Effective interest rate	As at 30 June 2014	As at 31 December 2013
<b>Current liabilities</b>				
Short-term bank loans	secured	9.5%-11.4%	1,312,317	1,539,501
Current portion of long-term bank loans	secured	2.5%-11.4%	2,347,259	537,610
Short-term borrowings	not secured	12.0%	2,000	-
<b>Total short-term loans and borrowings</b>			<b>3,661,576</b>	<b>2,077,111</b>
<b>Non-current liabilities</b>				
Long-term bank loans	secured	2.5%-11.4%	4,528,956	7,366,469
Bonds		10.5%	2,967,579	2,963,841
<b>Total long-term loans and borrowing</b>			<b>7,496,535</b>	<b>10,330,310</b>
<b>Total loans and borrowings</b>			<b>11,158,111</b>	<b>12,407,421</b>

At the beginning of 2013 the Group entered into non-revolving credit line agreement with Sberbank denominated in euro at interest rate calculated as EURIBOR plus 2.15%. The liability over this credit line in the amount of 341,121 and 136,559 is reported within Long-term bank loans and Current portion of long-term bank loans, respectively as of 30 June 2014.

All other loans and borrowings presented in the table above are at fixed rates and are denominated in Russian roubles.

Long-term loans and borrowings are payable in the following periods:

	As at 30 June 2014	As at 31 December 2013
1 to 2 years	2,097,981	2,576,737
3 to 5 years	5,398,554	7,753,573
<b>Total</b>	<b>7,496,535</b>	<b>10,330,310</b>

Pledge obligations and description of security are disclosed in Note 21.



## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 11. Accounts payable and promissory notes payable

Accounts payable comprised the following:

	As at 30 June 2014	As at 31 December 2013
Trade payables	3,488,732	3,145,162
Payables to employees	680,506	843,843
Advances received	62,211	395,653
Interest payable	128,761	69,953
Amounts due to customers under construction contracts	11,121	114,161
Other payables	83,487	73,899
Total	4,454,818	4,642,671

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of six months.

Short-term and long-term promissory notes issued comprised the following:

		As at 30 June 2014	As at 31 December 2013
Long-term promissory notes payable			
Notes issued to third parties for equipment (Sercel)	7%	84,111	163,665
Notes issued to third parties for equipment (UniQ)	4%	256,967	443,109
Short-term promissory notes payable			
Notes issued to third parties for equipment (Sercel)	7%	172,518	169,080
Notes issued to third parties for equipment (UniQ)	4%	307,676	327,532
Total notes		821,272	1,103,386

Effective interest rate for promissory notes issued by the Group to finance the purchase of UniQ equipment in 2013 was 7% while the contractual interest rate was 4%. At the initial recognition the effect of discounting of the underlying liability to fair value in the amount of 38,006 was recognised within finance income. Effective interest rate accrual in the amount of 12,404 was recognized within finance expense for the six month period ended 30 June 2014 (6,825 for the six month period ended 30 June 2013).

#### 12. Other taxes payable

Other taxes and charges payable comprised the following:

	As at 30 June 2014	As at 31 December 2013
Value-added tax payable	1,365,927	1,029,670
Social taxes payable	491,388	168,353
Personal income tax payable	165,671	187,659
Property tax payable	27,635	29,934
Other taxes and charges	20,421	28,429
Total	2,071,042	1,444,045

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 13. Construction type contracts

The Group sales include revenues from seismic contracts of 10,109,912 and 10,223,341 for the six month period ended 30 June 2014 and 2013, respectively. The status of construction type contracts in progress as at 30 June 2014 and 2013 is presented below:

	As at 30 June 2014	As at 30 June 2013
Accumulated costs under contracts in progress from inception at the reporting date	9,120,174	6,546,481
Accumulated recognized profits less recognized losses under contracts in progress from inception at the reporting date	2,729,971	1,506,567
Balance of advances received	37,532	178,133

The recognition of the revenue from construction type contracts uncompleted as of 30 June 2014 is primarily based on an assumption of profit margins expected to be earned from inception to completion of each contract. If such expected profit margin decreased by one percent, the revenue from such contracts would decrease by 120,110 (30 June 2013: 109,632).

