



WE

IDENTIFY

- ▶ OIL-BEARING ACREAGES.

RESEARCH

- ▶ TERRAINS AND TOPOGRAPHY.

EXECUTE

- ▶ PROJECTS ON A TURNKEY BASIS.

PROCESS

- ▶ DATA.

INTERPRET

- ▶ INFORMATION.

ENABLE

- ▶ CUSTOMERS TO LOCATE OIL.

ENHANCE

- ▶ SHAREHOLDER VALUE.

Asian Oilfield Services Limited
Fifteenth Annual Report, 2007-08

Across the pages

02

About Asian Oilfield
Services Limited

04

From the desk of the
Executive Chairman

08

Interview with Avinash
Manchanda, Managing
Director, Asian Oilfield
Services Limited

10

Our competitive strengths

12

Analysis of key value-
enhancing indicators at
Asian Oilfield

14

Management discussion
and analysis

18

Directors' Report

21

Report on Corporate
Governance

32

Auditors' Report

34

Balance Sheet

35

Profit & Loss Account

36

Schedules and Notes on
Accounts

42

Cash Flow Statement

44

Balance Sheet Abstract

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



The world consumed the first trillion barrels of oil in the last 125 years. It expects to consume a similar quantity in the next 30.

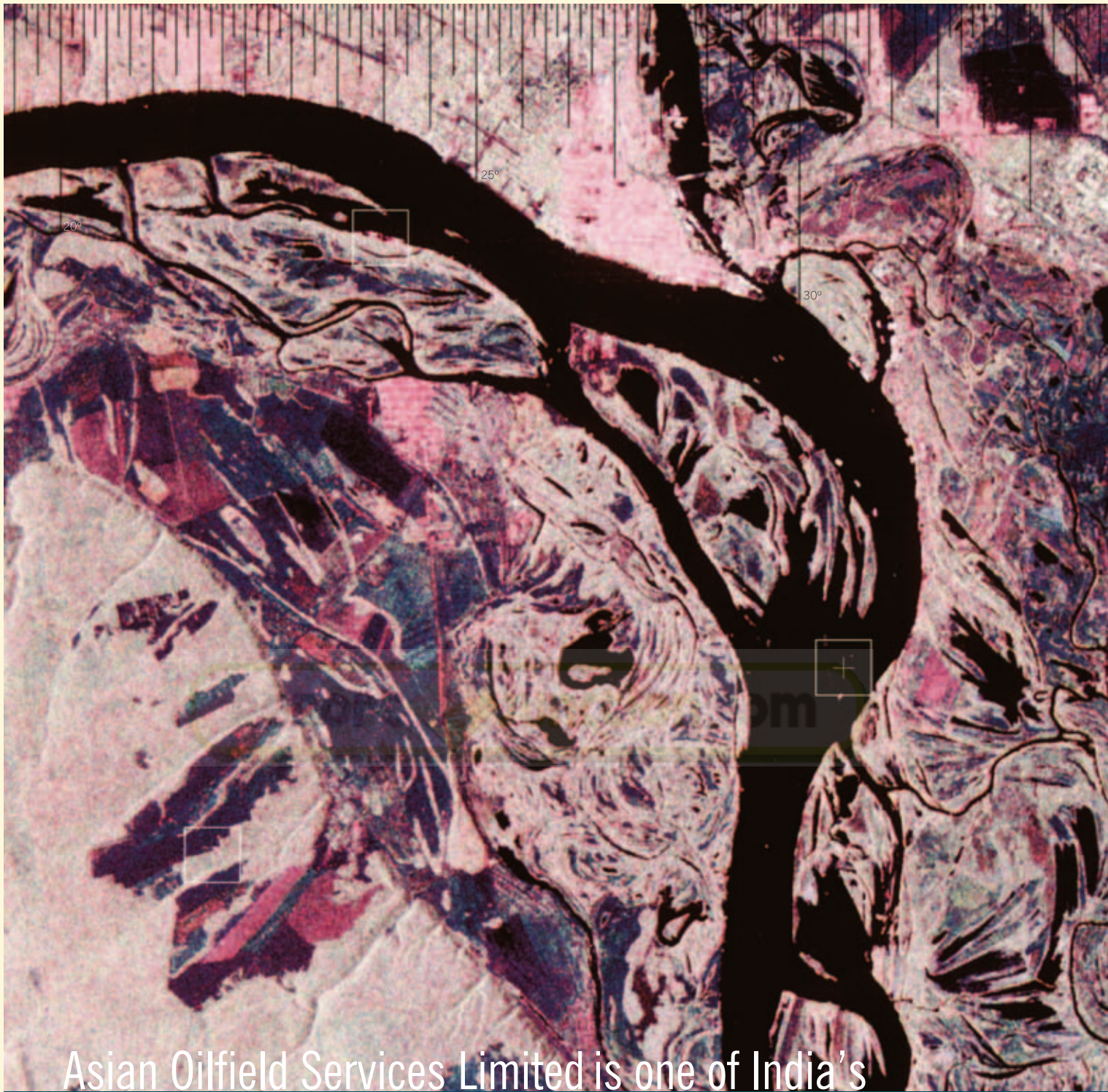
An unprecedented increase in oil demand.

