Asian Oilfield Services Limited

Annual report 2006-07

Fuelling
India's hunt for oil

Cautionary statement

Statements in this report relating to the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based upon certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, selling prices, raw material costs and availability, changes in government regulations and tax structure, general economic developments in India and abroad, factors such as litigation, industrial relations and other unforeseen events.

The Company assumes no responsibility in respect of forward-looking statements made herein which may undergo changes in future on the basis of subsequent developments, information or events.

Contents

The business of Asian Oilfield Services Limited is integral to India's sustainable growth.

The more India grows, the more oil it will need.
Oil to run its cars. Oil to fly its aircrafts. Oil to run its factories.

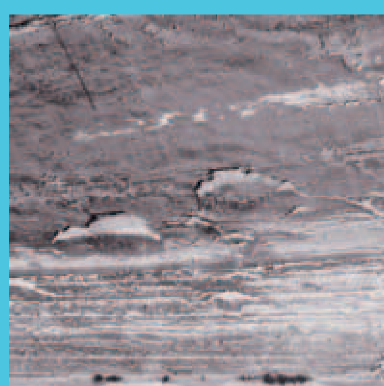
Asian Oilfield provides seismic services that help identify whether there is any oil and gas in the sub-strata and if at all, where these deposits may be precisely located.

This critical service helps E&P companies locate deposits with speed and accuracy, strengthening their return on capital and, in turn, India's quest for hydrocarbons.

Corporate identity

Our parentage

- Asian Oilfield Services Limited (AOSL) was incorporated in 1992 to provide quality services to the oil and gas industry
- The Company began operations with a work-over rig and subsequently diversified into shot hole drilling operations in 1996
- Over the last decade, the Company has been engaged in providing seismic surveys



The Company began operations with a work-over rig and subsequently diversified into shot-hole drilling operations in 1996

Our services

Asian Oilfield provides the following range of services across the 2D seismic survey space:

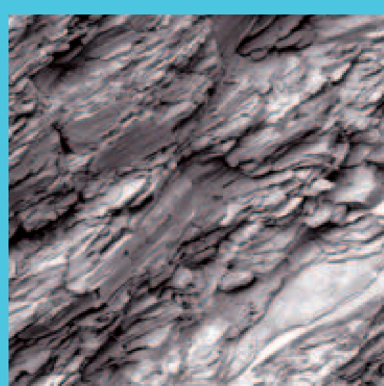
- Survey pre-planning and design
- Survey line positioning and alignment
- Pre-shot depth determination
- Geodetic positioning
- Shot hole drilling
- Data acquisition
- LVL data acquisition and modelling
- Data quality control
- Seismic data processing and interpretation

Our track record

- Worked in the challenging terrains of North East India
- Rich experience of having worked in Tripura, Arunachal Pradesh, Nagaland, Assam, West Bengal, Gujarat, Uttar Pradesh and Uttaranchal

Our clientele

- ONGC
- Jubilant Energy
- Canoro Resources
- RITES
- GAIL
- Premier Oil plc
- Selan Exploration
- Great Eastern Energy
- L&T
- Joshi Technologies



Rich experience of having worked in Tripura, Arunachal Pradesh, Nagaland, Assam, West Bengal, Gujarat, Uttar Pradesh and Uttaranchal

Our promoters

AOSL was promoted by technocrats in 1992.

Krishna Kant (Executive Chairman) – retired as the Regional Director of ONGC and since then has been involved in a number of entrepreneurial ventures. He joined AOSL in 1994 and since then has ably guided the Company.

Avinash Manchanda (Managing Director) – was the founding promoter of AOSL and looks after the day-to-day affairs of the Company. He is a graduate from IIT Kharagpur and has been involved with the oil services industry since the mid 80's.

Our vision

To emerge as one of India's leading E&P service providers through the adherence of international quality standards.

Milestones

1992
Incorporated

1995
Floated a public issue; embarked on work-over rig services

1997
Initiated shot hole drilling services

1998
Executed first seismic survey project

Our mission

To provide an end-to-end solution to national and multinational oil exploration companies.

2003
Partnered with GII for the first time and won the seismic survey contract from Premier Oil

2005
Bid for the first seismic survey as the principal contractor

2006
Investment from a strategic investor (Consolidated Securities Limited)

2007
Successfully completed a seismic survey assignment in Nagaland and Tripura

This is what we achieved in 2006-07

Financial

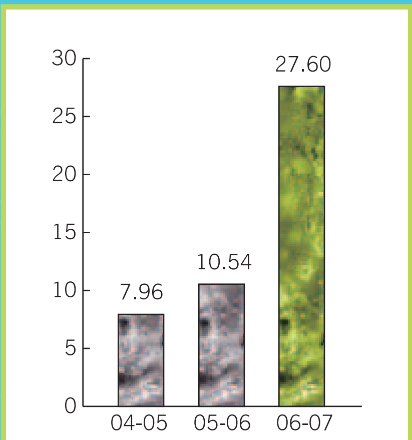
- 161% growth in revenues from Rs. 10.54 cr to Rs. 27.60 cr
- 456% increase in EBIDTA from Rs. 1.57 cr to Rs. 8.73 cr
- 591% increase in profit after tax from Rs. 0.62 cr to Rs. 4.30 cr
- 1675 basis point increase in EBDITA margin from 15.17% to 31.92%

Operational

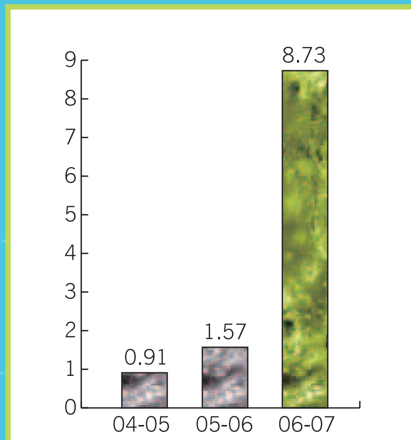
- Executed one of the largest 2D data acquisition contracts in North East India
- Embarked on the first seismic survey project in Nagaland
- Executed five simultaneous projects in 2006-07

Last quarter, 2006-07

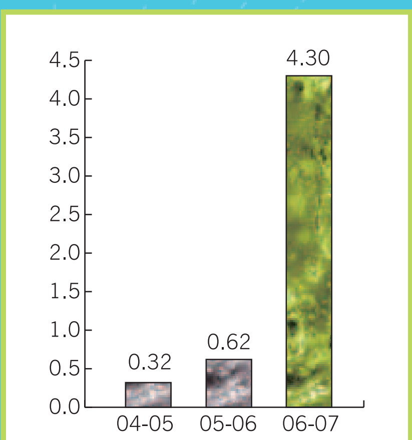
- 242% growth in revenues from Rs. 5.77 cr to Rs. 19.74 cr
- 719% increase in EBIDTA from Rs. 0.86 cr to Rs. 7.05 cr
- 1061% increase in profit after tax from Rs. 0.36 cr to Rs. 4.18 cr
- 2081 basis point increase in EBDITA margin from 14.90% to 35.71%



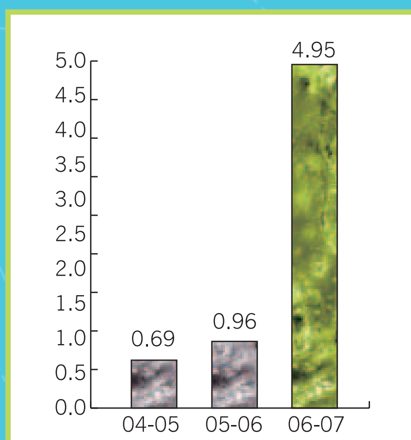
Sales (Rs. cr)



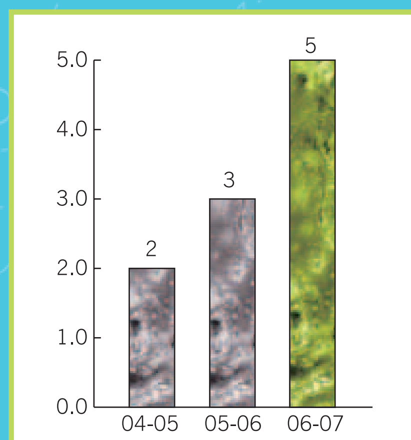
EBIDTA (Rs. cr)



PAT (Rs. cr)



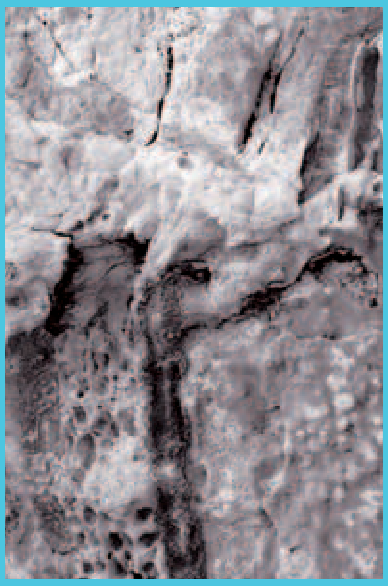
Cash profit (Rs. cr)



Projects handled

Managing Director's review

Avinash Manchanda, *Managing Director*, reviews the Company's performance and scripts the road ahead!



Q&A

How would you describe the year under review for the Company?
The year 2006-07 can be interpreted as a watershed in the history of our Company for a number of reasons. Primarily, we achieved the required economies of scale in our net worth, intellectual capital and project management capability to be able to grow our business in a sustainable manner from this point onwards.

Can you elaborate on this?
Till 2005-06 we took our survey equipment on lease and that limited our gross margins on projects. We were fairly comfortable with this arrangement as we did not require to invest in the direct ownership of assets as a result of which our ROCE was pretty high. In 2006, when we saw the huge opportunity unfolding in the oil exploration space in India, we realized that in order to scale we needed to own our equipment and also increase the number of crews we were operating. Working on this strategy we roped in strategic investor (Consolidated Securities Limited) to fund the purchasing of our assets. This strategy immediately paid dividends as we were awarded a 2D contract at the end of 2006 which reinforced our financials in FY 2006-07 and the first quarter of 2007-08.

You spoke of an inflection point.
Absolutely. The acquisition of our own equipment indicated a graduation from the time we were engaged in shot hole drilling to the time we moved to seismic data acquisition to the time (now) when we possess our own equipment in doing the above.

Our strategy was validated by the fact that we won a big seismic survey contract at the end of 2006.

In what other ways did the management strengthen its business model during 2006-07?
In the business of seismic data acquisition in India, there is a larger outlay of contracts being given out by ONGC, OIL and other PSUs. However, these contracts come with a rider: only companies with a minimum net worth can qualify for these projects. For long, the door was closed on us because even though we did possess the capability, we did not possess the financial resources to be able to bid for these contracts.

There were two ways out of this problem: one, grow our business organically and mobilize the financial resources in a few years, by which time we may have missed on a large part of the opportunity, and allowed our competitors to grow and progressively outbid us each time. The other alternative was to infuse cash into the Company to grow our net worth in a considerably shorter period and be eligible for larger contracts immediately.

The latter is precisely what we did: we inducted a strategic partner whose presence provided us with the necessary confidence and cash to invest in the captive ownership of crews and assets. At Asian Oilfield, we are optimistic that this will translate into a virtuous cycle: higher net worth, stronger pre-qualification capability and more orders. This support also gave our bankers the confidence to sanction more term loans and increase our working capital limits.

Going ahead, we feel that we possess the requisite financials, along with the management bandwidth and project management skills to capitalise on industry opportunities in a more meaningful way.

What are the priorities facing the organisation?

