

Auditors' Report

To
The Members of
Alphageo (India) Limited

1 We have audited the attached Balance Sheet of ALPHAGEO (INDIA) LIMITED ("the Company") as at March 31, 2009, the Profit and Loss Account and also the 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 of material misstatement. An audit includes examining, on a 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 our opinion.

3 As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, (the Act) we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4 Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) 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 these books.

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

iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in Section 211 (3C) of the Act, to the extent applicable.

v) On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Act.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of Balance Sheet of the state of affairs of the Company as at March 31, 2009;
- b) in the case of Profit and Loss Account of the profit for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **P V R K Nageswara Rao & Co.,**
Chartered Accountants

Hyderabad
June 29, 2009

P V R K Nageswara Rao
Partner
Membership No. 18840

Annexure to Auditors' Report

Annexure referred to in Paragraph 3 of Auditors' Report of even date on the Accounts of Alphageo (India) Limited ("the Company") for the year ended March 31, 2009

- 1 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year did not represent substantial part of the fixed assets of the Company, which affect going concern status of the Company.
- 2 (a) As explained to us, survey inventories, representing machinery spares and survey consumables, of the Company have been physically verified at reasonable intervals during the year by the Management.
- (b) 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) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
- 3 (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, the provisions of Clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Order are not applicable to the Company.
- (b) The Company has taken an unsecured loan of Rs.25,00,000 from a party covered under section 301 of the Act during the year.
- (c) In our opinion the rate of interest and other terms and conditions of loans taken from the party covered in the register maintained under section 301 of the Act, are not prima facie prejudicial to the interests of the Company.
- (d) The Company is regular in repayment, where applicable, of principal amount and interest on unsecured loan taken from the party covered in the register maintained under section 301 of the Act.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory representing machinery spares and survey consumables, fixed assets and for the sale of seismic survey and other related services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- 5 (a) According to the information and explanations given to us and as confirmed by the Managing Director and Company Secretary of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, and exceeding the value of Rs.5,00,000/- in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6 According to the records of the Company and as per the information and explanations given to us, the Company has not accepted any deposits from public during the year covered by the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or other relevant provisions of the Act and the rules framed there under. Consequently, the provisions of Clause 4(vi) of the Order are not applicable to the Company.
- 7 As per the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- 8 In respect of this company, maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Act.
- 9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Employee State Insurance, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs

Duty, Excise Duty, Cess and other material statutory dues applicable to it except Income Tax and Service Tax, with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on March 31, 2009 which are outstanding for a period of more than six months from the date they become payable. In respect of Service Tax and Income Tax, representing income tax deducted at source and income tax advance tax where delays have been observed in depositing undisputed dues payable for the year ended March 31, 2009. The estimated arrears of income tax advance tax installment outstanding as on March 31, 2009 for a period of more than six months from the date the same becomes payable is Rs. 180.15 Lakhs, which has been paid subsequently.

(b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess, which have not been deposited on account of any dispute as on 31.3.2009.

- 10 As per the information and explanations given to us and on an overall examination of the financial statements of the Company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
- 11 **According to records of the Company, during the year the Company has defaulted in repayment of interest and installments of principal amount of term loans taken from bank within the due date to the maximum extent of Rs.237.38 lakhs., However, the arrears of interest and principal amount of loan on March 31, 2009 aggregating to Rs.225.36 lakhs have been paid subsequently.**
- 12 As per the information and explanations given to us, as the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities to any body during the year, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- 13 In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Order are not applicable to the Company.