A growing decline in potential oilfields.

The convergence of these two realities represents a strong case for enhanced oil exploration.

As one of India's leading seismic data interpretation service providers with a record order book of Rs 114 cr (30 June 2008), Asian Oilfield Services is attractively positioned to help oil-drilling companies make this a reality.

Result: surety, security and sustainability



Asian Oilfield Services Limited is one of India's leading oilfield services companies. Providing technology, information solutions and integrated project management expertise for the benefit of oil and gas sector customers.

Objective: Locate oil-bearing structures and facilitate reservoir performance optimisation.

Helping customers become more viable. And enhancing its own profitability.

Opportunity

🔗 The global oilfield services market is expected to grow from USD 9.47 billion in 2007-08 to USD 16.19 billion by 2011-12.

🔗 A sizable 263,692 lakh km of 2D seismic work was assigned over the Eleventh Five-Year Plan (Source: Directorate General of Hydrocarbons).

🔗 A massive 108,232 square km of 3D seismic work is to be issued over the Eleventh Plan (Source: Directorate General of Hydrocarbons).

Big picture

🔗 **Vision:** To be among the top three service providers to exploration and production companies in India by 2012.

🔗 **Mission:** To provide end-to-end solutions to national and multinational oil exploration companies.

Business description

🔗 We started operations in 1992 and are headquartered in Vadodara (India).

🔗 We are engaged in the business of seismic data acquisition, processing and interpretation - leveraging a 16-year rich experience.

🔗 We are the first private company to execute seismic survey activities in the harsh terrains of Nagaland and Tripura.

🔗 We currently employ more than 130 people (over 3,000 temporary contractual workers at peak).

Services

🔗 Asian Oilfield provides a comprehensive portfolio of the following 2D and 3D seismic surveys:

- 🔗 Survey pre-planning and design
- 🔗 Survey line positioning and alignment
- 🔗 Pre-shot depth determination
- 🔗 Shot hole drilling
- 🔗 Data acquisition
- 🔗 Data quality control

- 🔗 Seismic data analysis and interpretation

Operational highlights

🔗 During the year under review, we activated a seismic job services contract in the Cauvery basin.

🔗 We expanded our technical and survey teams by adding more than 60 qualified personnel in 12 months.

🔗 We integrated backwards by acquiring shot hole drilling rigs, which will bring a larger number of services under our umbrella, leading to tighter project control.

Financial performance, 2007-08*

🔗 Gross income increased 68.66 percent from Rs 27.33 cr in 2006-07 to Rs 46.10 cr in 2007-08.

🔗 Operating profit grew 70.50 percent from Rs 8.73 cr in 2006-07 to Rs 17.05 cr in 2007-08.

🔗 EBIDTA margin increased 396 basis points from 31.62 percent in 2006-07 to 35.58 percent in 2007-08.

🔗 Post-tax profit surged 124 percent from Rs 4.29 cr in 2006-07 to Rs 9.62 cr in 2007-08.

🔗 Cash profit grew 128.43 percent from Rs 5.75 cr in 2006-07 to Rs 13.13 cr in 2007-08.

🔗 Earnings per share (EPS, basic) improved 30.94 percent from Rs 7.27 in 2006-07 to Rs 9.52 in 2007-08.