There are three.

One lies clearly in organisation building. We need to recruit more management personnel with the required experience and create a second layer of command. Besides, we have been an entrepreneurial, hands-on Company until this point; we expect to evolve towards planned delegation and become systems-driven. We have been working on this area over the last six months and have made significant progress.

The second priority is to broaden the service offerings of the Company. The Company originally provided workover rigs but moved out of that domain. Considering the huge opportunity in the E&P space, we are in the process to become an end-to-end service provider in the coming few years and are actively looking for tie-ups with foreign companies to widen the range of services that we offer.

The other priority is clearly to manage the capex of Rs. 35 cr with the objective of having three functional crews during the coming field season. We expect to complete this investment by September 2007, implying that the impact will be visible in our financials from the second half of 2007-08 onwards.

What will the investment achieve for the Company?

In 2006-07 season, we possessed two functional crews which we are planning to increase to four (three owned and one from our technical partner) for the 2007-08 season. The impact of these expansions will be reflected from the second half of 2007-08 onwards.

On this occasion, I would like to inform our shareholders that even though we reported a handsome profit in the last quarter of 2006-07, we deliberately skipped a dividend. At this stage of our Company's growth we need to mobilize all our resources and reinvest all our accruals to capitalise on the growth that we see ahead. The management has taken the view that it would be prudent to plough back all the available surpluses in asset creation. We are optimistic that this will generate profits and set into motion a virtuous cycle, benefiting our shareholders in a sustainable way over the foreseeable future.

When the going gets tough, the tough gets going!

Client: **Jubilant Oil and Gas**
Place: **Tripura** (2006-07)

WHEN WE WERE AWARDED A PROJECT IN TRIPURA BY JUBILANT OIL AND GAS, WE WERE FACED WITH CHALLENGING REALITIES: TIGHT DEADLINE, INHOSPITABLE TERRAIN AND THE THREAT OF INSURGENTS.

The Company responded with timely project planning: it built a crew with the right competencies, arranged for extensive terrain-specific training, deployed the right equipment and worked overtime to get all the necessary clearances from the concerned authorities.

Project achievements

- Completed the project on schedule, challenges notwithstanding
- Received an extension of 10% of the project size, enhancing the overall project revenues
- Established an on-site data processing camp
- Acquired a reputation for ably managing projects in rough terrains

The strengths of Asian Oilfield

- **Ability to manage projects across challenging terrains:** Successful track record of having completed projects in Assam, Arunachal Pradesh, Nagaland and Tripura
- **Diverse customer mix:** Completed projects for large companies like ONGC, Jubilant, Canoro and Premier Oil
- **Environment commitment:** Complied with all contemporary health, safety and environment requirements of the industry
- **Technical collaboration:** Knowledge exchange with the Geophysical Institute of Israel, strengthening the Company's insight into 3D and tendering skills
- **Experience:** The Company has been working the E&P services industry for the last 15 years
- **Project management:** Globally benchmarked capabilities in the management of crews, logistics, resources and people (up to 1,000 at a time)
- **Competitive:** One of the lowest cost structures within the industry
- **Geographic exposure:** Stable and long-standing presence in the politically volatile North East India
- **Competence:** In-house capability in the rendering of seismic services (acquisition to processing to interpretation)

Character in the face of challenges!

Client: **Canoro Resources**
Place: **Assam-Nagaland**
(January - May 2007)

THE CHALLENGES IN THIS ASSAM-NAGALAND PROJECT WERE COMPLEX. THE PROJECT WAS SPREAD ACROSS TWO STATES AND THE COMPANY REQUIRED A NUMBER OF CLEARANCES FROM BOTH STATES.

The location was marked by harsh terrain and thick bamboo growth which made logistics very tough. The project required a large crew allocation and had to be completed under very tight schedules.

The Company responded to these challenges by mobilizing a qualified team at a short notice. A special team was deputed to get all the requisite approvals at the earliest. Elaborate arrangements were made to transport crew and equipment.

Project achievements

- Completed the project in a record four months against the normal seven, translating into a substantial cost saving for the customer.
- The project executed with zero accidents
- Data acquired was of high quality highlighting distinct geological events
- The Company became the first in the private sector to successfully complete a seismic project in Nagalnad

What drives profitability in the industry and Asian Oilfield

- **Job complexity.** The harsher the terrain the higher the realizations
- **Project independence.** Working independently on a project enhances margins
- **Track record.** A successful prior experience of the terrain enhances fees
- **Capital cost of assets.** The lower the capital cost, the higher the business viability
- **Logistic management.** The ability to mobilize equipment with speed and economy
- **Project size.** The ability to bag large contracts
- **Project integration.** Whether the assignment represents the complete project cycle or merely a part of it
- **Asset ownership.** Whether the company has a complete ownership of assets or needs to rent
- **Size of net worth.** The higher the net worth, the higher the company's pre-qualification capability for larger contracts
- **Projects tenure.** Extended project contracts enhance organisational stability

Seismic survey – an insight

The technology used for determining the location of natural gas and petroleum deposits has transformed significantly over the last 15 years following technology advancements, evolving from the time when the surface was scanned for underground formations.

Geological survey

The exploration typically begins with geologists examining the surface structure of the earth to determine possible petroleum or gas deposits. By surveying and mapping the surface and sub-surface characteristics of a certain area, geologists can extrapolate which areas are most likely to contain petroleum or natural gas reservoirs. Once a location is marked as a possible reserve, tests are carried out leading to a detailed study for enhanced potential.

Seismic survey

Seismic studies are based on measuring sound velocity travelling through rocks. Seismic surveys throw up useful representations of the earth's sub-structure like an underground geologic map. The data helps determine formations, depths and probable soil compositions (e.g. clay, oil sands, various types of rock), including the identification and location of structures that may potentially hold oil sands. Thereafter drilling is carried out to determine what exactly is located in those structures.

In practice, the use of seismology for exploring onshore areas involves the artificial creation of seismic waves, the reflection of which are then picked up by sensitive geophones embedded in the ground.

Onshore seismology

In practice, the use of seismology for exploring onshore areas involves the artificial creation of seismic waves, the reflection of which are then picked up by sensitive geophones embedded in the ground. The seismic waves are reflected at different layers of the earth to be picked up by geophones on the surface and relayed to a seismic recoding truck to be interpreted and logged.

The sound waves are created through careful planning and small dynamite explosions. Geophones were used to catch the wave for interpretation by geophysicists, geologists and petroleum engineers.

Data processing and interpretation in a seismic survey

The collected data is sent to seismic processors for analysis. The processors use high-capacity and high-speed

computers to convert the raw field data into digital format, which can be read by special presentation and interpretation programmes and software. The processed seismic data is then fed into software programmes that produce vertical and horizontal slice views of the earth. Dynamic cube views are formed by combining the 2D and 3D slices. A 4D capability allows the slices to be set in motion to view change over time.

2D seismic imaging

Geophysicists use data collected from seismic exploration activities to develop a cross-sectional picture of the underground rock formations. The process is called 2D seismic imaging. They interpret the seismic data obtained from the field, taking the vibration recordings of seismograph and using them to develop a conceptual model of the composition and thickness of the various rock layers. This process is normally used to map the underground formations and to make estimates based on the geologic structures to determine where deposits may exist.

One of the latest breakthroughs in seismic exploration and modelling of underground rock formations has been the introduction of 4D seismic imaging.

3D seismic imaging

This technology is used to identify different rock layers and structures by calculating the intensity of the reflected sound waves and the time they take to travel through the rocks and back to the surface. Processing the data creates a 3D image of the layers and the location of these structures. This technology has been successful in raising the success rate of exploration efforts by up to 50%.

4-D seismic imaging

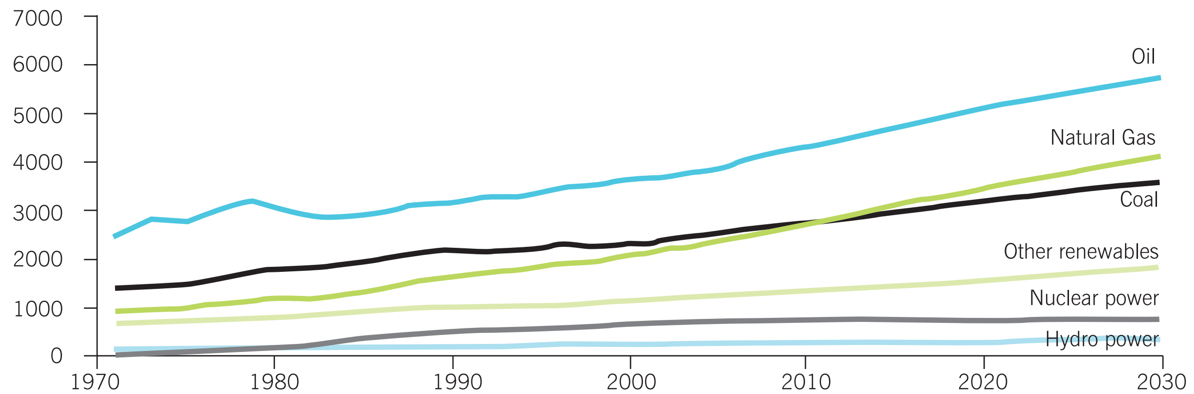
One of the latest breakthroughs in seismic exploration and modelling of underground rock formations has been the introduction of 4D seismic imaging. This is an extension of the 3D imaging technology. Instead of achieving a simple, static image of the underground, in 4D imaging, the changes in structures and properties of underground formations are observed over time. Since the fourth dimension in 4D imaging is time, it is also referred to as 4D 'time lapse' imaging.

Management discussion and analysis

Industry overview

The business of oil drilling and seismic services will continue to be attractive because availability of oil and gas is likely to remain central for meeting the energy needs of the economy and be a critical driver of India's economic progress. According to IEA estimate, the global consumption of fossil fuels is growing rapidly and fossil fuels will account for almost 90% of energy demand growth till 2030; oil is expected to report a 47% increase from 2003 to 2030. Non-OECD Asia (especially China and India) are expected to drive this energy demand across the foreseeable future on the back of their robust economic growth.

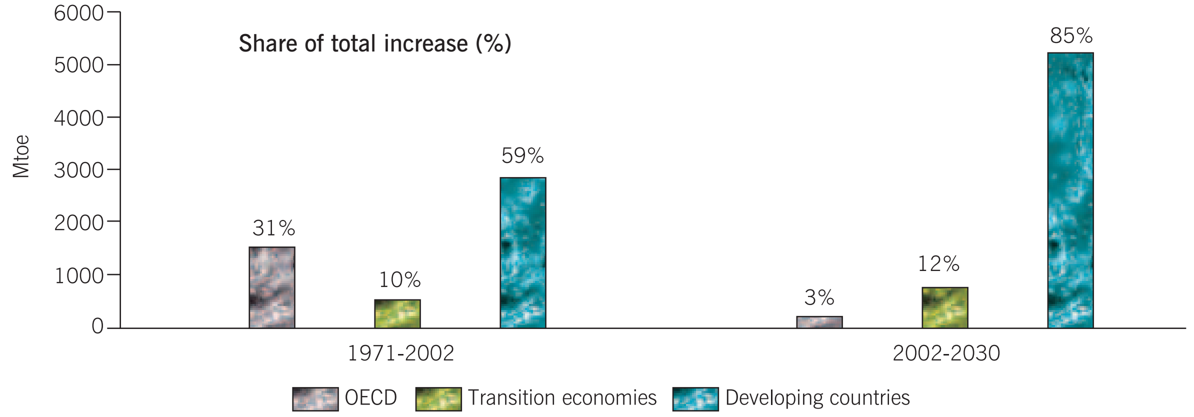
World primary energy demand forecast



Source: International Energy Association - World Energy Outlook

Even in a country like the US (which accounts for 25.6% of the oil and gas industry's global revenues, source: Reuters), the value of US oil and gas operations in 2006 was approximately $870 billion, growing at a CAGR of 21% from 2002 to 2006.