- 14 In our opinion, as the Company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- 15 As per the information and explanations given to us, as the Company has not given any guarantees for loans taken by others from Banks or financial institutions, the provisions of Clause 4(xv) are not applicable to the Company.
- 16 According to the records of the Company, during the year the Company has not raised any term loans and the term loans raised in earlier years have been applied for the purposes for which they were raised in the relevant years.
- 17 As per the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, the funds raised on short term basis during the year have not been used for long term investment purposes.
- 18 As per the information and explanations given to us, as the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act during the year, the provisions of Clause 4(xviii) are not applicable to the Company.
- 19 As the Company has not issued any debentures during the year, which requires the creation of security or charge, the provisions of Clause 4(xix) are not applicable to the Company.
- 20 As the Company has not raised any money by public issues during the year, the provisions of Clause 4(xx) are not applicable to the Company.
- 21 During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and as per the representation given by the Company and relied on by us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.

For P V R K Nageswara Rao & Co.,
Chartered Accountants

Hyderabad
June 29, 2009

P V R K Nageswara Rao
Partner
Membership No. 18840

Alphageo (India) Limited

Balance Sheet As at March 31, 2009

(Amount in Rupees)

	Schedule No.	As at 31.03.2009		As at 31.03.2008	
SOURCES OF FUNDS					
Shareholders' Funds :					
Share Capital	1	5,13,34,340		5,13,34,340	
Share Warrants	2	–		1,61,18,047	
Reserves and Surplus	3	49,13,57,978	54,26,92,318	42,39,21,210	49,13,73,597
Loan Funds :					
Secured Loans	4	11,49,76,112		20,17,66,277	
Unsecured Loans	5	25,00,000	11,74,76,112	–	20,17,66,277
Total		66,01,68,430		69,31,39,874	
APPLICATION OF FUNDS					
Fixed Assets :					
Gross Block	6	105,43,67,321		109,48,63,162	
Less : Depreciation		51,79,17,270		38,97,20,701	
Net Block		53,64,50,051		70,51,42,461	
Deferred Tax Asset/(Liability)	7	1,83,20,086		(82,27,219)	
Net Current Assets					
A. Current Assets, Loans and Advances :					
Inventories	8	24,44,048		34,29,807	
Sundry Debtors	9	20,65,65,437		27,25,67,597	
Cash and Bank Balances	10	3,20,99,213		3,88,30,076	
Other Current Assets	11	1,14,008		2,44,674	
Loans and Advances	12	70,57,189		78,88,711	
		24,82,79,895		32,29,60,865	
B. Current Liabilities and Provisions:					
Current Liabilities	13	8,72,89,617		24,88,73,946	
Provisions	14	5,55,91,985		7,78,62,287	
		14,28,81,602		32,67,36,233	
Net Current Assets	(A-B)	10,53,98,293		(37,75,368)	
Total		66,01,68,430		69,31,39,874	
Significant Accounting Policies	20				
Notes to Accounts	21				

Per Our Report of even date

For and on behalf of the Board of Directors

For P. V. R. K. Nageswara Rao & Co.,
Chartered AccountantsA. Dinesh
Managing DirectorZ. P. Marshall
DirectorHyderabad
June 29, 2009P. V. R. K. Nageswara Rao
PartnerSudhir Kumar
Chief Financial OfficerSachin Guha
Company Secretary

Profit and Loss Account

For the year ended March 31, 2009

(Amount in Rupees)

