

The logo for HOVS features the letters 'H', 'O', 'V', and 'S' in a bold, black, sans-serif font. The letter 'O' is a light gray circle with a white center, positioned between the 'H' and 'V'.

HOV SERVICES LIMITED

26th ANNUAL REPORT

PERIOD 2013 - 2014

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CORPORATE INFORMATION

Registered Office & Head office	3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune -411 037 Tel: (91 20) -24231623; Fax: (91 20) -24221470
Registrar & Share Transfer Agent	Karvy Computershare Pvt Ltd., 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 Tel: (91 40) -23420815; Fax: (91 40) – 23420814
Auditors	Lodha & Co., Chartered Accountants, 6 Karim Chambers, 40, Ambalal Doshi Marg, Mumbai – 400 023, Maharashtra, India Tel: (91 22)- 2265 1140; Fax: (91 22)- 2269 1414
VP-Corporate affairs & Company Secretary	Mr. Bhuvanesh Sharma investor.relations@hovsltd.com
Chief Financial Officer	Mr. Sriram Gopalan Iyengar

THE BOARD OF DIRECTORS

Mr. Sunil Rajadhyaksha	Chairman & Executive Director
Mr. Surinder Rametra	Executive Director
Mr. Parvinder S Chadha	Executive Director
Mr. B R Gupta	Independent Director
Mr. Harish Bhasin	Independent Director
Mr. Prakash Shukla	Independent Director

THE EXECUTIVE MANAGEMENT

Mr. James Reynolds	Chief Financial Officer, Global
Mr. Sriram Gopalan Iyengar	Chief Financial Officer
Bhuvanesh Sharma	VP-Corporate Affairs & Company Secretary

Chairman Message:

Dear Member,

I, welcome you to the 26th Annual General Meeting of Your Company.

We have come a long way since the Sub-Prime crises in the US economy, which has been steadily growing. The recent Federal Reserve forecast for 2015 upgrading growth from 3.0% to 3.2% as compared to 2.30% for the year 2014 have been extremely favorable. The continued steady growth in US economy will pave way for more outsourcing opportunities to emerging markets like India & China; two of the world strongest emerging markets.



HOVS will be moving ahead in emerging opportunities both in global and domestic markets alike and continue to deliver services by combining domain expertise and technology. We believe by leveraging our domain experience and significant presence in the rapidly growing health care services, banking and transaction processing services will provide good opportunity to enhance our business spread. The Company believes that such operational structure is fundamental to our value proposition for our future success.

Further, we are very optimistic about our investment made during 2011 via the merger of our indirect subsidiary HOV Services LLC with SOURCE CORP., whereby, HOVS owns 26.2 % of the combined entity called SourceHOV, a provider of end-to-end business process outsourcing solutions with highly customized services as well as specialized knowledge based processing and consulting solutions.

HOV Environment Solutions Private Limited (HOVESPL) is another portfolio company of HOVS, aiming to design and develop advanced solutions for erosion control, environment conservation and infrastructure construction projects. Since 2011, HOVESPL has been executing its project of building artificial reef at Mirya beach, Ratnagiri and at Cochin. Further, HOVESPL has been exploring new projects including prevention of soil erosion on the sideways of the highways in Bangalore and Chandigarh.

On behalf of Company's Board of Directors, I would like to acknowledge and appreciate each and every one of our HOVS family member for their relentless efforts and support.

We look forward the continued support of our shareholders' in the Company. Together we can succeed!

Best Regards and thank you,

Sunil Rajadhyaksha

Chairman & Executive Director

Directors' Report

Your Directors are pleased to present the Company's Twenty- Sixth Annual Report on the Business and Operations of HOV Services Limited (the "Company" or "HOVS") together with the Audited Statement of Accounts for the fifteen months period ended March 31, 2014.

The financial year was changed from calendar year to fiscal year i.e. April to March from April 1, 2014. Accordingly, the current financial statements are prepared for 15 (Fifteen) months period from January 1, 2013 up to March 31, 2014 and therefore, are not comparable to the financial statements of previous year which comprises of the 12 (Twelve) months year ended on December 31, 2012.

FINANCIAL RESULTS AND OPERATIONS:
Rs. In Million

Particulars	Consolidated		Standalone	
	Fifteen months period ended on March 31, 2014	Twelve months year ended on December 31, 2012	Fifteen months period ended on March 31, 2014	Twelve months year ended on December 31, 2012
INCOME				
Income from Operations	173.26	140.20	159.24	113.60
Other Income	10.14	15.58	12.74	14.73
	183.40	155.78	171.98	128.33
EXPENDITURE				
Purchase for resale	-	21.20	-	-
Staff Cost	128.50	96.59	122.17	87.61
General and Administrative Expenses	69.92	36.59	31.72	15.43
	198.42	154.38	153.89	103.04
Profit / (Loss) before Interest, Depreciation and Tax	(15.02)	(1.40)	18.09	25.29
Less: Interest	1.60	-	-	-
Less: Depreciation	9.74	4.99	4.03	3.42
Profit / (Loss) before Tax	(26.36)	(3.59)	14.06	21.87
Tax pertaining to earlier years	0.04	0.70	0.04	0.70
Less: Provisions for taxes				
Current Tax	6.23	7.77	6.23	7.77
Deferred Tax	(1.94)	(0.83)	(0.74)	(0.83)
Profit / (Loss) after Tax	(30.69)	(11.23)	8.53	14.23
Less: Minority Interest	(6.41)	(8.80)	-	-
Profit/(Loss) after minority interest	(24.28)	(2.43)	-	-
Add: Share of Profit / (Loss) from an Associate	(464.50)	51.23	-	-
Profit / (Loss) after Tax & Share of Profit/(Loss) from an Associate	(488.78)	48.80	8.53	14.23

1. RESULTS OF OPERATIONS:**Consolidated Financial Performance**

- Consolidated total Income for the current fifteen months period was Rs. 183.40 million.
- EBIDT for the current fifteen months period was Rs. (15.02) million.
- Net Profit / (Loss) was Rs. (488.78) million.
- The basic and diluted Earnings per share (EPS) for the fifteen months period is Rs. (39.13).