Increase in global primary energy demand by region



Source: International Energy Association - World Energy Outlook

To progressively reduce their dependence on politically volatile oil producing regions, a number of countries are now focusing on enhancing their domestic production levels. This is being driven by an increased investment in established oil fields to enhance throughput on the one hand; it is also being driven by an extension to unexplored areas on the other.

Oil consumption by and for each person

Country	Barrels of oil per person annually
United States	25
Japan	14.0
Spain	13.8
Mexico	6.0
Brazil	3.5
China	1.5
India	0.8

Source: Simmons & Company International

While OECD countries have largely exploited their oil and gas reserves, exploration in Africa, Asia and erstwhile Soviet Union have been limited, creating an attractive market for companies providing drilling and seismic services to E&P companies in these geographies. Crew counts, a key measure of seismic data acquisition activity, reflect the attractive growth of the seismic data acquisition market, thanks to historically high oil and natural gas prices on the one hand and a strong growth in E&P capital expenditures on the other.

The prospect of service providers to India's E&P industry remains attractive for a number of reasons:

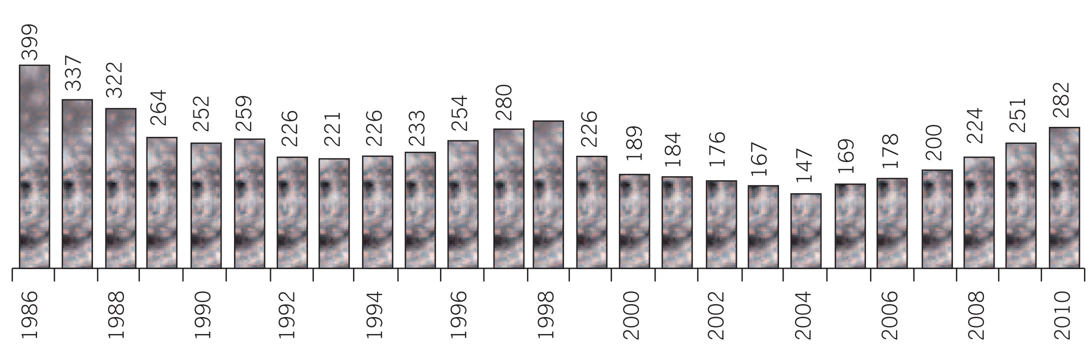
- Declining global oil reserves and limited availability
- Currently the country imports 75% of its oil requirement resulting in huge import bill which the government wants to reduce
- Growing oil demand driven by GDP growth of over 9%
- Relative under-exploration on the Indian subcontinent
- Enhanced potential for discovery validated by recent oil and gas finds

How India fares

India is expected to play a significant role in driving Asia's oil demand, thanks to a buoyant economy, burgeoning young earners, first-time acquisition of personal vehicles and a growing incidence of multi-vehicle ownership per family. This growing demand is driving India's oil import; in turn, this import dependence catalyzes domestic drilling.

India ranks sixth globally in terms of petroleum demand; by 2010, it is projected to replace South Korea as the world's fourth-largest energy consumer after United States, China and Japan. According to estimates, the country's

World land seismic crew count



Source: World Geophysical News

existing demand for crude oil is around 135 MMT and expected to grow to 172 MMT by 2011. However, only 35 MMT of crude oil was extracted from within the country in 2005-06, accounting for 19.42% of the total demand. As a result, nearly 31% of India's total imports in 2005-06 comprised oil and gas.

India's demand for oil is expected to grow from 119 MTOE in 2004 to 250 MTOE during 2025 at an annual growth of 3.6%; concurrently, domestic production from existing developed reserves is expected to grow at approximately 2.5%. The demand-supply gap will make India one of the largest crude oil consumers along with China; together, the two countries will account for 35% of the world's incremental energy demand.

Seismic surveys

The emerging Rs. 8,000-crore seismic services market in India is driven by a complement of rising oil demand, under-penetrated geography and a bullish oil market, encouraging the revival of abandoned fields.

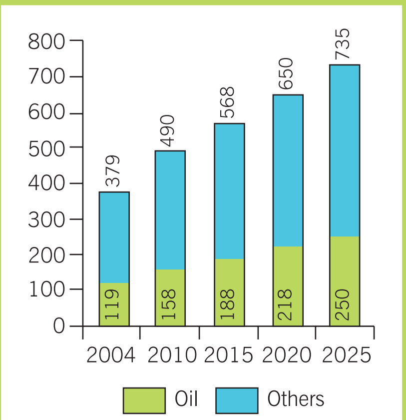
In a competitive industry it is imperative to conduct seismic surveys prior to drilling, saving on time and reducing the overall cost of drilling. Around 50% of this emerging business opportunity will be explored through captive in-house crews of ONGC and OIL who possess their own crews while the remaining will be executed by private third party crews. Till date only 20% of the total 3.14 million sq. km. in India has been adequately explored.

Presently, about 15 third party crews operate in India, estimated to execute projects worth over Rs. 300 crs in 2006. The onland seismic survey industry is expected to record a CAGR of over 53% till 2010.

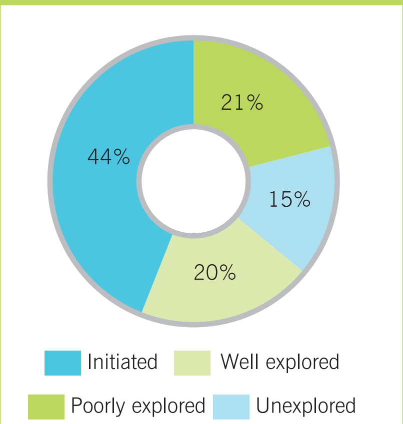
The Tenth Five Year Plan estimated that oil consumption would increase at 3.7% annually, faster than the projected global annual growth rate of 2%. Surpassing India's 9.4% GDP growth in 2006-07, the oil demand growth is expected to exceed the world average growth over the next 15-20 years. The domestic demand for crude oil is set to grow at 8% CAGR over 2005-11, increasing

India in the world

- The fifth largest global energy consumer
- The world's ninth largest crude oil importer
- Sixth largest global refiner (2.5 million barrels of oil per day in 2004), with 3% of the global capacity
- Sixth largest global oil consumer; expected to become the fifth largest in two years
- Remains largely under-explored with 15 of the 26 sedimentary basins only explored
- Enhanced oil discoveries attracting foreign and domestic investments in exploration drilling and oil surveys



India's energy mix and outlook for oil



Seismic surveys

(Source: DGH E&P Service Providers Meet)

Did you know?

Mankind's annual oil consumption is 1.2 cubic mile. Estimated global oil reserves at the beginning of 2006 were 32 cubic miles.

Estimated to be a US$ 90 billion industry, the Indian oil and gas industry is among the largest contributors to the central and state exchequers. Its share approximates US$ 13.58 billion. *(Source: IBEF)* import dependence from 75% to well over 80% by 2010.

Government initiatives

Since last year India's oil sector has witnessed notable progress on the policy and reforms front. On the oil and gas sector, a significant development has been the passage of the Petroleum and Natural Gas Regulatory Board (PNGRB) Bill in Parliament for setting up an independent regulatory for midstream and downstream activities and the promotion of competition in the oil and gas sector.

To increase upstream investments, the Ministry of Petroleum & Natural Gas (MoPNG) has introduced a transparent bidding process for the allocation of oil and gas blocks. Six rounds of competitive bidding under the New Exploration Licensing Policy (NELP) have already been completed, around 185 blocks have been awarded and reserves estimated at 700 MMT of oil and gas discovered.

However, the recent rounds of NELP bidding are still dominated by the public sector. To bring new technologies and international practices into the oil and gas exploration sector, the government is keen on greater foreign participation in NELP. In NELP-VI, the latest round, a total of 55 blocks (shallow water, deepwater and onland blocks) were put on offer. NELP-VI was a success with 165 bids being received from domestic and international companies for exploration rights. Going forward the Directorate General of Hydrocarbons indicated that 70-80 blocks, including those in unexplored states, will be made available in NELP-VII.

Key policy milestones

Catalyst	Key highlights
New Exploration Licensing Policy, 1999 (for exploration and production)	▸ 100% foreign participation allowed ▸ Licences are awarded through international competitive bidding ▸ Provide fiscal stability in contract ▸ Model Production Sharing Contract and Petroleum Tax Guide provided upfront ▸ More rounds planned ▸ 5th round stated to be rolled out in early 2005
Attractive fiscal Incentives, 1999-2003	▸ Corporate tax deduction and allowances available to companies prospecting for oil and gas ▸ Seven year tax holiday ▸ Capital expenditures incurred in respect of exploration and drilling operations fully tax deductible ▸ Oilfield service provider taxable on 10% of gross receipts ▸ Reduction of duty on project imports from 25% to 10% ▸ Reduction of import duty on ATF from 16% to 8% ▸ Duty-free import of fuel for exporters ▸ Reduction of subsidy on domestic LPG and kerosene sold through the public distribution system

(Source: IBEF)

FDI limits

Particulars	Position prior to January 28, 2004	Latest position
Oil exploration	100% for small fields, 60% for unincorporated joint venture and 51% for incorporated joint venture for medium size fields	100% (automatic route)

(Source: IBEF)

Finance review

Your Company recorded an excellent performance for FY 2006-07. Sales grew by 161% and the operating and net profit margins of the Company surged significantly.

FY 2007-08 also started on a strong note and we expect the trend to sustain.

2005-06 vs 2006-07

The Company reported a significant improvement in performance in 2006-07 over 2005-06, reflected in the following numbers:

- 161% increase in total income from Rs. 10.54 cr to Rs. 27.60 cr
- 456% increase in EBIDTA from Rs. 1.57 cr to Rs. 8.73 cr
- 591% increase in PAT from Rs. 0.62 cr to Rs. 4.30 cr
- 1675 basis points increase in EBIDTA margin from 15.17% to 31.92%
- 548% increase in EPS from Rs. 1.16 to Rs. 7.52
- 415% increase in cash profit from Rs. 0.96 cr to Rs. 4.95 cr

Revenue

The Company's total income increased 161.75% from Rs. 10.54 cr to Rs. 27.60 cr in 2006-07. The Company reported an excellent performance and successfully carried out five projects during the year under review, moving up the value chain with a significant change in business mix. A majority of the revenues were captured by providing end-to-end services for the seismic survey contracts.

Margins

The Company strengthened its EBIDTA margin by 1675 basis points from 15.17% in 2005-06 to 31.92% in 2006-07. Correspondingly the Company's post tax profit margin strengthened from 5.89% in 2005-06 to 15.71% in 2006-07.

(in %)	2005-06	2006-07
Operating profit margin	15.17	31.92
Pre-tax profit margin	9.50	27.43
Net profit margin	5.89	15.71

EBIDTA margin improved, thanks to the following reasons:

- Improved realizations on projects
- Deployment of own assets against leased assets
- Better project planning
- Operating leverage that helped sweat existing assets
- Increased proportion of higher margin businesses

Capital structure

During the year the Company issued 16,50,000 shares at a price of Rs. 20.50 per fully paid equity share to a strategic investor— Consolidated Securities Ltd. Consequently, the Company's paid-up capital increased from Rs. 5.35 cr (53,57,100 shares of Rs. 10 each) to Rs. 7.00 cr (70,07,100 shares of Rs. 10 each). The Company also issued 3,00,000 warrants to Nimit Finance Pvt Ltd (a promoter group entity) and 12,70,000 warrants to M/s. Consolidated Securities Ltd., a non-promoter strategic investor. Each warrant is convertible into one equity share at a price of Rs. 20.50 per warrant.