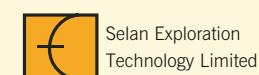
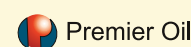
🔗 Net worth enhanced 332.61 percent from Rs 15.33 cr as on 31 March 2007 to Rs 66.30 cr as on 30 June 2008.

🔗 Gross block increased 190.78 percent from Rs 8.55 cr as on 31 March 2007 to Rs 24.85 cr as on 30 June 2008.

🔗 Order book value enlarged 443 percent from Rs 21 cr as on 31 March 2007 to Rs 114 cr as on 30 June 2008.

*2007-08 comprises a 15-month working period

Customers





From the desk of the
Executive Chairman

Dear Shareholders,

I feel privileged to share with you my views of the Company's performance during the financial year under review and some key oil and gas industry developments.

The Indian growth story continued with a GDP growth of 9 percent in 2007-08. India's GDP crossed the USD 1 trillion mark and is projected to feature among the top three global economies by 2050.

Sustaining the growth momentum requires energy security, and much needs to be done in that area given the current scenario. Currently, India imports 80 percent of its crude oil requirements, putting a huge strain on its forex reserves and increasing the current account deficit.

Import content could go as high as 90 percent in the next 20 years without significant augmentation of domestic hydrocarbon supply. This imperative triggered the government's NELP regime and resulted in a drive for searching fresh hydrocarbon reserves. Over 162 blocks were awarded in the last seven years and 57 blocks are up for award in NELP VII. With the recent discoveries in Rajasthan and Cauvery basin, there is much excitement about hydrocarbon discoveries, driving increased investments in exploration-related activities. Seismic data acquisition – the mainstay of the Company – is a major activity in this space.

The year 2007-08 was a momentous one. Your Company won two major orders during the year, taking the peak order book to Rs 140 cr. Your Company also strengthened its balance sheet

considerably, with fund infusion from a private equity player (Samara Capital). We successfully completed our first 3D project and are gearing to bid for more such ventures in the coming year. We also entered the upstream business with an investment in Ensearch Petroleum Ltd, which has a participating interest in 10 blocks spread over four countries. Our employee strength increased significantly and we opened a new office in Delhi, which facilitates an interaction with clients, regulators and vendors.

Revenues of the Company grew by 73% to Rs. 47.93 cr for FY 2007-08 (15 months). The Company achieved an EBDITA and PAT of Rs. 17.05 cr and Rs. 9.62 cr, respectively.

We ended the year with a robust order book that provides us visibility for the next 12 months. As I look forward, I perceive challenges, but we are well on our way to consolidate ourselves as an established oilfield support services player in India.

I take this opportunity to thank you all for your consistent support and patronage. I would also like to sincerely thank our customers, employees, suppliers, financiers and other business associates for their support to the Company, and look forward to your continued assistance.

Sincerely,

Krishna Kant
Executive Chairman
Asian Oilfield Services Limited



Asian Oilfield recording crew at work in Mizoram



Aram Aires equipment and cables laid out at a project site



Asian Oilfield crew conducting shot hole drilling with mechanized drilling rig

Our preparedness:

A robust corporate strategy



At Asian Oilfield, we are in business to help customers enhance the performance of their oil and gas exploration and production operations.

We invested in the following to enhance our effectiveness:

- ✿ Sophisticated technologies to facilitate exploration and production in challenging environments.
- ✿ To do so around one of the lowest cost structures in the world.
- ✿ To offer integrated project management and data interpretation solutions that boost customer competitiveness.

The result of these initiatives is a close integration with client workflow, leading to mutually attractive opportunities for profitable growth.

Our business strategy

A. Widen service portfolio

- ✿ We are planning to enter other oilfield support services.
- ✿ We are actively considering M&A activities to expand our service offerings.

B. Enrich core competence

- ✿ We leverage our low-cost structure to provide outsourced solutions for the global E&P industry.
- ✿ We wish to achieve operational efficiency

by developing every crew as an independent profit centre and benchmarking profitability and efficiency measures.