#### 14. Revenue

Revenue comprised the following:

	For the six months ended	
	30 June 2014	30 June 2013
Field seismic operations	10,109,912	10,223,341
Processing and interpretation of geophysical information	145,768	284,740
Other revenue	142,552	208,135
<b>Total</b>	<b>10,398,232</b>	<b>10,716,216</b>

#### 15. Cost of sales

Cost of sales comprised the following:

	For the six months ended	
	30 June 2014	30 June 2013
Labour and wages, including mandatory social contribution	3,329,230	3,335,196
Materials and supplies	2,012,217	2,011,706
Depreciation of property, plant and equipment and amortization of intangible assets	1,314,146	1,071,122
Oilfield services	686,243	1,065,121
Transportation services	382,084	438,882
Other third parties services	296,956	279,068
Operating lease	288,581	217,717
Loss from the contract in Yemen	-	7,722
Other	95,374	42,211
<b>Total</b>	<b>8,404,831</b>	<b>8,468,745</b>

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 16. General and administrative expenses

General and administrative expenses comprised the following:

	For the six months ended	
	30 June 2014	30 June 2013
Labor and wages, including mandatory social contribution	773,328	616,970
Third party services	180,282	128,100
Taxes, other than income tax	52,785	77,150
Operating lease	46,021	43,595
Depreciation of property, plant and equipment and amortization of intangible assets	45,781	31,692
Bank charges	32,440	17,738
Bad receivables write-offs and provisions	22,174	83,767
Other	73,684	53,275
<b>Total</b>	<b>1,226,495</b>	<b>1,052,287</b>

#### 17. Other operating expenses

Other operating expenses comprised the following:

	For the six months ended	
	30 June 2014	30 June 2013
Loss on disposals of property, plant and equipment and other assets	99,179	100,878
Penalties and fines paid	50,538	42,973
Net loss from service plants and facilities	17,255	14,897
VAT not recoverable	12,141	812
Welfare assistance	7,827	14,372
Provision for probable claims from tax authorities	7,049	-
Free-of-charge transfer of assets and charity	6,222	1,208
Administrative charges and state duties	3,452	20,282
Other expenses	81,711	59,873
<b>Total</b>	<b>285,374</b>	<b>255,295</b>

#### 18. Foreign exchange

Transactions in foreign currencies are translated to the respective functional currency, which is Russian Roubles for the subsidiary companies located in the Russian Federation and Kazakh Tenge for subsidiary companies located in Kazakhstan at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Foreign currency differences arising in translation are recognized in the statement of comprehensive income. Net foreign exchange loss for the six month period ended 30 June 2014 recognized in profit or loss amounted to 10,512 (loss for the six month period ended 30 June 2013 amounted to 188,154).

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 19. Earnings per share

The information on the earnings and number of shares used for determining basic and diluted earnings per share is presented below:

	For the six months ended	
	30 June 2014	30 June 2013
Net (loss)/profit from continuing operations attributable to shareholders of the IG Seismic Services plc	(294,000)	94,134
Effect of dilution	-	-

	For the six months ended	
	30 June 2014	30 June 2013
Weighted average number of ordinary shares for basic earnings per share	20,833,400	20,833,400
Effect of dilution	-	-

#### 20. Financial instruments

The Group's financial instruments comprise accounts receivable and payable, loans receivable, loans payable, and cash, which arise directly from its operations. During the reporting period, the Group did not undertake trading in financial instruments.

##### Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables (Note 6).

The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The aging of accounts receivable at the reporting date was:

	30 June 2014		31 December 2013	
	Gross	Impairment	Gross	Impairment
Current	2,767,935	-	1,609,184	-
Past due and impaired	173,163	173,163	160,181	160,181

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 20. Financial instruments (continued)

##### Interest rate risk

At the beginning of 2013 the Group entered into non-revolving credit line agreement with Sberbank denominated in euro at interest rate calculated as EURIBOR plus 2.15%. The following demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in EURIBOR rate, with all other variables held constant.

Change of EURIBOR rate, %	<u>Effect on income/(loss) before tax</u> <u>for the six months ended</u>	
	30 June 2014	30 June 2013
+0.1%	(304)	(186)
-0.1%	304	186

The interest rates on other long-term loans of the Group are fixed and therefore do not result in susceptibility of upward interest rate risk through market value fluctuations of interest-bearing loans payable. As at 30 June 2014 the Group did not hedge its interest rate risk.

##### Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

##### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The following table shows the undiscounted contractual maturities of liabilities as at 30 June 2014:

	0-6 months	7-12 months	2 to 5 years	Over 5 years	Total
Bank loans	758,979	2,900,597	4,528,956	-	8,188,532
Bonds	-	-	3,000,000	-	3,000,000
Interest payable	687,180	500,290	1,898,618	-	3,086,088
Notes payable	236,598	236,598	385,883	-	859,079
Lease liabilities	2,360	1,401	-	-	3,761
Trade accounts payable	3,488,732	-	-	-	3,488,732
Other payables	83,487	-	-	-	83,487
<b>Total</b>	<b>5,257,336</b>	<b>3,638,886</b>	<b>9,813,457</b>	<b>-</b>	<b>18,709,679</b>

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 20. Financial instruments (continued)

##### Liquidity risk (continued)

The following table shows the undiscounted contractual maturities of liabilities as at 31 December 2013:

	0-6 months	7-12 months	2 to 5 years	Over 5 years	Total
Bank loans	279,507	1,797,619	7,366,459	-	9,443,585
Bonds	-	-	3,000,000	-	3,000,000
Interest payable	637,270	466,227	1,479,065	-	2,582,562
Notes payable	230,250	230,250	605,785	-	1,066,285
Lease liabilities	2,029	2,029	1,931	-	5,989
Trade accounts payable	3,145,178	-	-	-	3,145,178
Other payables	73,903	-	-	-	73,903
<b>Total</b>	<b>4,368,137</b>	<b>2,496,125</b>	<b>12,453,240</b>	<b>-</b>	<b>19,317,502</b>

##### Foreign currency risk

The Group is not engaged in hedging activity to mitigate its foreign currency risk. The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its loans and borrowings are denominated.

The Group has the following USD-denominated financial assets and liabilities:

	<i>(in thousands of US dollars)</i>	
	As at 30 June 2014	As at 31 December 2013
Accounts receivable	-	1,300
Promissory notes	(20,126)	(23,542)
Accounts payable	(7,526)	(28,417)

The Group has the following EUR-denominated financial assets and liabilities:

	<i>(in thousands of EUR)</i>	
	As at 30 June 2014	As at 31 December 2013
Loans and borrowings	(10,424)	(11,913)
Accounts payable	(25)	-

##### Sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 20. Financial instruments (continued)

##### Sensitivity analysis (continued)

As at 30 June 2014, it is estimated that a 10.21% strengthening of RUR against USD, with all other variables held constant, would increase the Group's profit for the six month period ended 30 June 2014 by 88,744 (30 June 2013: 11.04% increase by 137,156). This analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant.

Respective 20.00% and 11.04% weakening of the RUR against USD at 30 June 2014 and 2013 would have had the opposite effect on the amounts shown above in the amount of 173,838 and 137,156 respectively, on the basis that all other variables remain constant.

	Change of RUR to USD exchange rate, %	Effect on income/(loss) before tax
6 months 2014	+20.00%	(173,838)
	-10.21%	88,744
6 months 2013	+11.04%	(137,156)
	-11.04%	137,156

The following demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

As at 30 June 2014, it is estimated that a 8.63% strengthening of RUR against EUR, with all other variables held constant, would increase the Group's profit for the six month period ended 30 June 2014 by 41,315 (30 June 2013: 9.53% increase by 54,910). This analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables, in particular interest rates, remain constant.

Respective 20.00% and 9.53% weakening of the RUR against EUR at 30 June 2014 and 2013 would have had the opposite effect on the amounts shown above in the amount of 95,748 and 54,212 respectively, on the basis that all other variables remain constant.

	Change of RUR to EUR exchange rate, %	Effect on income/(loss) before tax
6 months 2014	+20.00%	(95,748)
	-8.63%	41,315
6 months 2013	+9.53%	(54,212)
	-9.53%	54,910

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 20. Financial instruments (continued)

##### Fair value of financial instruments

The management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

##### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to maintain an optimal capital structure to reduce cost of capital and to support its business and maximize shareholder value. For the purposes of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's current policy is not to pay any dividends.

The Group monitors capital using a range of ratios, including gearing ratio, which is net debt divided by total equity plus net debt. Within net debt the Group includes loans payable, promissory notes and finance lease obligations, less cash and cash equivalents and other financial instruments easily convertible to cash.