Standalone Financial Performance

- Total Income for the current fifteen months period was Rs. 171.98 million.
- EBIDT for the current fifteen months period was Rs. 18.09 million.
- Net Profit was Rs. 8.53 million.
- The basic and diluted Earnings per share (EPS) is Rs. 0.68 for the period under reporting.

2. Appropriations**(i) Dividend:**

Your Company intends to conserve available resources to invest in the growth of the business and pursue strategic growth opportunities. Accordingly your Directors do not recommend any dividend for the period.

For the fifteen months period ended March 31, 2014 the Company does not have any unpaid dividend meant to be transferred to the Investor Education Protection Fund under Section 205C of the Companies Act, 1956.

(ii) Transfer to Reserve:

No amount was transferred to Reserve during the financial period ended on March 31, 2014.

3. Subsidiary companies

The Company has the following subsidiary companies:

- HOVS LLC incorporated in Delaware under the laws of United States of America;
- HOV Environment LLC incorporated in Nevada State under the laws of United States of America;
- HOVS Holdings Limited incorporated under the Companies Ordinance of Hong Kong; and
- HOV Environment Solutions Private Limited incorporated in Maharashtra under Indian Company Laws.

4. Significant developments

- On March 19, 2013, Citi Venture Capital International ("CVC Private Equity") invested in the SourceHOV as a new equity partner wherein CVC Private Equity purchased all of the ownership interests of affiliates of Apollo Global Management, LLC ("Apollo") and certain minority holders' in SourceHOV. This new partnership positioned SourceHOV for accelerated growth through industry leading advisory formed by a tenured investment team with specialized technology and service industry experience. The HOVS owns an equity interest in SourceHOV.

- ii) On September 6, 2013 HOV Environment Solutions Private Limited (“HOV ESPL”) was made subsidiary of HOV Environment LLC, a subsidiary company of HOVS LLC. HOV ESPL earlier was indirect subsidiary of HOV Services Limited through HOVS Holdings Limited a wholly owned subsidiary (WOS) of HOV Services Limited. The change was made in order to streamline & strengthen execution of operations and work related to environmental projects. Post the change HOV ESPL will continue to be an indirect subsidiary of the Company through HOVS LLC.

5. ADR/GDR

The shareholder’s in their Annual General meeting dated July 21, 2007 granted approval for proposed 15,000,000 of ADR/GDR issue. However, so far none of the underlying equity shares were issued by the Company.

6. Share Capital of the Company

During the quarter ended March 31, 2014 pursuant to the options exercised, 8,500 equity shares were allotted. Consequently after the allotment, the paid up share capital of the Company has gone up from 12,491,022 equity shares of Rs. 10/- each aggregating to Rs. 124,910,220/- to 12,499,522 equity shares of Rs. 10/- each aggregating to Rs.124,995,220/-

Consequently the fully diluted outstanding share capital of the Company as at period ended March 31, 2014, on consolidated basis comprise of 12,499,522 equity shares of Rs. 10/- (Ten only) each.

7. Employee Stock Option Plan (ESOP)

Your Company instituted “HOVS Stock Option Plan 2007” and “HOVS Stock Option Plan 2008” for its employees and for employees of its subsidiary companies as detailed below:

Plan	Shareholder’s Approval Date	No. of Options for employees of the Company	No. of Options for employees of subsidiary companies	Total
“HOVS Stock Option Plan 2007”	July 21, 2007	400,000	700,000	1,100,000
“HOVS Stock Option Plan 2008”	September 30, 2008	0	750,000	750,000

The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed to this report.

8. Conservation of Energy, Technology Absorption, and Foreign Exchange:

Particulars furnished pursuant to Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1998:

Conservation of Energy: Your Company’s operations involve low energy consumption. The Company strives to conserve energy on continuous basis.

Research and Development: The Company has not undertaken any R&D activity in any specific area during the period under review, and hence no cost has been incurred towards the same.

Technology Absorption, Adaptation and Innovation: The Company is constantly developing and adopting modern technologies and standards to grow its competitive advantage, to better serve its clients, retain employees and improve productivity and performance, however during the period no such activities been carried out.

Foreign Exchange Earnings and Outgo: Almost the entire earnings of the Company are from the export of services since the Company has no domestic business. The foreign exchange earnings and outgo is contained in the Note number 20.10 of Notes to the Financial Statements of the Annual Report.

9. Particulars of Employees:

The Company has no employees drawing remuneration in excess of limits specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

10. Human Resources:

During the period the Company had maintained cordial relations with all its employees and has taken utmost care of its employees deployed. All employees are aligned under our value system which propagates and practices being open, transparent and honest, collaborative, honoring commitments and demanding excellence among them.

11. Directors Responsibility Statement:

Information as per Section 217(2AA) of the Companies Act, 1956 is annexed and forms part of the report.

12. Fixed Deposit

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

13. Corporate Governance Report

The Company adheres to Corporate Governance guidelines to fulfill its responsibilities to all its stakeholders i.e. investors, customers, vendors, government, employees. Company believes that good corporate governance enhances accountability and increases shareholder value.

The Company complies with the corporate governance norms as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges and a report thereto is included in annexure to the Directors' report.