C. Enhance cost competitiveness

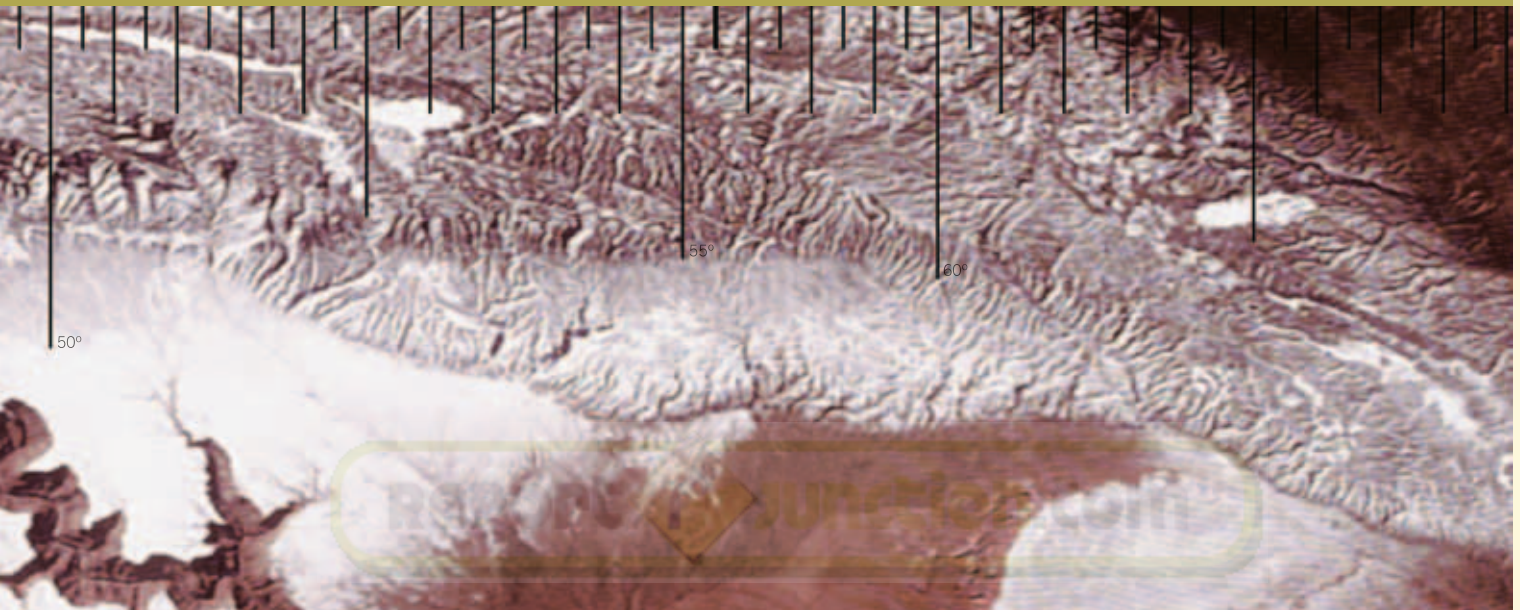
- ✿ We intend to strengthen our core business through technical collaborations and intensified recruitment of experienced intellectual capital.

D. Broaden geographic presence

- ✿ We expect to forge collaborations with foreign companies to bid for larger projects.
- ✿ We propose to enter into strategic tie-ups with E&P companies for assured long-term revenues.

Our strategy:

Climbing the value chain

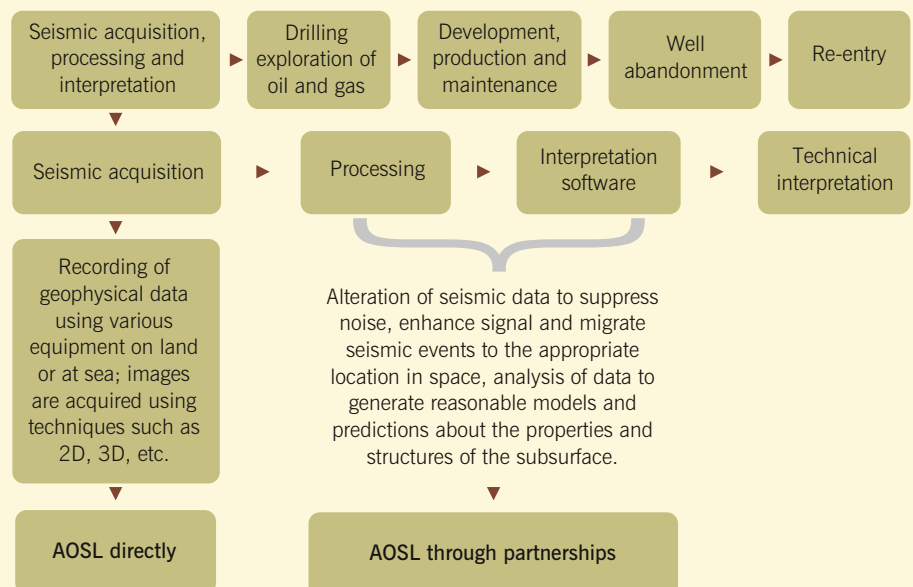


Seismic data interpretation influences operational decisions of customers.

At Asian Oilfield, it was precisely this reason that drove us to integrate across the seismic services value chain. We can accurately synthesise and interpret data, backed by a comprehensive seismic services portfolio and rich intellectual and capital assets.

Thus we help our customers locate oil and gas with timely precision, enhancing their return on investments.

Integrated services in onshore and offshore seismic services



Management's overview



“We have created a robust balance sheet that will make it possible for us to capitalise on sectoral opportunities through asset purchases and strategic acquisitions.”

Interview with Avinash Manchanda, Managing Director, Asian Oilfield Services Limited

Did you do well in 2007-08?

Absolutely! In a business where gross block strength represents competitive advantage, we invested in capital assets. Within only 15 months, we increased our crew strength from one in 2006-07 to four in 2007-08. The result was that we achieved more during this period than we did cumulatively since inception. In an industry where the long-term quest for oil continued to be undeterred by costs across the short-term, we were able to attract contracts from brand-enhancing customers.

This is the result: our asset turnover ratio stood at a healthy 4.9 times in the 15-month period of 2007-08; our turnover jumped 73 percent to Rs 47.93 cr; our net profit surged 95.71 percent to Rs 9.62 cr and our order book value peaked to Rs 140 cr as on 30 June 2008 – with an average liquidation tenure by December 2009.

We reinforced our net worth by 332.61 percent to Rs 66.30 cr (as on 30 June 2008), strengthening our pre-qualification capabilities with reference to large and reputed seismic services projects. I am optimistic that this preparatory foundation building will translate into sure, secure and sustainable growth over the foreseeable future with a difference: we will not only grow bigger, but faster as well.

What were the high points during the period under review?

Until a year ago, we were considered too small to bid for large and reputed projects. However, in 2007-08 we encountered two inflection points: two large orders from ONGC and Oil India, cumulatively valued at Rs 117 cr. Not only did this enhance our corporate visibility for enlisting larger projects, but also attracted some of the best industry talent.

Another significant achievement in 2007-08 comprised the successful completion

of our first 3D contract for GeoEnpro Petroleum - under trying circumstances and within the scheduled deadline. In our business, no achievement speaks more effectively and volubly: this singular accomplishment showcased our capability to conduct complex 3D seismic activities. We also invested strategically in Ensearch Petroleum Pte Limited, a reputed international oil and gas company incorporated in Singapore, owning 10 international hydrocarbon blocks.

Why was an investment in Ensearch the right thing to do?

The Ensearch investment transpired at a point when we were considering bidding in NELP-VI. From a narrow perspective, we considered it important to extend ourselves forward, creating a ‘captive’ customer. From a broader perspective, we considered it important to address the larger value space. As it turned out, Ensearch represented an attractive play for various reasons: it possessed a lucrative international portfolio of 10 strategic assets, comprising two blocks in Nigeria, two in Jordan (Safawi and Sirhan), five in Australia and one in India. As a result, Ensearch did two things for us in one shot – extended us into the larger downstream play and took us international simultaneously.

Ensearch, managed by a successful and highly experienced team of over 150 years, is the operator in four blocks and non-operator in six blocks. Based on provisional results declared by the Directorate General of Hydrocarbons, Ensearch won one block with 10 percent participatory interest in the Cambay basin in NELP-VII rounds concluded in June 2008. Today, Ensearch's net combined acreage covers over 40,000 sq. km, excluding the newly acquired block.

Worth USD 4.99 million, the investment in Ensearch is structured in the form of optionally convertible debentures, the