Following the preferential issue, Consolidated Securities Limited made an open offer at Rs. 21.06 per share, for 17,15,420 shares (20% of post issue paid-up equity capital) under the SEBI SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER GUIDELINES, 1997. After the closing of open offer on 22 May 2007, the shareholding of Consolidated Securities Limited was

16,50,000 shares (23.55% of paid-up equity capital).

The funds infusion following the issue helped the Company to buy its own recording unit and provide the required working capital to successfully execute larger ticket size projects.

Loan

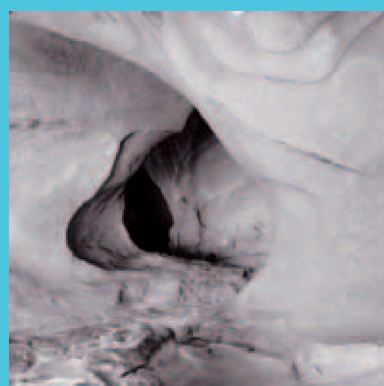
During the year under review, the Company took a fresh loan of Rs. 4.62 cr and enhanced its working capital limit from Rs. 2.5 cr to Rs. 5 cr.

Capital employed

In a capital-intensive business, the Company's fiscal efficiency is gauged by its ability to report a return that is higher than what investors would ordinarily have derived out of an investment in fixed income instruments. The Company's capital employed increased from Rs. 9.35 cr to Rs. 19.21 cr as at 31 March 2007. The Company reported an increase in its return on capital employed (EBIDTA/closing capital employed) from 16.78% in 2005-06 to 41.30% in 2006-07.

Net block

During the year, the Company acquired additional equipment worth Rs. 4.81 cr. As a result, the net block of the Company increased from Rs. 2.77 cr to Rs. 6.12 cr during the year under review.



The Company reported an excellent performance and successfully carried out five projects during the year under review, moving up the value chain with a significant change in business mix.

Working capital

The Company got the working capital limits increased from its banker by over Rs. 2.5 cr during the year. Due to the efficient management of receivables, it did not require to tap this limit, resulting in a reduced financial cost.

Sundry debtors

The Company's receivables increased from Rs. 6.31 cr to Rs. 18.35 cr in line with an increase in its operations. This is a normal part of the business cycle as the business is at its peak during the month of March and April. Since then your Company has collected most of the outstandings and is planning to use the cash flow to partly fund the capex for the coming year. Your Company also wrote off bad debts of Rs. 80 lakhs, which had accumulated over the last few years in an effort to clean up the balance sheet.

Corporate tax

The Company's tax (current tax + fringe benefit tax) burden increased from Rs. 38.05 lakhs in 2005-06 to Rs. 248.13 cr in 2006-07 on account of a substantial increase in profits. The effective tax rate (current tax/profit before tax) paid by the Company stood at 36.26%.

Turning risks into reward

Risks are integral to virtually all business activities, though in varying degrees. At AOSL, business risks are estimated, controlled and quantified.

The Company's risk management approach reconciles the identification of risks through forward-looking initiatives and their translation into profit.

01 Industry risk

A DECLINE IN THE PRICE OF OIL BELOW $20 A BARREL COULD MAKE EXPLORATION ACTIVITIES UNVIABLE AND JEOPARDISE ALL SEISMIC ASSIGNMENTS.

Risk mitigation

Oil prices have consistently been bullish, hovering between $55 and $70 a barrel over the last year, way above the historical benchmark. With global oil demand far surpassing supply, the oil market is expected to remain bullish across the foreseeable future.

02 Experience risk

INADEQUATE EXPERIENCE MIGHT RESULT IN LOW BUSINESS ACCRETION.

Risk mitigation

- The Company established its reputation in shot hole drilling services across the hilly terrains of North East India as well as in the semi-arid areas of Gujarat and Uttar Pradesh.
- The Company also enjoys a seven-year experience in seismic services built on its capability and through a technical collaboration with the Geophysical Institute of Israel (GII)

03 Technology risk

FAILURE TO STAY ABREAST WITH THE LATEST TECHNOLOGY IN A KNOWLEDGE-DRIVEN INDUSTRY COULD AFFECT THE COMPANY'S PROFITABILITY.

Risk mitigation

- The Company enjoys a technical collaboration with the Geophysical Institute of Israel (GII) in seismic data processing and interpretation services, comprising globally benchmarked technology and quality practices
- In October 2006, the Company acquired a 2D seismic unit from Aram Inc. of Canada; it expects to expand into 3D seismic projects in 2007-08

04 Regulatory risk

A WEAK GOVERNMENT ENCOURAGEMENT COULD IMPACT PROSPECTS AND PROFITABILITY.

Risk mitigation

- The Indian government has drawn up a long-term energy policy through the Hydrocarbon Vision 2025, targeting self-reliance through enhanced indigenous production, intensification of exploration efforts and 100% penetration of unexplored basins in a time-bound manner
- NELP VI offered 55 exploration and production blocks, attracting nearly 165 bids, the highest-ever received under NELP VI, indicating the success story of India's hydrocarbon sector
- The government expects to offer 60-70 oil and gas blocks under NELP-VII in 2007

05 Seasonal risk

PROJECT TURNAROUND IS WEATHER-DEPENDENT, ESPECIALLY IN NORTH EAST INDIA, WHERE THE COMPANY ENJOYS AN ENHANCED PRESENCE.

Risk mitigation

- Even as a majority of the Company's revenues are derived from North East India, it is extending its visibility to other parts as well
- The Company expects to extend its presence outside India

06 People risk

MANAGING A CREW (12-15 SKILLED PERSONNEL AND OVER 600-1000 UNSKILLED INDIVIDUALS) COULD BE CHALLENGING. PEOPLE ATTRITION COULD HURT BUSINESS PROSPECTS.

Risk mitigation

- Employs experienced workers well versed in managing manual, semi-mechanised, hydraulic and compressor-based shot hole drilling operations
- Subcontracts laborious assignments to external vendors
- The Company provided a three-week training in Canada for its core professionals
- Enjoys a successful track record of not losing a single person-day on account of labour problems

07 Funding risk

AN INABILITY TO MOBILISE FINANCIAL RESOURCES COULD STUNT GROWTH.

Risk mitigation

- The Company divested a part of its equity in favour of a strategic financial partner to strengthen its net-worth, a prequalification in bidding for tenders. The cash infusion by the strategic financial partner will help fund expansion and correct the debt-equity skew
- The Company invested Rs.5 cr in its business in the last quarter of 2006-07 and expects to invest an additional Rs.35 cr during 2007-08

08 Bunched project allocation risk

AN INABILITY TO BE ALLOTTED INDEPENDENT PROJECTS COULD THREATEN MARGINS.

Risk mitigation

- The Company is investing in competencies and assets that will enable it to embark independently on assignments, enhancing margins
- The proportion of revenues derived from the independent management of projects is expected to rise considerably

Directors' report

Dear Shareholders

Your Directors have great pleasure in presenting the 14th Annual Report of the Company.

The following figures summarise the financial results of the Company for the year ended 31 March 2007.

Financial highlights

(Rs. in lakh)

	31 March 2007	31 March 2006
Gross income	**2759.75**	**1054.33**
Gross profit before depreciation and interest	**872.59**	**156.89**
Depreciation	65.58	34.04
Interest and financial charges	49.88	22.70
Profit before tax	**757.13**	**100.15**
Less: Provision for tax		
Current tax	245.69	36.20
Fringe benefit tax	2.44	1.85
Net profit before extraordinary items	**509.00**	**62.10**
Appropriation:		
Transfer to General Reserve	419.64	52.17
Balance brought forward from previous year	200.61	148.44
Balance carried to Balance Sheet	620.25	200.61

Dividend

With a view to plough back all the available surpluses in asset creation for the purpose of business consolidation, the Board does not recommend payment of dividend to shareholders during the year under review.

Operations

During the year under review, your Company registered a significant improvement in its performance by fetching a gross income of Rs. 2759.75 lakh against Rs. 1054.33 lakh of the previous year and yielding a net profit (before extraordinary items) of Rs. 509.00 lakh against Rs. 62.10 lakh of the previous year.

During the year under review, the Company graduated from its specialist services of shot-hole drilling to integrated seismic job services and seismic data acquisition and carried out 2D assignments independently with its owned equipment and crew.

With increased net worth and consequent stronger pre-qualification capability in the nature of financial resources, the Company would be able to bid for larger projects. With its proven possessed capabilities, it would progress very well in the coming years, barring unforeseen circumstances.

The Company has plans to upgrade its 2D infrastructure to 3D and invest sizably in 3D equipment so as to generate surpluses in a sustainable manner in the future.

Preferential issue of equity shares and convertible warrants

During the year under review, the Company issued 16,50,000 equity shares of Rs. 10 each to Consolidated Securities Limited and 15,70,000 convertible warrants of Rs. 10 each to promoters and Consolidated Securities Limited to meet the long-term capital and enhanced working capital requirements of the Company.

Directorate

Shri (Dr.) Bhupendra Shah retires by rotation, and being eligible, offers himself for re-appointment.

Directors' responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that

i) in preparation of the annual accounts, the applicable accounting standards have been followed.

ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.

iii) they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) they have prepared the annual accounts on a going concern basis.

Corporate Governance

A separate section titled 'Corporate Governance' including a certificate from the auditors of the Company confirming the compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed hereto and forms part of this Report.

Dematerialization of share

The Company has been allotted ISIN No.INE276G01015 for equity shares of the Company by National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL). Members are requested to dematerialize shares held by them for their better convenience.

Audit Committee

In compliance with Section 292A of the Companies Act, 1956, an Audit Committee consisting of Shri D.E. Ilavia, Shri N.M. Patel and Shri V.G. Dharwarkar (upto 30 November 2006) and Shri (Dr.) Bhupendra Shah (from 9 March 2007), the Independent Directors as its members, performed inter-alia, various functions as required by the terms of the said provisions.

Statutory disclosures

The Company is not engaged in service activities on various sites hence the disclosures as required under Section 217 (1) (e) of the Companies Act, 1956, are not required to be made by the Company. Whereas information in accordance with the provision of Section 217 (2-A) of the Companies Act, 1956, read together with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding particulars of employees, is not furnished, as no employee is covered thereunder. However, details of foreign exchange inflow and outflow during the year under review are as under:

a. **Foreign exchange earnings**	Rs. 5,08,24,105
Seismic survey and other related charges	
b. **Foreign exchange outgo towards**	
(i) Travel expense	Rs. 1,07,143
(ii) Equipment	Rs. 2,83,67,321
(iii) Revenue payment	Rs. 59,87,501

Public deposits

The Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956, during the period under review.

Insurance

All the properties of the Company are adequately insured against fire and other risks.

Auditors

The auditors M/s. K. Parikh & Co. retire at the conclusion of the ensuing Annual General Meeting, but being eligible, offer themselves for re-appointment. Members are requested to consider their re-appointment as auditors of the Company and fix their remuneration.

Appreciation

The Board places on record its deep appreciation of Oil and Natural Gas Corporation Ltd., Jubilant Oil and Gas Private Limited, Canoro Resources Ltd. Premier Oil, Geophysical Institute of Israel and the continued support given by Central Bank of India and State Bank of India, other government authorities, employees and shareholders in furthering the interests of the Company.