14. Management Discussion and Analysis

Management Discussion and Analysis Report for the period under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented as a separate section forming a part of this report.

15. Statutory Auditors

The Statutory Auditors M/s Lodha & Co, Chartered Accountants, Mumbai, hold office till the conclusion of ensuing Annual General Meeting and have expressed their willingness and being eligible to continue, if re-appointed. Your directors recommend their re-appointment. A resolution proposing their appointment at remuneration to be fixed by the Board of Directors is submitted at the Annual General Meeting.

16. Directors

The Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered into with Stock Exchanges, appointed Mr. B R Gupta, Mr. Harish Bhasin and Mr. Prakash Shukla as Independent Directors of the Company.

As per section 149(4) of the Companies Act, 2013 (Act), which came into effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors. In accordance with the provisions of section 149 of the Act, Mr. B R Gupta and Mr. Harish Bhasin, are being appointed as Independent Directors to hold office as per their tenure of appointment mentioned in the Notice of 26th Annual General Meeting (AGM) of the Company. Mr. Prakash Shukla intends not to seek for his appointment.

Mr. Surinder Rametra, Director, retires by rotation and being eligible has offered himself for re-appointment.

None of the Director was materially interested in any contracts or arrangements existing during or at the end of the financial period that was significant in relation to the business of the Company.

17. Subsidiary companies and consolidation of Accounts

As per Section 212 of the Companies Act, 1956, the Company is required to attach the directors' report, auditors' report, balance sheet, and statement of profit and loss, schedules to account and notes to the account of subsidiaries of your Company along with the balance sheet of your Company. However general exemption is granted in terms of General Circular No. 2/2011 and No. 5/12/2007-CI-III dated February 8, 2011, issued by the Ministry of Corporate Affairs under section 212(8) of the Companies Act, 1956 granting general exemption. Your Company is in compliance of the section read with the provisions of the circular and will not be attaching the accounts of the subsidiaries.

The audited annual accounts and related information of subsidiary companies, where applicable, will be kept in the registered office and will be available for inspection, upon request by any of shareholders of the holding and subsidiary companies. A statement showing details on the subsidiary companies as prescribed vide general circular is attached in separate section of this Annual Report.

18. Acknowledgement

Your Directors' place on record their appreciation for co-operation and support received from the Software Technology Parks of India, the Government of India, Government of Maharashtra, Reserve Bank of India, other governmental agencies and NASSCOM and the National Stock Exchange and the Bombay Stock Exchange and, bankers and shareholders during the year.

Your Directors express their sincere appreciation for the efforts made by employees at all levels for their hard work, co-operation and support extended to your Company during the year.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 21, 2014

Sunil Rajadhyaksha
Chairman & Executive Director

Annexure to the Directors' Report
Details of Employees Stock Options as on March 31, 2014.

- i) The details of options granted, lapsed and equity shares issued during the period under **Plan 2007** are as below:

	Plan 2007		Total
	Employees of the Company	Employees of the erstwhile subsidiary Companies	
Approved Options	400,000	700,000	1,100,000
Grant in 2007	141,500	526,000	667,500
Grant in 2008	28,150	217,900	246,050
Grant in 2011	52,500	10,000	62,500
Grant in 2013	115,000	0	115,000
Total Grant	337,150	753,900	1,091,050
Options Lapsed as of March 31, 2014	155,650	703,400	859,050
Equity shares issued and allotted	8,500	0	8,500
Options in force	173,000	50,500	223,500
Balance options available	218,500	649,500	868,000*

*Includes lapsed options eligible for further grants and granted.

- ii) The details of options vested from grants made in different periods under **Plan 2007**:

Details of Options vested from:	Employees of the Company	Employees of the subsidiary	Total
Grant in 2007	4,500	40,500	45,000
Grant in 2008	9,500	-	9,500
Grant in 2011	10,500	2,000	12,500
Grant in 2013	11,500	-	11,500
Total options vested	36,000	42,500	78,500

- iii) Information of grant made to directors and employees under **Plan 2007**:

Options granted date	Directors (A)	Other than Directors (B)	Total (A+B)
July 21, 2007	7,500	640,000	647,500
October 25, 2007	0	20,000	20,000
July 30, 2008	7,500	183,550	191,050
October 8, 2008	0	55,000	55,000
May 27, 2011	30,000	32,500	62,500
February 27, 2013	75,000	40,000	115,000
Total Granted	120,000	971,050	1,091,050
Options lapsed	10250	848,800	859,050
Equity shares Issued on exercise of options	5000	3,500	8,500
Options in force	104,750	118,750	223,500

- iv) The details of options granted under the **Plan 2007** and **Plan 2008** are given in the table.
As of March 31, 2014

		Plan 2007	Plan 2008
a.	Options Granted:	1,091,050	Nil
b.	The Pricing formula:	Closing price of the stock exchange where there is highest trading volume, prior to the date of the meeting of the Compensation & Remuneration Committee in which options are granted.	Nil
c.	Options Vested:	78,500	Nil
d.	Options Exercised:	8,500	Nil
e.	Total number of shares would be arising as a result of exercise of options:	78,500	Nil
f.	Options lapsed:	859,050	Nil
g.	Variation of terms of option:	NA	NA
h.	Money realized by exercise of options:	Rs 2,15,900/-	NA
i.	Total number of options in force:	223,500	Nil
j.	Employee wise details of Options granted to:		
	i. Senior Management personnel	223,500	
	ii. Employee receiving 5% or more of the total number of options granted during the year	Nil	
	iii. Employee granted 1% or more of the issued capital:	Nil	Nil
k.	Diluted EPS on issue of shares on exercise calculated in accordance with AS 20.	Rs.0.68/-	NA