	As at 30 June 2014	As at 31 December 2013
Loans and borrowings payable	11,158,111	12,407,421
Notes issued	821,272	1,103,386
Finance lease obligations	3,762	5,989
Less: cash and cash equivalents	(172,991)	(711,396)
Less: bank promissory notes (Note 7)	(241,000)	-
Net debt	11,569,154	12,805,400
Equity	9,941,717	10,980,584
Capital and net debt	21,510,871	23,785,984
Gearing ratio	0.54	0.54

#### 21. Risks, commitments and contingencies

##### Operating environment of the Group

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.



## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 21. Risks, commitments and contingencies (continued)

##### Operating environment of the Group (continued)

In March-September 2014, the United States, European Union and other countries have introduced a series of unilateral restrictive political and economic actions against the Russian Federation and a number of Russian and Ukrainian individuals and organizations. These official actions, particularly in the case of a further escalation, may result in reduction of economic cooperation between business of before mentioned countries and Russian companies on the international capital markets, as well as other economic consequences. The impact of these events on the future results of operations and financial position of the Company at this time is difficult to determine.

##### Liquidity

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

##### Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Overall, management believes that the Group has paid or accrued all taxes that are applicable. For taxes where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the reporting date as those that can be subject to different interpretations of the tax laws and regulations and are not accrued in the consolidated financial statements as of the reporting date could be up to 1,619,739 (1,491,830 as of 31 December 2013).

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 21. Risks, commitments and contingencies (continued)

##### Compliance with covenants

The Group is obliged to comply with a number of restrictive financial and other covenants contained in its loan agreements. Such covenants include maintaining certain financial ratios. As of 30 June 2014 and as of 31 December 2013, the Group was in compliance with all restrictive financial and other covenants contained in its loan agreements.

##### Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

##### Litigation

Group companies remain as a defendant in legal actions filed through 2012-2014 against them by a number of third parties.

Management believes that there are no current claims outstanding, which could have a material effect on the consolidated results of operations or consolidated financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

##### Pledge obligations

###### *Pledged property, plant and equipment*

As at 30 June 2014, the Group entered into a number of loan agreements and revolving credit line agreements, which were secured by the Group's property, plant and equipment. The carrying value of the property, plant and equipment pledged at the reporting date amounts to 838,281 (31 December 2013: 556,986).

###### *Pledged rights to claim cash*

As at 30 June 2013, the Group entered into a number of loan agreements and revolving credit line agreements, which were secured by the pledge of property rights representing rights to claim cash under the customer agreements for conducting seismic works. The pledged rights to claim cash at the reporting date amounted to 3,560,414 (31 December 2013: 5,617,214).

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 22. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties during the six month periods ended 30 June 2014 and 30 June 2013, as well as balances with related parties as of 30 June 2014 and 31 December 2013:

##### *Revenue*

	Associated company for the six months ended	
	30 June 2014	30 June 2013
Field seismic operations	31,789	-
Operating lease services	135	-

##### *Expenses*

	Associated company for the six months ended	
	30 June 2014	30 June 2013
Services received	-	3,704

##### *Outstanding balances*

	Associated company	
	30 June 2014	31 December 2013
Accounts receivable	12,632	35,981
Advances issued	600	600
Accounts payable	(410)	(27,096)
Advances received	(1,611)	(1,611)

All outstanding balances with related parties are to be settled in cash or through services rendered in case of advances within six months after the reporting date. None of the balances is secured.

##### *Pricing policy*

Related party transactions are based on market prices and are effected on an arm's length basis in a manner similar to transactions with third parties.

##### *Key management personnel*

The Company enters into transactions with its directors and other key management personnel in the normal course of business. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and include Chief Executive Officer, Executive Director, and members of the Board of Directors, Chief Financial Officer and Vice-Presidents of the Company. For the six month period ended 30 June 2014, the remuneration paid to key management personnel amounted to 52,596 (six month period ended 30 June 2013: 55,508).

## IG Seismic Services Plc

### Notes to the interim condensed consolidated financial statements for the 6 month period ended 30 June 2014 (unaudited)

#### 23. Events subsequent to the reporting date

In September 2014 the Group and Rosbank concluded a letter of credit agreement to finance the acquisition of new seismic equipment aimed to the provision of innovative, high-density seismic acquisition technology for the next seismic season. The letter of credit in the amount of EUR 11.5 million (556.4 million Russian roubles) is available for a period of 60-months at floating interest rate calculated as 6 months EURIBOR plus 1.3%.