For and on behalf of the Board

Date: 30 July 2007
Place: Baroda

Krishna Kant
Chairman

Report on Corporate Governance

In compliance with Clause 49 of the Listing Agreement entered into with stock exchanges, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by the Company.

1. Company's philosophy on Code of Corporate Governance

Asian Oilfield Services Limited's philosophy on Corporate Governance envisages working towards high levels of transparency, accountability, consistent value systems, delegation across all facets of its operations leading to sharply focused and operationally efficient growth.

2. Board of Directors

The Board of Directors consists of five Directors with an Executive Chairman and Managing Director along with three Independent Directors as on 31 March 2007. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited.

None of the Directors on the Board is a member of more than 10 committees or chairman of more than five committees as specified in Clause 49, across all the companies in which he is a Director. The necessary disclosures regarding committee position in other public companies as at 31 March 2007 have been made by the Director.

A brief resume of the Director being re-appointed at the Annual General Meeting, the nature of his expertise in specific functional areas and names of companies in which he holds directorship and membership of the committees of the Board is annexed to the Notice. Whereas the names and categories of the Directors, their attendance at Board meetings, Annual General Meetings, number of directorships in other companies and committee meetings, etc. are given below.

Name of Directors	Category of Directors	No. of Board meetings attended during 2006-07	Whether attended last AGM	No. of directorships in domestic public companies	No. of committee memberships Chairman	Member
Shri Krishna Kant	Executive Chairman and promoter	5	Yes	1	–	–
Shri Avinash Manchanda	Managing Director and promoter	9	Yes	1	–	–
Shri Navin Patel	Independent Non- Executive	8	Yes	–	1	2
*Shri V.G. Dharwarkar	Independent Non-Executive	4	Yes	–	1	2
Shri D.E. Ilavia	Independent Non- Executive	9	Yes	–	1	2
**Shri (Dr.) Bhupendra Shah	Independent Non- Executive	–	–	–	–	3

* Shri V.G. Dharwarkar ceased to be Director of the Company on resignation with effect from 30-11-2006.

** Shri (Dr.) Bhupendra Shah joined as Director with effect from 9 March 2007.

Board meetings

During the year 2006-07, the Board met nine times on 2 May 2006, 30 June, 31 July, 30 October, 23 November, 30 November, 4 December, 12 January 2007 and 30 January. The longest gap between any two Board meetings did not exceed four months.

None of the Directors on the Board holds the office of Director in more than 15 companies nor are they members in committees of the Board in more than 10 committees or chairman of more than five committees.

None of the Non-Executive Directors have any material, pecuniary relationship or transactions with the Company. Necessary information as mentioned in Annexure 1A to the Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

Shareholding of Directors:

Names of Directors	No. of shares held
Shri Krishna Kant	2,66,230 (3.80%)
Shri Avinash Manchanda	3,17,570 (4.53%)

3. Audit Committee

The Board of Directors constituted an Audit Committee, com¬prising three independent Non-Executive Directors viz. Shri V.G. Dharwarkar, Shri Navinbhai Patel and Shri D.E. Ilavia. Shri (Dr.) B.R. Shah joined the Committee as an Independent Director on with effect from 9 March 2007 in place of Shri V.G. Dharwarkar, but could not attend any meeting of Audit Committee, during the period under review.

The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting.

The constitution of the Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and Clause 49II(D) of the Listing Agreement and the terms of reference stipulated by the Board for the Audit Committee, covers the matters specified, which are as under.

A. The Audit Committee shall have the following powers

1. To investigate any activity within its terms of reference.
2. To seek information from any employees.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers it necessary.

B. The role of the Audit Committee shall include the following:

1. Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees.

3. Approval of payment to Statutory Auditors for any other services rendered by them.

4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of Sub-section (2AA) of Section 217 of the Companies Act, 1956.

– Changes, if any, in accounting policies and practices and reasons for the same.

– Major accounting entries involving estimates based on the exercise of judgment by the management.

– Significant adjustments made in the financial statements arising out of audit findings.

– Compliance with listing and other legal requirements relating to financial statements.

– Disclosure of related party transactions.

– Qualification in draft Audit Report.

5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

6. Reviewing with the management, the performance of statutory and internal auditors and adequacy of internal control system.

7. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of the internal audit.

8. Discussion with internal auditors, any significant findings and follow up thereon.

9. Reviewing the findings of any internal investigations by the

internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders and shareholder (in case of non-payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower mechanism.

13. Carrying out such other function as may be specifically referred to the Committee by the Board of Directors and/or other Committees of Directors of the Company.

14. To review the following information
– The management discussion and analysis of financial condition and results of operations;

– Statement of significant, related party transactions (as defined by the Audit Committee), submitted by the management;

– Management letter/letters of internal control weakness issued by the statutory auditors;

– Internal audit reports relating to internal control weakness; and

– The appointment, removal and terms of remuneration of internal auditors.

15. Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.

During the year 2006-07, five Audit Committee meetings were held on 2 May 2006, 30 June, 31July, 30 October and 30 January 2007 and the details of attendance of members are as under:

Names of Directors	Number of meetings	Meetings attended
Shri V.G. Dharwarkar	5	4
Shri N.M. Patel	5	4
Shri D.E. Ilavia	5	5
Shri (Dr.) B.R. Shah	–	–

4. Remuneration Committee

The Board of Directors has formed a Remuneration Committee to review and recommend the remuneration package of the Wholetime Directors, based on performance-defined criteria, which consists of Shri Navinbhai Patel as Chairman, Shri V.G. Dharwarkar and Shri D.E. Ilavia as members. Shri (Dr.) B.R. Shah joined the Committee as an Independent Director on with effect from 9 March 2007 in place of Shri V.G. Dharwarkar, but could not attend any meeting of Remuneration Committee during the period under review.

The Committee has not met during the year.

The remuneration policy is directed towards rewarding performance, based on the review of achievements. The remuneration policy is in consonance with the existing industry practice.

The remuneration paid to the Executive Chairman and the Managing Director is recommended by the Remuneration Committee and approved by the Board of Directors in the Board meeting, subject to the approval of shareholders at the Annual General Meeting and such other authorities as may be required.

The details of remuneration paid during 2006-07:

The aggregate value of salary and perquisites including the Company's contribution to provident fund, gratuity fund etc., for the year ended 31 March 2007 paid to Shri Krishna Kant , the Executive Chairman and to Shri Avinash Manchanda, the Managing Director are as follows.

(Rs. in lac)

	Executive Chairman	Managing Director
Salary	13.00	13.00
Contribution to Provident Fund and other funds	–	0. 49
Perquisites	–	–
Total	**13.00**	**13.49**

Shri Krishna Kant, the Executive Chairman and Shri A.C. Manchanda, the Managing Director, are not related to any Director. They have been appointed as the Executive Chairman and Managing Director for a tenure of five years with effect from 18 June 2003 and 1 February 2003, respectively, under the agreements which can be terminated by either party giving three months' notice in writing.

Non-Executive Directors do not draw any remuneration. However, sitting fees were paid to such Non-Executive Directors of Rs. 1000 per Board meeting and Rs. 1000 per Committee meeting, during the year under review.

Details of sitting fees paid to Non-Executive Directors during the year 2006-07.

Name of Directors	Sitting fees (in Rs.) paid
Shri V.G. Dharwarkar	12,000
Shri N.M. Patel	16,000
Shri D.E. Ilavia	19,000
Shri (Dr.) B.R. Shah	–

There were no other pecuniary relationships or transactions of the Non-Executive Director vis-a-vis the Company. As of now, the Company does not have any employee stock option plan.

5. Shareholders'/Investors' Grievance Committee

The Board of Directors has constituted a Shareholders'/Investors'/Grievance Committee with three Independent Directors- Shri Navinbhai Patel, Shri V.G. Dharwarkar and Shri D.E. Ilavia. The Chairman of the Committee is Shri D.E. Ilavia. Shri (Dr.) B.R. Shah joined the Committee as an Independent Director on 9 March 2007 in place of Shri V.G. Dharwarkar, but could not attend any meeting of the Shareholders' Grievance Committee, during the period under review.

The Committee, inter alia, oversees and reviews all matters connected with the securities and looks into shareholders' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, dematerialisation of shares, etc. The Committee oversees the performance of the Secretarial Department and the working of M/s. Intime Spectrum Registry Ltd., the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of services to the investors.

During the year 2006-07 the Shareholders'/Investors' Grievance Committee met on 2 May 2006, 30 June, 31 July, 30 October and 30 January 2007.

The attendance of Members at the meetings of the Shareholders'/Investors' Grievance Committee held during 2006-07.

Names of Directors	Number of meetings	Meetings attended
Shri N.M. Patel	5	4
Shri V.G. Dharwarkar	5	4
Shri D.E. Ilavia	5	5
Shri (Dr.) B.R. Shah	–	–

The Company has appointed Shri Somesh Shastri as the compliance officer.

No complaints were received during the year under review. No complaints are outstanding and no requests for transfer and/or requests for dematerialisation were pending for approval as on 31 March 2007.

Share Transfer Committee

This Committee has been constituted to approve transfer/transmission/rematerialisation/dematerialisation of shares of the Company. The Committee currently comprises Shri Avinash Manchanda, Chairman, Shri Navinbhai Patel and Shri D.E. Ilavia as members.

Number of pending share transfers

As the shares are compulsorily traded in demat mode which effect automatically through NSDL and CDSL, the approval of the Company is required for transfer of shares which are in physical mode. As on 31 March 2007, no share transfer request was pending. All the share transfers and other requirements have been completed during the year in the stipulated time period.

6. Board/Committee meeting and procedure

a) Institutionalised decision-making process

With a view to institutionalise all corporate affairs and setting up systems and procedures for advance planning, for matters requiring decisions by the Board , the Company has placed a defined procedure for meeting of the Board of Directors and Committees thereof in an informed and efficient manner.

b) Scheduling and selection of agenda items for Board/Committee meetings:

i) The meetings are convened by giving appropriate notice, preferably seven days, to the concerned Directors, statutory auditors, stock exchange and other invitees. The detailed agenda, management reports and other explanatory statements are circulated in advance amongst the members to facilitate meaningful, informed and focused decisions at the meetings.

ii) The agenda papers are prepared by the Corporate Secretarial Department, and circulated amongst the Board Members and other invitees to the meeting.

iii) Where it is not practicable to attach any document or the agenda is sensitive in nature, the same is circulated at the meeting with the approval of the Chair. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are taken up for discussion with the permission of the Chair and after a consensus is formed. Sensitive/confidential subject matters are discussed at the meeting even without the written material being circulated.

iv) The meetings are usually held at the Company's Registered Office at Baroda.

v) The members of the Board have complete access to all information of the Company.

c) Briefing by the Managing Director and CEO

At the beginning of each meeting of the Board, the Managing Director and Chief Executive Officer brief the Board Members about the key developments relating to the Company in diverse areas.

d) Recording minutes of proceedings at the Board

Minutes of the proceedings of each Board/Committee meeting are recorded and entered in the Minutes Book. The minutes of each Board meeting are submitted for confirmation at its next meeting and are signed by the Chairman. The minutes of the Board are placed before the Board of Directors for its information.

e) Compliance

The Dy. Company Secretary ensures compliance with all applicable provisions of the Companies Act, 1956, SEBI guidelines, Listing Agreement and other statutory requirements pertaining to capital market.