	Schedule No.	Year ended 31.03.2009	Year ended 31.03.2008
I INCOME :			
Seismic Survey and Related Services Income		63,88,23,857	81,57,38,406
Other Income	15	88,54,017	32,51,233
Total		64,76,77,874	81,89,89,639
II EXPENDITURE :			
Survey and Survey Related Expenses	16	27,72,57,547	35,51,51,974
Employees Cost	17	4,88,51,724	4,63,04,969
Other Expenses	18	3,53,81,156	3,83,58,933
Finance Charges	19	2,38,69,365	3,51,21,464
Depreciation		16,54,34,207	13,85,43,810
Total		55,07,93,999	61,34,81,150
III PROFIT FOR THE YEAR		9,68,83,875	20,55,08,489
Less : Provision for Taxation			
- Current Income Tax		6,23,00,000	8,99,00,000
- Deferred Income Tax		(2,65,47,305)	(1,29,54,119)
- Income tax adjustments of earlier years		10,94,044	10,59,464
		3,68,46,739	7,80,05,345
- Fringe Benefit Tax		4,90,349	10,21,420
Profit After Tax		5,95,46,787	12,64,81,724
Add: Profit brought forward from last year		25,00,54,172	13,88,87,373
		30,96,00,959	26,53,69,097
Less : Appropriations:			
Proposed Dividend		76,79,751	76,79,751
Corporate Dividend Tax		13,05,174	13,05,174
General Reserve		29,80,000	63,30,000
Balance carried to Balance sheet		29,76,36,034	25,00,54,172
IV EARNINGS PER SHARE - Basic (Rs.)		11.63	25.41
- Diluted (Rs.)		11.60	25.41
Face Value of Share Rs.10/- each			
Significant Accounting Policies	20		
Notes to Accounts	21		

Per Our Report of even date

For and on behalf of the Board of Directors

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants

A. Dinesh
Managing Director

Z. P. Marshall
Director

Hyderabad
June 29, 2009

P. V. R. K. Nageswara Rao
Partner

Sudhir Kumar
Chief Financial Officer

Sachin Guha
Company Secretary

Cash Flow Statement For the year ended March 31, 2009

(Amount in Rupees)

	Year ended 31.03.2009	Year ended 31.03.2008
I. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit Before Tax	9,68,83,875	20,55,08,489
Add/Less: Adjustments for :		
Depreciation	16,54,34,207	13,85,43,810
Interest Earned	(36,54,609)	(18,60,410)
Interest incurred	1,95,14,160	3,14,44,173
Dividend Received	–	(1,24,745)
(Profit) /Loss on sale of Investments	–	(41,420)
Bad Debts written off	6,44,160	–
Employee Compensation Costs Written off	7,56,859	–
Provision for Employee Retirement Benefits	3,14,381	75,205
(Profit) /Loss on sale of Fixed assets	(9,38,417)	–
Operating Profit Before Working Capital Changes	27,89,54,616	37,35,45,102
Less: Adjustments for Working Capital Changes:		
Trade and Other Receivables	6,31,75,429	(7,34,82,107)
Inventories	9,85,759	9,24,675
Trade Payables	(5,25,00,821)	2,47,69,906
Cash generated from Operations	29,06,14,983	32,57,57,576
Less: Direct Taxes Paid	8,64,69,076	6,69,07,237
Net Cash Flow from Operating Activities (I)	20,41,45,907	25,88,50,339
II. CASH (USED IN) INVESTING ACTIVITIES :		
Purchase of Investments	–	(4,51,24,745)
Sale of Investments	–	4,51,66,165
Dividend Received	–	1,24,745
Purchase of Fixed Assets	(11,64,61,509)	(19,99,09,665)
Sale of Fixed Assets	1,14,14,723	–
Interest Received	37,85,275	22,58,919
Net Cash (Used in) Investing Activities (II)	(10,12,61,511)	(19,74,84,581)
III. CASH (USED IN) FINANCING ACTIVITIES:		
Proceeds on Issue of Equity Share Capital	–	7,51,40,538
Share warrants Money received	–	2,36,81,790
Share warrants Money refunded/adjusted	(48,290)	(3,50,15,903)
Dividend paid	(76,79,751)	(74,17,401)
Corporate Dividend Tax paid	(13,05,174)	(10,50,489)
Proceeds from Long Term Borrowings	–	–
Repayments of Long Term Borrowings	(8,50,60,000)	(8,11,97,929)
Proceeds from Short Term Borrowings	25,00,000	1,64,90,000
Repayment of Short Term Borrowings	(8,56,959)	(1,73,86,605)
Interest Paid	(2,03,49,360)	(3,17,57,027)
Net Cash (Used in) Financing Activities (III)	(11,27,99,534)	(5,85,13,026)