Notes:

- i) No options have been granted under **Plan 2008** so far;
- ii) Options issued to employees at an exercise price not less than closing price of the stock exchange where there is highest trading volume, prior to the date of meeting of the Compensation & Remuneration Committee in which options were granted. The options will vest in a phased manner within five years as 10% in each first to four years and balance 60% at the end of fifth year;

- iii) As per ESOP Plan 2007, options granted shall be capable of being exercised within a period of five years from the date of vesting of the respective employee stock options. The un-exercised vested options will lapse upon the expiry of five years from the respective date of their vesting;
- iv) On February 27, 2013, 115,000 options were granted out of ESOP Plan 2007 as detailed below;

Employees of the Company	40,000
Independent directors: (25,000 options to each of the independent director)	75,000
Total	115,000

- v) The options of all employees of erstwhile subsidiaries which now forms part of SourceHOV LLC whom the options were granted out of the HOVS ESOP Plan 2007 during the year 2007 and 2008 have expired and lapsed as per the ESOP Plan 2007. The Compensation and Remuneration Committee and the Board of Directors in their respective meetings held on February 28, 2014 took note of all such expired and lapsed options.
- vi) On May 21, 2014, 3,000 equity shares were allotted pursuant to the ESOP Plan, 2007.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, your Directors confirmed and state as follows:

- a) That in preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures; and
- b) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 period and of the statement of profit and loss of the Company for that period; and
- c) That the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) That the directors have prepared the annual accounts on a going concern basis.

DECLARATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement with Stock Exchanges, we hereby confirm that for the financial period ended March 31, 2014, the Directors and Senior Management Personnel have complied with the Code of Conduct of the Company as applicable to them.

Place: Mumbai
Date: May 21, 2014

Mr. Sunil Rajadhyaksha
Chairman & Executive Director

Annexure to the Directors' Report

Management Discussion and Analysis Report

Industry Overview-Business Process

The FY 2013-14 was a year where the Indian IT-BPM industry entirely accepted the changing business paradigms, and transformed its business models thoroughly to embark on the growth path of the future. The Decisive elections in India with new Government expected to strengthen the IT-BPM industry in the country.

The business world is rapidly changing, with socio-economic, business and technological megatrends presenting an altered business landscape, and creating significant new opportunities. Global boundaries are rapidly disappearing, and as a result competition for the same set of consumers is intensifying. Winners in this hyper competitive world are increasingly defined by their ability to go digital i.e., leverage data to the fullest to transform into innovative, responsive, agile, creative and customer focused organisations. Client, employee and partner demands are increasingly converging, resulting in new dynamics and in today's business environment, volatility is the new normal.

In FY2014, the Indian IT-BPM industry is estimated to account for revenues of USD 118 billion, with IT-BPM exports are estimated to cross USD 86 billion in FY2014, growing at 13 per cent. While US continues to be the largest geographic market for India, accounting for ~62 per cent, the highlight for the year was revival in demand from Europe, which grew at ~14 per cent in FY2014. BFSI continues to be the largest vertical segment, accounting for over 41 per cent of industry exports; however, emerging verticals such as retail, healthcare, utilities are estimated to grow faster.

At an estimated 1,910 billion, the IT-BPM domestic market is likely to grow by 9.7 per cent in FY2014, at the slowest pace in last 12 years. Slowing economic growth, inflation, rupee volatility, and looming national elections has created an uncertain environment and prompted delayed decision-making from customers, thus impacting IT spending. BPM services growth could be at 11.9 per cent in FY2014 boosted by demand from select customers reverting to outsourcing business process, especially from the BFSI, automotive and retail sectors

Environment Protection Management Solutions

Coastal Erosion and Sea Habitat

The near shore water of India along the 8060 km coastline support lucrative fisheries contributing about 90% of the total marine fish landings of the country. The brackish water ecosystems comprises of 1.7 million hectare in the adjoining coastal zone. However, the same coastline is succumb to soil erosion and is critical to ecosystem of sea habitat. It endangers life of coastal habitat in the form of sea erosion on one end; it also is a source of sea food resource on the other end. Artificial reef installation addresses both these issues with ease. It curtails sea current much ahead of sea shore preventing soil erosion. In addition the high wave created due to reef installation attracts foreign tourists generating revenue to the state.

Soil erosion along road side

Soil erosion protection along the road is basically initiated by the state government on sporadic basis. One of the measures for preventing soil erosion along the road side is plugging of grass. Grasses plugged along the road side holds the soil on which it is grown thus preventing erosion. It also beautifies the stretch by making it greener.

Our Strategy and Differentiation

The Company operate businesses of a) Software and IT Enabled Services; b) Environment solutions through portfolio companies. Company's management has strong domain knowledge and experience of successful leading business ventures in emerging sector. Our key strategy is to identify new opportunities that have the potential to reap good returns. Company intends to leverage on opportunity either by creating a new business model or acquiring existing assets that would assist in achieving the objective. With new initiative by government for soil protection, the Company is thriving on exploring new opportunities.

Technology Innovation

Technology deployment is strategic to growth and effective use of technology to improve operations efficiency will continue to lead to better, faster, and cheaper solutions for clients. The Company is leveraging its global footprint to take advantage of shrinking distances and blur traditional borders bypassed by global, stable, secure network infrastructure all while conforming to international standards. The Company has embark on a technologically efficient process which will enable higher productivity with lower costs.