Information placed before the Board of Directors, inter alia, includes:

The following information, as may be required and applicable, is placed before the Board:

- Annual operating plans and budgets and any updates
- Capital budgets and any updates
- Annual accounts, Directors' Report, etc
- Quarterly results of the Company
- Minutes of meetings of the Board and other Committees of the Board
- Presentation by the marketing team with regard to marketing plans of the Company
- Show-cause, demand, prosecution notices and penalty notices which are materially important
- Fatal or serious accidents, dangerous occurrences, etc
- Operational highlights and substantial non-payment for goods sold by the Company
- Major investments, formation of subsidiaries and joint ventures, strategic alliances, etc
- Award of large contracts
- Disclosure of interest by Directors about directorship and Committee positions occupied by them in other companies
- Any significant development in human resources/industrial relations front
- Compliance Certificate of any regulatory, statutory nature
- Short-term investment of surplus funds
- Information relating to major legal disputes
- All other significant events/information

7. General Body Meeting

A. Annual General Meeting

Particulars of the last three Annual General Meetings held and Special Resolutions passed thereat, are as under.

Date	Time	Place	Special Resolution
21 September 2004	11.30 am	Auditorium of Central Gujarat Chamber of Commerce, Race Course, Baroda	Appointment of project coordinator under Section 314 and other applicable provisions of the Companies Act, 1956
12 September 2005	11.30 am	As above	–
3 August 2006	11.30 am	As above	–

No postal ballots were used for voting at these meetings as the same was not required. Presently the Company does not have any proposal that requires a postal ballot.

B. Extraordinary General Meeting

During the period under review, the Company has conducted one Extraordinary General meeting on 29 December 2006 at 9.30 am at the auditorium of Central Gujarat Chamber of Commerce, Race Course, Baroda.

8. Disclosures

(i) Related party transactions, comprising contracts or arrangements with the promoters or other companies/entities in which the Directors are interested, are entered in the Register of Contracts and placed before Board meeting as per Section 301 of the Companies Act, 1956. None of the transactions with any of the related parties were in conflict with the interest of the Company.

(ii) There were no instances of non-compliance and no strictures and penalties have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authorities, on any matters related to capital markets, during the last three years.

9. Compliance with mandatory requirements

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreements and a certificate from M/s. K. Parikh and Co., Chartered Accountants, auditors of the Company was given separately in this report.

10. Compliance with non-mandatory requirements

The Company has adopted the non-mandatory requirements as regards the provisions relating to the Remuneration Committee. The Quarterly Financial Results are extensively published in newspapers and also sent to the shareholders on request. The Company affirms that no employee has been denied access to the Audit Committee. The Company addressed various risks and its policy on risk management. As regards the other non-mandatory requirements, the Board has taken cognizance of the same and shall consider adopting the same as and when necessary.

The Company adopted the following non-mandatory requirement on Corporate Governance recommended under Clause 49 of the Listing Agreement.

a) Remuneration Committee:

The Remuneration Committee of Directors comprises three Non-Executive Independent Directors.

b) Whistle blower policy:

The Company is in the process of formulating a whistle blower policy.

c) As on date, the Company had not adopted other non-mandatory requirements mentioned in Clause 49 of the Listing Agreement.

Risk management

The Company addressed various risks and its policy on risk management is provided in the Management discussion and analysis report provided elsewhere in this annual report.

Management discussion and analysis

The Management discussion and analysis is included as a part of this annual report.

CEO/CFO certifications

The required certifications in pursuance of Clause 49 of Listing Agreement from Shri Avinash Manchanda, Managing Director who is looking after the finance function of the Company, are given at the end of this report.

11. Means of communication

- **Quarterly results:** The quarterly results are published in accordance with the provisions of the listing agreement. The results are published in an English newspaper and in a Gujarati news paper

- **Website:** The Company's website www.asianoilfield.com contains a separate dedicated section called 'Investor' where shareholders' information is available. The full annual reports for the Financial Year 2004-05 and 2005-06 and quarterly results for first three quarters for the financial year 2006-07 and also Code of Conduct and ethics for Board of Directors and Senior Management Personnel are also available on the website in a user-friendly and downloadable form

- **E-mail ID:** secretarial@asianoilfield.com

- **Annual Report:** The Annual Report containing notice and agenda of the Annual General Meeting, audited annual accounts, Directors' Report, Auditors' Report, and other important information is circulated to members and others entitled thereto. The Management discussion and analysis (MDA) Report forms part of the Annual Report.

12. General shareholder information

12.1 Annual General Meeting

Date and time	: Friday, 28 September 2007, at 11.30 am
Venue	: Auditorium of Central Gujarat Chamber of Commerce, Race Course, Baroda.

12.2 Financial Calendar

Board meeting to approve quarterly financial results ending	Period
30 September 2007	By end of October 2007
31 December 2007	By end of January 2008
31 March 2008	By end of April 2008
30 June 2008	By end of July 2008
Audited results for the year 2007-08	By end of August 2008

12.3 Dividend payment date

Not applicable

12.4 Details of book closures

Monday, 24 September 2007 to Friday, 28 September 2007 (both days inclusive)

12.5 Listing of equity shares on Stock Exchange

The Bombay Stock Exchange Ltd., Mumbai

12.6 Stock Code:

BSE Scrip Code	: 530355
Demat ISIN number in NSDL and CDSL for equity shares	: ISIN-INE276G01015

12.7 Stock market data

High/low of market price of the Company's shares traded on the Bombay Stock Exchange Ltd. during each month in the last financial year ended 31 March 2007 is as under:

Months	High (Rs.)	Low (Rs.)	Total no. of shares traded
April 2006	22.95	17.25	136916
May 2006	44.95	24.05	1320976
June 2006	40.00	17.90	398320
July 2006	19.90	14.85	186613
August 2006	22.75	16.75	228409
September 2006	22.55	17.65	268538
October 2006	23.60	18.65	234079
November 2006	25.00	16.00	656061
December 2006	35.25	24.40	1247301
January 2007	42.90	31.65	1112493
February 2007	40.05	32.00	332575
March 2007	34.10	26.40	350463

12.8 Registrar and Share Transfer Agent

Intime Spectrum Registry Ltd.
1st floor, 308, Jaldhara Complex
Opp. Manisha Society, Vasna Road
Baroda 390 015, Gujarat
Phone: 0265 – 2250241/46
E-mail: vadodara@intimespectrum.com

12.9 Share Transfer System

Presently, the share transfers which are received in physical form are processed and the share certificates are returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board of Directors of the Company are approving transfer of securities under the supervision and control of the Deputy Company

Secretary, subject to placing of a summary statement of transfer/transmission, etc. of securities of the Company at meetings of the said Committee.

All requests for dematerialisation of shares are processed and confirmation is given to the respective depositories, i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Limited (CDSL) within 21 days except few cases.

12.10 Distribution of shareholding as on 31 March 2007

No. of shares	No. of shareholders	Percentage of shareholders	Total no. of shares	Percentage of shareholding
Upto - 500	5724	82.16	1559310	22.25
501 - 1000	863	12.39	702921	10.03
1001 - 2000	185	2.66	278116	3.97
2001 - 3000	51	0.73	133062	1.91
3001 - 4000	28	0.40	103371	1.48
4001 - 5000	38	0.55	183899	2.62
5001 - 10000	31	0.44	237069	3.38
10001 and above	47	0.67	3809352	54.36
Total	**6967**	**100.00**	**7007100**	**100.00**

The Company has not issued any GDRs/ADRs or any convertible instrument.

12.11 Distribution of shareholding pattern as on 31 March 2007

Category	No. of shares	% of total capital
Promoters (including relatives, bodies corporate)	8,11,815	11.59
Non-Promoters		
a. Banks and financial institution	–	–
b. Bodies corporate	21,93,209	31.30
c. Non-resident Indians	36,741	0.52
d. Indian public	39,57,228	56.47
e. Any other (clearing members)	8,107	0.12
Total	**70,07,100**	**100.00**

12.12 Dematerialisation of shares

About 31,83,985 (45.44 %) equity shares of the Company have been dematerialised. The equity shares of the Company are compulsorily to be traded in electronic form through the stock exchange. The equity shares of the Company are actively traded on BSE thus ensuring good liquidity for the investors.

12.13 Plant locations: The Company has no plants.

12.14 Address of correspondence for grievances relating to shares

Intime Spectrum Registry Ltd.
308, Jaldhara Complex,
Opp. Manisha Society,
Off. Old Padra Road,
Vasna Road, Baroda 390 015.
Phone: (0265) 2250241/46
E-mail: vadodara@intimespectrum.com

Secretarial Dept
Asian Oilfield Services Ltd.
7th floor, B-Wing, Manubhai Tower,
Sayajigunj, Baroda 390 005
Phone no. 0265 – 2362071, 2362292
Fax no. (0265) – 2226216

Declaration regarding compliance by Board members and senior management personnel with the Company's Code of Conduct:

This is to confirm that the Company has adopted a Code of Conduct for its employees, Non-Executive Directors and Executive Directors, which is also available on the Company's website.

I confirm that the Company has, in respect of the financial year ended 31 March 2007, received from the senior management team of the Company and the members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, senior management team means the Chief Financial Officer, the Dy. Company Secretary and other employees in the Executive Vice President cadre on 31March 2007.

Date: 30 July 2007
Place: Baroda

Avinash Manchanda
CEO and Managing Director

Auditors' Report on Corporate Governance

To
The Members,
Asian Oilfield Services Limited,
Baroda.

We have examined the compliance with conditions of Corporate Governance by Asian Oilfield Services Limited, for the year ended 31 March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance with conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuing compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representation made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that, as at 31 March 2007 there were no investors' grievances pending for a period of one month against the Company as per the records maintained by the Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For K. Parikh & Co.
Chartered Accountants

J.O. Parikh
Proprietor
Membership No.12404

Place: Baroda
Date: 30 July 2007

Certificate

To,
The Board of Directors,
Asian Oilfield Services Ltd.
Baroda.

This is to certify that

We have reviewed the financial statements and the Cash Flow Statement for the year and that, to the best of our knowledge and belief:

These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading,

These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations,

There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct

We accept responsibility for establishing and maintaining internal controls and that, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the Audit Committee:

– significant changes in internal control during the year;

– significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

– instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Mohan Akalkotkar
Chief Finance Officer
Asian Oilfield Services Ltd.

Place: Baroda
Date: 30 July 2007

Financial section

Auditors' Report

To,
The Members of
ASIAN OILFIELD SERVICES LIMITED

1. We have audited the attached Balance Sheet of **ASIAN OILFIELD SERVICES LIMITED.**, as at 31 March, 2007 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for opinion.

3. As required by the Companies (Auditors' Report) Order, 2003 issued by the central Government of India in terms of sub-section (4A)of section 227of the Companies Act, 1956,we annex hereto a statement on the matter specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to in paragraph (1) above, we state that :

   a. we have obtained all the information and explanations, which are to the best of our knowledge and belief, were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account ;

   d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting standards referred to in sub - section (3C) of section 211 of company Act, 1956;

   e. On the basis of the written representations received from the directors, as on 31 March, 2007, and taken on record by the Board of Directors, We report that none of the directors of the company are disqualified as on 31 March, 2007 from being appointed as a director, in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 as amended by Companies Amendment Act, 2000.

   f. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

      i) in the case of Balance Sheet, of the state of affairs of the Company as at 31 March, 2007

      ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and

      iii) in the case the Cash Flow Statement, of the cash flows for the year ended that date.

For **K. Parikh & Co.**
Chartered Accountants

J. O. Parikh
Proprietor
Membership No. : 12404

Place: Baroda
Date: 30 July, 2007

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our Report of even date on the accounts of ASIAN OILFIELD SERVICES LIMITED for the year ended 31 March, 2007)

I) a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.

   b) As explained to us, the company has programme of physically verifying all its fixed assets over a period of three years which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. In accordance with this programme, some of the fixed assets were physically verified by the management during the period. Discrepancies noticed on such verification between the physical balances and the fixed assets records were not material and have been properly dealt with in the books of accounts.

   c) The company has not disposed off a substantial part of the fixed assets during the year.

II) a) During the period, the inventories have been physically verified by the management. In our opinion the frequency of the verification is reasonable.

   b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

c) On the basis of our examination of the records of the inventories, we are of the opinion that, the company is maintaining proper records of inventories the discrepancies noticed on physical verification of inventories has compared to book records were not material and have been properly dealt with in the books of accounts.

III) According to information and explanations given to us, the company has neither taken nor granted any loan secured or unsecured from / to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable

IV) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase inventory, fixed assets and with regard to sale of goods during the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control.

v) In our opinion, and according to the information and explanation given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakh or more in respect of any party.

vi) The company has complied with the provisions of the section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of deposits) Rules, 1975 with regard to the deposits accepted from the public.

vii) In our opinion, the company has an adequate internal system commensurate with its size and nature of its business.

viii) We have been informed that the Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.

ix) According to the information and explanations given to us and on the basis of records produced before us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, income tax, sales tax, wealth tax, custom duty, excise duty, Cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as on 31 March, 2007 for a period of more then six months from the date they became payable.

X) The Company has no accumulated losses and have not incurred cash losses in the current financial year and in the immediately preceding financial year.

xi) In our opinion, and according to the information and explanation given to us the Company has not defaulted in repayment of dues to any financial institution or bank. As at the balance sheet date

xii) The company has not granted any loans or advances on the basis of the security by way of pledge of shares, debentures and other securities.

xiii) As the company is not a chit fund/ nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund are applicable, paragraph 4 (xiii) of the Order is not applicable.

xiv) As the company is not dealing or trading in shares, securities, debentures and other investment, paragraph 4(xiv) of the Order is not applicable.

xv) We are informed that during the period, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi) In our opinion, and according to the information and explanation given to us, the terms loan taken by the company has been applied for the purposes for which they were obtained.

xvii) According to the information and explanation given to us and on an over all examination of the balance sheet of the company, we report that during the period short term fund have not been used to finance long term investment and vice versa.

xviii) The company has made preferential allotment of shares and convertible warrants during the period.

xix) The company has not issued debentures during the period.

xx) The company has not raised money by way of public issue during the period.

xxi) On the basis of our examination and according to the information and explanation given to us no fraud, on or by company, has been noticed or reported during the course of audit.

For **K. Parikh & Co.**
Chartered Accountants

J. O. Parikh
Proprietor
Membership No. : 12404

Place: Baroda
Date: 30 July, 2007

Balance Sheet As at 31 March, 2007

(Amount in Rs.)

	Schedule	31.03.2007		31.03.2006	
I SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	1		7,00,71,000		53,571,000
b) Reserve & Surplus	2		7,99,56,920		2,09,43,968
c) Share warrants			32,18,500		–
2. Loan Funds					
Secured Loan	3		3,75,18,299		1,55,53,331
Unsecured Loan	4		–		15,40,233
3. Deferred Tax Liability			12,97,791		19,05,115
Total			19,20,62,510		9,35,13,647
II APPLICATION OF FUNDS					
1. Fixed Assets	5				
a) Gross Block		8,54,53,282		6,96,75,788	
Less: Depreciation		1,80,55,683		3,57,22,082	
		6,73,97,599		3,39,53,706	
Net Block			67397599		3,39,53,706
2. Investments	6		65,447		10,55,447
3. Current Assets, Loans and Advances					
a) Inventories	7	9,32,004		50,335	
b) Sundry debtors	8	18,35,42,699		6,30,66,413	
c) Cash& Bank Balance	9	2,20,82,654		88,61,316	
d) Loans & Advances	10	1,37,74,154		80,90,195	
		22,03,31,512		8,00,68,259	
Less: Current Liabilities & Provisions	11				
Liabilities		6,47,42,920		1,03,89,323	
Provisions		3,09,89,128		1,14,19,282	
Net Current Assets			12,45,99,464		5,82,59,654
4. Miscellaneous Expenditure					
(To the Extent not written off or adjusted)	12		–		2,44,840
Total			19,20,62,510		9,35,13,647
Notes forming part of the Accounts	14				

Schedule 1 to 14 Annexed hereto from part of the Balance Sheet and Profit and Loss Account.

In terms of our report of even date

For **K. Parikh & co.**
Chartered Accountants

For and on behalf of the Board

J. O. Parikh
Partner
Membership No.: 12404

Krishna Kant
Chairman

A. C. Manchanda
Managing Director

Mohan Akalkotkar
Chief Financial Officer

Place: Baroda
Dated : 30 July, 2007

Profit and Loss Account For the year ended 31 March, 2007

(Amount in Rs.)

	Schedule	31.03.2007	31.03.2006
INCOME			
Sales/Services		27,33,33,309	10,34,19,314
Other Income		7,58,347	14,21,107
Gain(loss) on foreign exchange rate		6,79,279	66,485
Interest Income		7,42,214	5,26,193
Profit on sale of assets		4,61,540	
Total A		**27,59,74,690**	**10,54,33,099**
EXPENDITURE			
Cost of Sales & Services			
Increase / Decrease in Stock		(8,81,669)	14,49,884
Operational Expenses		5,94,91,020	3,87,96,558
Contractual Expenses		11,36,04,353	3,96,22,974
Staff Cost		65,30,110	51,95,346
Administration & Other Expenses	13	99,71,498	46,79,133
Finance Cost		49,88,208	22,70,469
Depreciation		65,57,740	34,03,761
Total B		**20,02,61,260**	**9,54,18,125**
Profit before tax (A-B)		**7,57,13,430**	**1,00,14,974**
Less: Provision for Tax			
Current Tax Provisions		2,45,69,000	36,20,000
Fringe Benefit Tax		2,44,061	1,85,083
Net Profit before extra ordinary items		**5,09,00,369**	**62,09,891**
Extra ordinary items		79,46,768	8,82,974
Net Profit after extra ordinary items		**4,29,53,602**	**53,26,917**
Investment Equilisation Reserve		9,90,000	1,10,000
Profit Transferred to General Reserve		**4,19,63,602**	**52,16,917**
Balance Brought forward from Previous year		2,00,60,994	1,48,44,077
Balance carried to Balance Sheet		**6,20,24,596**	**2,00,60,994**
Basic & Diluted Earning Per Share		7.52	1.16

* Exceptional items are long outstanding bad debts which in Management opinion are unrecoverable hence written off

Schedule 1 to 14 Annexed hereto from part of the Balance Sheet and Profit and Loss Account.

In terms of our report of even date

For **K. Parikh & co.**
Chartered Accountants

For and on behalf of the Board

J. O. Parikh
Partner
Membership No.: 12404

Krishna Kant
Chairman

A. C. Manchanda
Managing Director

Mohan Akalkotkar
Chief Financial Officer

Place: Baroda
Dated : 30 July, 2007

Schedules to the Balance Sheet As at 31 March, 2007

(Amount in Rs.)

		31.03.2007	31.03.2006
1 SHARE CAPITAL			
Authorised			
1,00,00,000 Equity Share of Rs. 10/- each		10,00,00,000	7,00,00,000
		10,00,00,000	**7,00,00,000**
Issued, Subscribed and Paid up			
70,07,100 Equity Shares of Rs.10/ each (Previous year 53,57,100 equity shares of Rs.10/- each)		7,00,71,000	5,35,71,000
		7,00,71,000	**5,35,71,000**
2 RESERVES AND SURPLUS			
A. General Reserve			
As per last Balance Sheet		2,00,60,994	1,48,44,077
Transferred from Profit & Loss Account (After appropriation from net profit A/c)		4,19,63,602	62,09,891
Equity Share Premium		1,73,25,000	–
Deferred Tax Liability transfer from		6,07,324	–
		7,99,56,920	2,10,53,968
Less: Transfer to Special Reserve		–	9,92,974
	[A]	7,99,56,920	2,00,60,994
B. Special Reserve			
Reserve for Debtors / Advances		–	8,82,974
	[B]	–	8,82,974
	[A+B]	**7,99,56,920**	**2,09,43,968**
3 SECURED LOANS			
Working Capital Loans from SBI [Against sanction limit of Rs.250 lakhs]		–	1,01,22,483
Term Loan from Bank		3,75,18,299	54,30,848
		3,75,18,299	**1,55,53,331**
4 UNSECURED LOANS			
Deposit from Share holders		–	13,86,331
Deposit from Public		–	1,53,902
		–	**15,40,233**
5 INVESTMENTS			
Trade Quoted			
Arrow Macco (India) LIMITED.		11,00,000	11,00,000
Agro Dutch Industries LIMITED.		3,640	3,640
FDC Limited		3,750	3,750
Ind-Swift Laboratories LIMITED.		5,922	5,922
Neyveli Lignite Corporation LIMITED.		9,555	9,555
Oil Country Tubular LIMITED.		8,925	8,925
Praj Industries LIMITED.		29,492	29,492
Premier Explosives LIMITED.		4,163	4,163
		11,65,447	11,65,447
Less :- Provision in dimunition in value of investments		11,00,000	1,10,000
		65,447	**10,55,447**

Schedules to the Balance Sheet As at 31 March, 2007

(Amount in Rs.)

6 FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2006	Addition	Sale or Transfer	As at 31.03.2007	As at 1.04.2006	Sale or adjustment	For the Year	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land	7,94,750	–	–	7,94,750	–	–	–	–	7,94,750	7,94,750
Building	18,30,194	–	–	18,30,194	3,50,648	–	29,832	3,80,480	14,49,714	14,79,546
Oilfield Equipments	5,94,03,143	4,81,29,898	3,19,89,227	7,55,43,814	3,17,34,551	2,32,61,680	58,15,094	1,42,87,965	6,12,55,849	2,76,68,592
Furniture & fixture	13,65,610	5,500	–	13,71,110	9,04,786	–	85,974	9,90,760	3,80,350	4,60,824
Office Equipments	3,53,657	17,000	–	3,70,657	1,75,277	–	17,011	1,92,288	1,78,369	1,78,380
Vehicles	45,96,327	4,68,866	11,23,373	39,41,820	17,74,186	9,62,459	4,23,621	12,35,348	27,06,472	28,22,141
Computer	13,32,107	2,68,830	–	16,00,937	7,82,634	–	1,86,208	9,68,842	6,32,095	5,49,473
Total	**6,96,75,788**	**4,88,90,094**	**3,31,12,600**	**8,54,53,282**	**3,57,22,082**	**2,42,24,139**	**65,57,740**	**1,80,55,683**	**6,73,97,599**	**3,39,53,706**
Previous Year	6,78,22,386	19,25,099	71,697	6,96,75,788	3,23,18,321	–	34,03,761	3,57,22,082	3,39,53,706	3,55,04,065

	31.03.2007	31.03.2006
7 INVENTORIES		
Stores & Spares	9,32,004	50,335
	9,32,004	**50,335**
8 SUNDRY DEBTORS		
Outstanding for over six months	8,72,459	–
Considered doubtful	–	42,44,278
Other Debts (Considered Good)	18,26,70,240	5,88,22,135
	18,35,42,699	**6,30,66,413**
9 CASH AND BANK BALANCES		
Cash in hand	9,15,308	8,32,893
Bank Balance in Schedule Banks		
Current Accounts	40,36,017	19,53,720
Fixed Deposit (Margin Money)	56,34,767	60,74,703
Cash Credit Account	1,14,96,563	–
	2,20,82,654	**88,61,316**
10 LOANS AND ADVANCES (Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	43,88,475	48,92,501
Deposits	5,07,490	3,60,990
Tax Paid/Deducted at Source	6,53,890	28,36,704
Tax Paid/Deducted at Source (2006-07)	67,24,299	–
Advance Tax	15,00,000	–
	1,37,74,154	**80,90,195**
11 CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Sundry Creditors	4,30,99,393	56,76,000
Other Liabilities	2,16,43,528	47,13,323
	6,47,42,920	**1,03,89,323**
B) Provisions		
Provision for Expenses	64,20,128	77,99,282
Provision for Taxation	2,45,69,000	36,20,000
	3,09,89,128	**1,14,19,282**

Schedules to the Profit and Loss Account For the year ended 31 March, 2007

(Amount in Rs.)