Financial Performances: Management discussion and analysis on financial performance of the Company for the period under reporting is as under:

Sr. No.	Particulars	On Standalone basis	On Consolidated basis
1	Shareholders' funds	Shareholders' funds Rs. 855.60 million during the period ended March 31, 2014.	Shareholders' funds Rs. 1,683.09 million during the period ended March 31, 2014.
2	Equity & Security Premium:	During the period, Share Capital and Securities Premium were Rs. 124.99 million and Rs. 622.98 million respectively. Presently, HOVS has 12,499,522 equity shares of Rs. 10 each fully paid up.	During the period, Share Capital and Securities Premium were Rs. 124.99 million and Rs. 622.98 million respectively. Presently, HOVS has 12,499,522 equity shares of Rs. 10 each fully paid up.
3	Profit and Loss Account	Retained earnings as at March 31, 2014 amount to Rs. 87.46 million. As at March 31, 2014, HOVS's book value per share increased to Rs. 68.45 per share as compared to Rs. 67.80 per share as at December 31, 2012.	Retained earnings as at March 31, 2014 amount to Rs. (222.16) million. As at March 31, 2014, HOVS's book value per share decreased to Rs. 134.65 per share as compared to Rs. 171.59 per share as at December 31, 2012.
4	General Reserves count	During the period there is no change in amount of reserve from the period ended of previous year ended December 31, 2012 which was Rs. 19.54 million.	During the period there is no change in amount of reserve from the period ended of previous year ended December 31, 2012 which was Rs. 19.54 million.
5	Capital Redemption Reserve (CRR)	During the period there is no change in CRR amount of Rs. 0.63 million which was created on account of buy-back of equity share capital in year 2009.	During the period there is no change in CRR amount of Rs.0.63 million which was created on account of buy-back of equity share capital in year 2009.
6	Non-current Investments	Non-current investments as at March 31, 2014 amount to Rs. 761.58 million as compared to Rs. 736.84 million as at December 31, 2012.	Non-current Investments amount to Rs. 1611.93 million as compared to Rs. 2,051.69 million as at December 31, 2012.

Sr. No.	Particulars	On Standalone basis	On Consolidated basis
7	Fixed Assets	Gross Block as at March 31, 2014 stood at Rs. 33.66 million as compared to Rs. 29.98 million as at December 31, 2012. The corresponding Net Block as at March 31, 2014 is Rs. 10.49 million as compared to Rs. 10.81 million as at December 31, 2012.	Gross Block as at March 31, 2014 stood at Rs. 79.59 million as compared to Rs. 72.17 million as at December 31, 2012. The corresponding Net Block as at March 31, 2014 is Rs. 47.91 million as compared to Rs. 51.43 million as at December 31, 2012.
8	Goodwill	Goodwill as at March 31, 2014 stood as Nil.	Goodwill on consolidation as at March 31, 2014 stood at Rs. 0.04 million
9	Trades Receivables	Net Receivables as at March 31, 2014 amounted to Rs. 28.58 million as compared to Rs. 15.87 million as at end of previous year December 31, 2012. These debtors are considered good and realisable, hence the provision for doubtful debt was not provided for. Trade receivables as a percentage of total revenue is 17.95 % as at March 31, 2014 as against 13.97 % as at December 31, 2012.	Net Receivables as at March 31, 2014 amounted to Rs. 28.80 million as compared to Rs. 41.45 million as at end of previous year December 31, 2012. These debtors are considered good and realisable, hence the provision for doubtful debt was not provided for. Trade receivables as a percentage of revenue is 16.62 % as at March 31, 2014 as against 29.57 % as at December 31, 2012.
10	Non-current Liabilities	Non-current liabilities amount to Rs. 74.87 million as at March 31, 2014 as compared to Rs. 81.92 million as at December 31, 2012.	Non-current liabilities amount to Rs. 74.12 million as at March 31, 2014 as compared to Rs. 81.92 million as at December 31, 2012.
11	Current Liabilities	As at March 31, 2014 current liabilities amount to Rs.30.08 million as compared to Rs. 24.25 million as at December 31, 2012.	As at March 31, 2014 current liabilities amount to Rs.83.40 million as compared to Rs. 106.19 million as at December 31, 2012.
12	Sale of services	For the period ended March 31, 2014, HOVS recorded operating income of Rs. 159.24 million.	For the period ended March 31, 2014, HOVS recorded operating income of Rs. 173.26 million.
13	Operating Profit	Reported profit before exceptional items and tax is of Rs. 14.06 million for the period ended March 31, 2014.	Reported loss before exceptional items and tax is of Rs. 26.36 million for the period ended March 31, 2014.
14	Profit / (Loss) after Tax	HOVS recorded a PAT of Rs. 8.53 million for the period ended March 31, 2014.	Recorded a PAT of Rs. (488.78) million for the period ended March 31, 2014.

Human Resources

The Company considers imperative importance of people in its business and therefore follows open policy and focus on long term career aspirations of the employees. Career and career progress is an open policy drawn up for all levels and there is clarity of growth opportunities within the Company. The employees are encouraged to refer their friends for any positions to be filled. Adequate training is provided in-house facilities at all levels. Employees are informed upon management communications on regular basis through internal portal. The employee relations with the Company remain cordial at all levels and the Management is actively involved in recognizing all exceptional service contribution of individuals. HOVS employee remunerations, rewards and recognition policies are directly linked to performance, incentivizing productivity and efficiency throughout.

The Company pursuant to the section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 had constituted the Internal Complaints Committee (“ICC”) to provide protection against sexual harassment of women at work place and for the redressal of complaints of sexual harassment and for matters connected thereto or incidental thereto.

Internal Controls

There is a well define internal control system in place with adequate check and balances at all levels covering not only financial transactions but to even review all other functions of various departments, viz Purchase, Sales and Operations, Payroll, HR and others, if needed. The internal audit function continuously monitors the effectiveness of internal controls and provides assurance of the adequacy and effectiveness of the internal controls to the Audit Committee and Board of Directors. The reports submitted every quarter is reviewed by the Management and Audit Committee and if needed, corrective actions are taken with action taken report.

Additionally, pursuant to the Clause 49, the Corporate Governance of the listing agreement with stock exchanges, the Company is required to comply with additional standards. These standards include a certification by Company’s Chief Executive Officer and Chief Financial Officer upon the effectiveness and deficiencies of internal controls and the certificate is placed before the Audit Committee meeting every quarter. The Company and its Management have ensured that adequate systems for internal controls commensurate with the Company’s size are in place.

Risk Management

Risk management relates to identification, assessment, monitoring and mitigation of various risks with objective to have minimal adverse impact on the business of the Company. The Management continuously monitors the process with changing risk landscape. The risk categories covered under risk management includes foreign exchange risk, debtor’s risk, investment risk, statutory compliance/payment risk, business risk, quality compliance risk and human resource attrition risk. The Management on continues basis evaluate and monitor each of the categories of risk.

Threats & Risks

- HOVS challenge is to leverage its domain experience and success in current markets it serves, to other rapidly growing markets where HOVS have significant presence.
- The anti-outsourcing legislation in US will impact Indian IT BPO industry at large as companies with significant percentage of visa holding employees will no longer be able to send those employees to work in their customer’s office. Visa fees would also be higher increasing service cost.
- The appreciation/depreciation of the Indian Rupee against the US Dollar can affect margins. The rising inflation and salaries along with high attrition among associates is a threat. This is planned to be offset with increased productivity and increased use of technology to reduce the dependence on manpower.
- Other global companies emerging in India, China and Mexico could have edge on cost factor, a threat by price and margin erosion. Competition from other developing Countries is also a threat. However, HOVS’ root in technology and adherence to existing and emerging standards, delivering the highest quality, global delivery platform enable HOVS to compete well against some deeply entrenched companies.

**ANNEXURE TO THE DIRECTORS' REPORT
REPORT ON CORPORATE GOVERNANCE**

(Pursuant to the Clause 49 of the Listing Agreement with Stock Exchanges)

1. Company 's Philosophy on Corporate Governance

The Corporate Governance is not merely the adherence to the set of regulatory requirements but is a set of good practice of doing right thing in right manner with objective to achieve excellence in business on the principles of Transparency and Accountability. Transparency in terms of business practices which is done in fair and ethical manner and Accountability in terms of responsibility towards environment in which it operates. Thereby increasing shareholders' worth in the long term which can be achieved keeping the interest of shareholders and comply with all rules, regulations and laws.

The Board of Directors and Senior Management of your Company not only adhere to legal obedience of applicable laws but goes deeper confirming to ethical practices across the entire functioning of the Company.

2. Board of Directors

The Board of Directors of your Company along with its Committees provides direction and guidance to the Company's Management and directs, supervise the functioning of the Company. The Board functions either as a full Board or through various Committees constituted to oversee specific operational areas. The Board is entrusted with the task of managing the Company directly or through delegation of authority to executive management which provides the Board detailed reports on its performance periodically. The Board of Directors comprises of members having distinguished experience in various field such as management, finance, technology and strategic planning, with considerable professional expertise and experience in business and industry.

(a) Size and Composition of Board of Directors

The Board has an optimum combination of three executive and three non-executive Directors and presently fifty percent of the Board comprises of independent Directors. All three non executive directors are Independent Directors. The Chairman of the Company is an Executive Director.

(b) Non Executive Directors' Compensation and Disclosures

The Non Executive Directors on the Board of the Company are paid sitting fees for attending the Board Meeting and meetings of the various committees of the Board of Directors. All such fees paid to the Non Executive Directors are fixed by Board of Directors. No compensation is paid to the Non Executive Directors.

The Non Executive Directors have been granted stock options under Employee Stock Option Plan 2007 of the Company. The stock options were issued at latest available closing price of the stock exchange where there is highest trading volume, prior to the date of the meeting of the Compensation & Remuneration Committee in which options are granted.

Details of Stock Options Granted during the fifteen months period to Non Executive Directors:

Sr. No.	Name of Director	Stock Options
1	Mr. B R Gupta	25,000
2	Mr. Prakash Shukla	25,000
3	Mr. Harish Bhasin	25,000

(c) Other provisions related to Board and Committees

The gap between two meetings does not exceed four months. Leave of absence was granted to the Directors as and when requested by them. All the information required to be placed before the Board as per Clause 49 of the Listing Agreement was made available to the Board for their discussion and consideration.

None of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all the companies in which he is director. All the directors have made necessary disclosure regarding committees positions held by them in other companies. None of the directors are having any relation with other directors of the Board.

The composition of Board, attendance at Board meeting during the period under review, number of Directorship, membership and their shareholding in the Company is given below;

Composition of Board of Directors and details of meeting attended:

Name of Director	Category	Board Meetings		Attended Last AGM	Other Directorships/Board Committees (Number)		
		Held	Attended		Director ship	Committee Member ship	Committee Chairman ship
Mr. Surinder Rametra	Promoter Executive	5	3	Yes	1	-	-
Mr. Parvinder S Chadha	Promoter Executive	5	0	No	2	-	-
Mr. Sunil Rajadhyaksha	Promoter Executive	5	5	Yes	6	-	-
Mr. B R Gupta	Non-Executive Independent	5	5	Yes	5	1	3
Mr. Harish Bhasin	Non-Executive Independent	5	5	Yes	1	-	-
Mr. Prakash Shukla	Non-Executive Independent	5	0	No	4	-	-

The details of Board Meetings held during the fifteen months period ended March 31, 2014 are as under:

Sr. No.	Date of Board Meetings	Board Strength	No. of Directors Present
1	February 27, 2013	6	4
2	May 15, 2013	6	4
3	July 17, 2013	6	3
4	November 12, 2013	6	3
5	February 28, 2014	6	4

Details of Remuneration of all the Directors:

Sr. No.	Name of Director	Salary & Perquisites Rs.	Bonus/ Commission	Sitting Fees Rs.	Stock Options
1	Mr. Surinder Rametra	54,00,000	Nil	Nil	Nil
2	Mr. Parvinder S Chadha	54,00,000	Nil	Nil	Nil
3	Mr. Sunil Rajadhyaksha	60,00,000	Nil	Nil	Nil
4	Mr. B R Gupta	Nil	Nil	3,20,000	25,000
5	Mr. Harish Bhasin	Nil	Nil	3,20,000	25,000
6	Mr. Prakash Shukla	Nil	Nil	Nil	25,000

Notes:

- 1) The Company has not entered into any pecuniary relationship or transaction with the Non-Executive Directors.
- 2) The remuneration and sitting fees amount in above table is for 15 months period from January 1, 2013 to March 31, 2014.
- 3) The shareholder's in their Annual General Meeting held on August 3, 2011 has approved the re-appointment of all Executive Directors as whole-time directors of the Company for the period of five years w.e.f. April 1, 2011 to March 31, 2016 with a monthly remuneration of Rs. 400,000/- payable to each of the whole-time directors. The re-appointment was approved by the Central Government vide letters dated October 13, 2011 for period of five years w.e.f. April 1, 2011 to March 31, 2016 with a monthly remuneration of Rs. 400,000/- payable to each of the whole-time directors. However, the remuneration payable was approved only for three years period ended on March 31, 2014. The Company has filed application on March 21, 2014 to Central Government seeking approval for same amount of remuneration payable to all three executive directors for remaining period of two years ending on March 31, 2016 and approval is awaited from Ministry of Corporate Affairs.

3. Audit Committee

The Company has set-up an Audit Committee pursuant to requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. 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.

Majority of the Members of the Audit Committee, including the Chairman of the Committee have accounting and financial management expertise. Mr. B R Gupta, who was the Chairman of the Audit Committee at the time of previous Annual General Meeting, and has attended the Annual General Meeting of the Company, held on May 18, 2013. Mr. B R Gupta has over 51 years of rich & versatile experience in Insurance, Investment and Financial Services Sector.

The Chairman of the Company, Statutory Auditors, and Chief Financial Officer attend the meetings of the Audit Committee as invitees. Mr. Bhuvanesh Sharma, VP-Corporate Affairs & Company Secretary also acts as Secretary to the Audit Committee.

The composition of Audit Committee is as follows:

Name	Designation/Category
Mr. B R Gupta	Chairman (Independent Director)
Mr. Harish Bhasin	Member (Independent Director)
Mr. Prakash Shukla	Member (Independent Director)
Mr. Surinder Rametra	Member (Executive Director)

The details of Audit Committee Meetings held during the fifteen months period ended March 31, 2014 are as under:

Sr. No.	Date of Committee Meetings	Committee Strength	No. of Members Present
1	February 27, 2013	4	3
2	May 15, 2013	4	3
3	July 17, 2013	4	2
4	November 12, 2013	4	2
5	February 28, 2014	4	3

4. Compensation & Remuneration Committee

The Company has set-up a Compensation & Remuneration Committee, pursuant to the requirements of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) and as per Clause 49 of Listing Agreement (s) with the Stock Exchanges.

The Committee comprises of Mr. Harish Bhasin, Mr. B R Gupta and Mr. Prakash Shukla, all Independent Directors with Mr. Harish Bhasin as Chairman of the Compensation & Remuneration Committee.

The scope of work of the Committee includes:

- Make recommendation for the appointment of directors on the Board.
- Recommend compensation payable to the executive directors.
- Review of HR Policies/initiatives & senior level appointments.
- Administer and supervise Employees Stock Option Schemes.

The Committee meets as and when required and during the fifteen months period under review the meetings of the Committee were held on February 27, 2013, May 15, 2013, November 12, 2013 and February 28, 2014.

The above committee has been named as Nomination and Remuneration Committee pursuant to the provisions of Section 178 of the Companies Act, 2013 in the meeting of Board of Directors held on May 21, 2014.

5. Investor Grievances Committee

The Company has set-up an Investor Grievances Committee comprising of Mr. Harish Bhasin, Mr. B R Gupta and Mr. Sunil Rajadhyaksha as member and Mr. B R Gupta being the chairman of the Committee.

The Committee looks into the matters relating to redressal of shareholders and investors complaints such as transfer of shares, non-receipt of Annual Reports, non-receipt of dividend declared, etc and other matters as required under clause 49 of listing agreement.

The Investor Grievances Committee had authorized Mr. Bhuvanesh Sharma, VP –Corporate Affairs & Company Secretary to overview the task of investor’s servicing and redress their grievances by having fortnightly review calls to take care of requirements related to shareholders queries, re-materialization of shares, issue of duplicate share certificates, issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, split/consolidation of share certificates and any other matter as and when received from the shareholders of the Company and maintain the records thereof. The meetings of the Committee during the fifteen months period were held on May 15, 2013 and November 12, 2013.

During the fifteen months period under review **one (1)** investor’s complaint was received and was satisfactorily resolved/ replied, and no complaint/request is pending as on March 31, 2014.

The above committee has been named as Stakeholders Relationship Committee pursuant to the provisions of Section 178 of the Companies Act, 2013 in the meeting of Board of Directors held on May 21, 2014.