	31.03.2007	31.03.2006
12 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)	–	2,44,840
	–	2,44,840

13 ADMINISTRATION & ESTABLISHMENT EXPENSES		
Travelling	17,29,872	11,82,116
Printing & Stationery	1,84,152	1,19,804
Advertisement	81,630	66,839
Postage & Telegram	1,02,452	46,018
Rent Rate & Taxes	2,47,446	1,75,933
Insurance	8,01,275	2,77,460
Books & Periodicals	5,166	11,255
Office & Other Misc. Expenses	1,31,550	1,46,850
Power Fuel & Electricity	1,15,920	94,070
Auditors Remuneration	60,000	37,500
Other services	36,500	4,320
Bank charges	34,904	12,958
Legal & Professionals Charges	51,71,479	13,80,013
Misc. Expenses Written Off	2,44,840	4,90,024
Directors Sitting Fees	47,000	31,000
General Meeting Exp.	10,053	69,411
Rep. & Maintenance		
Plant & Machinery	2,81,463	1,42,892
Vehicle Maintenance	2,16,448	1,23,538
Tele. Fax, E-Mail & Internet Exp.	4,03,777	2,58,835
Tender Fees	65,571	8,295
	99,71,498	46,79,133

14 NOTES ON ACCOUNTS

1. **Accounting Convention**

   The financial statements are prepared under historical cost convention on accrual basis and comply with accounting standards issued by the institute of Chartered Accountants of India and referred to in section 211 (3C) of the Companies Act, 1956.

   I **Fixed Assets**

   1] Expenditure incurred on improvement or replacement, which in the opinion of The management, is likely to substantially increase in the life of the asset and Future benefits from it, is capitalized.

   2] Expenditure on assets, other than plant & machinery and furniture hired out to employees and at camp offices, is charged to revenue.

   3] Machinery spares that can be used only in connection with an item of fixed Asset and there use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

   II. **Depreciation**

   Depreciation on fixed assets is provided on straight -line method at the rates prescribed in schedule XIV of the companies Act, 1956. Addition/ deletion to fixed assets during the year are being depreciated on Pro rata days basis in which such assets are capitalised / deleted.

   III. **Revenue Recognition:**

   1] In case of contract/job on the basis of physical progress as certified and after adjusting the obligation towards guarantees, warranties and penalties etc. Provided/ negotiated in respective contracts.

Schedules to the Accounts

14 NOTES ON ACCOUNTS

2] Sales made in Us $ converted in Indian Rupee at Prevailing market Rate and included in sales amount

IV. Foreign Exchange Fluctuations:
The transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transactions. Any exchange gain or losses arising out of the subsequent fluctuations are accounted in the Profit & Loss Account.

V Investments:
Long term investments are valued at cost with an appropriate provision for permanent diminution in value.

VI Valuation of Stores / Spares:
Stores and spares are valued at cost price.

VII Loans and Advances:
The Company has written off Rs.88,29,742/- against total debtors of Rs.18,35,42,699/- as which have been bad.

VIII Contingent Liabilities :
Contingent liabilities not provided for in respect of Bank Guarantee issued by Bank, outstanding as on 31 March, 2007 amounting to Rs.2,41,29,535/- and income tax appeal pending before the commissioner of Income Tax as on 31 March, 2007 amounting to Rs. 17,97,289/-.

2. Managerial Remuneration:

(Amount in Rs.)

	Current year	Previous year
Salary and Allowances	26,00,000	26,00,000
Contribution to Provident fund	48,960	48,960

3. Payment to Auditors :

(Amount in Rs.)

	Current year	Previous year
Audit Fees	50,000	30,000
Tax Audit Fees/I Tax Fees	10,000	7,500
Certificate and Other Services	39,000	2,500

4. Segment Reporting :
The Institute of Chartered Accountants of India has issued on Accounting Standard 17 (AS-17) in regard to report on segment Revenue of the enterprise examining the provisions of AS-17. Company is engaged only in the business of providing oilfield services. Hence segment reporting is not required as stated in the report.

5. Related Party transaction:
Related party disclosures, as required by AS-18, "Related Party Disclosures" are given below.

1. Key Management Personnel : Shri Krishnakant - Chairman,
   Shri Avinash Manchanda - Managing Director
2. Relative of Key Management Personnel : Shri Miten Manchanda - Son of Shri Avinash Manchanda
3. The following transactions were carried out with the related parties in the ordinary course of business.

   The Disclosures pertaining to related parties and transactions therewith are set out in the table below:

Nature of Transaction	Key Management personnel		Relative of key Management Personnel		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Remuneration	26,48,960	26,48,960	2,59,542	1,84,248	28,33,208	28,33,208
Interest	2,185	2,185	1,092	1,092	3,277	3,277

Schedules to the Accounts

14 NOTES ON ACCOUNTS

6. **Taxation :**

   Deferred Tax Liability: There is no deferred tax liability for the Current Accounting Year and hence not provided in the Profit & Loss Account.

   Current Tax: The Current tax liability has been worked out as per the provisions of Income tax Act.

7. **Bank Facilities :**

   During the Current Accounting Year, the State Bank of India, Main branch, Baroda, has taken over credit facilities from Central Bank of India, is secured against hypothecation of Plant & Machineries and Office Building. For the said loan two Directors of the Company have given Personal guarantee to the Bank.

8. **Foreign Exchange :**

   The Company has received foreign exchange of Rs. 5,08,24,105/- (Previous Year. Rs.1,12,41,907/-) against this the Company has made payment of Foreign Exchange of Rs. 3,44,61,965/- (Previous Year. Rs.1,25,195/-)

9. Figures of the previous year have been regrouped/rearranged wherever necessary in order to confirm to this year presentation.

10. Figures have been shown in Rupees.

In terms of our report of even date

For **K. Parikh & co.**
Chartered Accountants

For and on behalf of the Board

J. O. Parikh
Partner
Membership No.: 12404

Krishna Kant
Chairman

A. C. Manchanda
Managing Director

Mohan Akalkotkar
Chief Financial Officer

Place: Baroda
Dated : 30 July, 2007

Cash Flow Statement For the year ended 31st March, 2007

(Amount in Rs.)

	2006-2007	2005-2006
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax	**7,57,13,430**	**1,00,14,974**
Adjusted for :		
Depreciation	65,57,740	34,03,761
Miscellaneous Expenditure Written Off	2,44,840	4,90,024
Interest Received	(7,42,214)	(5,26,193)
Finance Cost	49,88,208	22,68,919
Dividend on investment	(744)	(18,65)
Operating Profit/Loss before working Capital Changes	**8,67,61,260**	**1,56,49,620**
Adjusted for :		
(Increase)/Decrease in Debtors	(12,04,76,286)	(2,01,72,936)
(Increase)/Decrease in Inventories	(8,81,669)	14,49,883
Increase/(Decrease) in Trade & Other Payable	7,39,23,443	72,52,224
(Increase)/Decrease in Advances	(56,83,959)	3,33,919
Cash Flow Before Direct Tax	**3,36,42,788**	**45,12,710**
Income Tax payment	(2,48,13,061)	(38,05,082)
Net Cash from Operating Activities	**8829,727**	**7,07,628**
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(4,88,90,094)	(19,25,099)
Purchase of Investment	–	–
Proceed from Sale of Investment	–	14,34,553
Interest Received	7,42,214	5,26,193
Dividend Received	744	1,865
Increase/Decrease in fixed assets	3,31,12,600	71,697
Net Cash From Investing Activities	**(1,50,34,536)**	**1,09,209**
C. CASH FROM FINANCIAL ACTIVITIES :		
Proceed from Borrowing (Net)	2,04,24,735	63,25,098
Finance Cost	(49,88,208)	(22,68,919)
Net Cash Flow from Financial Activities	**15,436,527**	**40,56,179**
D. NET INCREASE/DECREASE IN CASH & CASH EQUIVALENTS A+B+C	**1,32,21,338**	**48,73,016**
Cash & Bank Balances (Opening)	88,61,316	39,88,300
Cash & Bank Balances (Closing)	2,20,82,654	88,61,316

Note:

1) The above Cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash flow Statements, issued by the Institute of Chartered Accountants of India.

In terms of our report of even date

For **K. Parikh & co.**
Chartered Accountants

For and on behalf of the Board

J. O. Parikh
Partner
Membership No.: 12404

Krishna Kant
Chairman

A. C. Manchanda
Managing Director

Mohan Akalkotkar
Chief Financial Officer

Place: Baroda
Dated : 30 July, 2007

Balance Sheet Abstract

1. Registration Details :

Registration No. 17254

State Code : 4

Balance Sheet Date: Date 31, Month 03, Year 2007

2. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue: NIL

Right Issue: NIL

Private Placement: 16500000

3. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities: 192062510

Total Assets: 192062510

Sources of Funds

Paid-up Capital: 70071000

Reserves and Surplus: 79956920

Share Warrants: 3218500

Secured Loans: 37518299

Unsecured Loans: NIL

Deferred Tax Liability: 1297791

Application of Funds

Net Fixed Assets: 67397599

Investment: 1165447

Net Current Assets: 124599464

Miscellaneous Expenditure: NIL

4. Performance of the Company (Amount in Rs. Thousand)

Turnover including other incomes: 275974690

Total Expenditure: 200261260

Profit / Loss before Tax: 75713430

Earning per share (Rs.): 7.52

Dividend Rate (%): NIL

5. Generic Names of Principal Products / Services of the Company

Principal Product: OIL FIELD SERVICES

Item Code No.: N.A.

For and on behalf of the Board

Place: Baroda
Dated : 30 July, 2007

Krishna Kant
Chairman

A. C. Manchanda
Managing Director

Mohan Akalkotkar
Chief Financial Officer

Do not fear to step into the unknown.
For where there is risk, there is also reward.

– Lori Hard

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40.00 m

Corporate information

Board of Directors

Shri Krishna Kant — *Chairman*

Shri Avinash Manchanda — *Managing Director*

Shri N.M. Patel — *Independent Director*

Shri D.E. Ilavia — *Independent Director*

Shri (Dr.) Bhupendra Shah — *Independent Director*

Dy. Company Secretary

Somesh Shastri

Auditors

K. Parikh & Co.
Chartered Accountants
Baroda.

Bankers

State Bank of India

Central Bank of India

UTI Bank Ltd.

Registered Office

7th Floor, B-Wing, Manubhai Tower
Sayajigunj, Baroda – 390 005

Asian Oilfield Services Limited
7th Floor, B-Wing, Manubhai Tower
Sayajigunj, Baroda – 390 005