6. Other Committees Constituted by the Board

The details of other committees of the Board of Directors are as below;

- a) Investment /Acquisition Committee with following members;
B R Gupta; Harish Bhasin; Surinder Rametra; Sunil Rajadhyaksha
- b) Capital Committee with following members;
Parvinder S Chadha; Surinder Rametra Sunil Rajadhyaksha

7. General Body Meetings

- a) The details of last three Annual General Meetings held are as under:

Year	Location	Date	Time	Special Resolutions passed
2010-11	Le Meridien, Raja Bahadur Mill Road, Pune-411001	August 3, 2011	11:00 AM	Yes
2011-12	Le Meridien, Raja Bahadur Mill Road, Pune-411001	June 23, 2012	10:00 AM	No
2012	Le Meridien, Raja Bahadur Mill Road, Pune-411001	May 18, 2013	11:00 AM	No

- b) Extra Ordinary General Meeting: No Extra Ordinary General Meeting was held during the period.
- c) No Postal ballot was conducted during the period.

8. Subsidiary Companies

The Company does not have any material non-listed Indian Subsidiary companies, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the Consolidated turnover or net worth respectively, of the Company.

The major updates about the unlisted subsidiary companies are regularly presented to the Audit Committee and the Board in addition to the following key points which are taken up in the audit committee/ board meeting of subsidiaries.

- i) Minutes of all the meetings of the subsidiary companies held between two board meetings; and
- ii) General update on business of subsidiary companies.

9. Disclosures Requirements

- i) The detailed Management Discussion and Analysis Report are given separately in the Annual Report.
- ii) SourceHOV LLC, was accounted for using the equity method in terms of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial statements". The Company has an equity interest in SourceHOV LLC.
- iii) In November 2011, HOV Environment Solutions Private Limited (the "HOV ESPL") was set up as an indirect subsidiary of the Company, to design and develop advanced solutions for solving problems related to erosion control, soil stabilization, environment conservations and protection solutions.
- iv) In April 2011, the Company completed merger of its indirect subsidiary HOV Services LLC with Sourcorp Inc, the combined entity emerged as SourceHOV Inc. For this accomplishment the Company in March 2011 merged its indirect subsidiary HOV Services LLC with HOVS Corp (which was then a step down subsidiary of HOV SPV LLC), which as per Reserve Bank of India (RBI) ought to be done by its approval. As there was no approval taken, RBI imposed a compounding fee Rs. 35,78,000/- in February 2014 and the same was duly paid to RBI.
- v) No dividend was declared during the fifteen months period ended March 31, 2014.
- vi) Dividend history for the previous four years is as under:

Financial Year	Dividend	Dividend %	Amt of Dividend Rs. Crore
2009-10	Interim	20	2.498
	Final	20	2.498
2010-11	1st Interim	20	2.498
	2nd Interim	20	2.498
	3rd Interim	20	2.498
	Final	20	2.498
2011	NIL	NIL	NIL
2012	NIL	NIL	NIL
2013-14	NIL	NIL	NIL

- vii) There are no materially significant related party transactions which may have potential conflict with the interest of the Company at large.
- viii) The Company was not subject to any non-compliance and no penalties or strictures were imposed on the Company by Stock Exchanges, SEBI or any statutory or other authority on any matters relating to capital markets, during the last three years, except penalties levied by Stock Exchanges in February, 2014 in respect of delay in submission of results to the Stock Exchanges for the quarter ended December 31, 2013 by 12 days due to change in year end from calendar year to Financial year in compliance with the provisions of the Companies Act, 2013.
- ix) The Company does not have any Whistle Blower Policy in force.
- x) The Company has complied with all the mandatory requirements of Clause 49 of Listing Agreements.
- xi) The Company has complied with non-mandatory requirement of Clause 49 of Listing Agreements relating to Compensation & Remuneration Committee.
- xii) Shareholding of Directors as on March 31, 2014 is as below:

Sr. No.	Name of Director	Number of shares held
1	Mr. B R Gupta, Independent Director	2,500
2	Mr. Harish Bhasin, Independent Director	2,500
3	Mr. Prakash Shukla, Independent Director	17,132
4	Mr. Surinder Rametra, Executive Director	120,000
5.	Mr. Sunil Rajadhyaksha, Chairman & Executive Director	588,720

- xiii) Pursuant to clause 5A in listing Agreement as per SEBI notification no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009 the details in respect of the shares lying in the suspense account till March 31, 2014 is as under.

Description	No. of Cases	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year:	4	341
Number of shareholders who approached issuer for transfer of shares from suspense account during the year:	0	0
Number of shareholders to whom shares were transferred from suspense account during the year:	0	0
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year:	4	341

All the unclaimed shares are being credited to a DEMAT suspense account and all the corporate benefits in terms of securities, accruing to on these unclaimed shares shall be credited to such account. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

10. Means of Communications

The Company communicates through Quarterly Results and filings with stock exchanges. The financial results are generally published in local/ regional news papers, financial and other national papers that include Free Press Journal, Mumbai, Navshakti Mumbai, Loksatta, Pune, (regional newspaper), Economics Times, Financial Express and more.

The Company's periodic financial results as well as official news releases and presentations are made available to the institutional investors and analysts and are displayed on the web site of the Company at www.hovsltd.com.

All the information about the Company is promptly sent through facsimile, email and also posted to the Stock Exchange where the shares of the Company are listed and are released to press, where ever required, for information of public at large and is available on the Company's website.

The Company has taken up "Green Initiative in the Corporate Governance" for paperless compliances as per circular issued by the Ministry of Corporate Affairs ("MCA") on April 21, 2011, which provides for service of document by a company through electronic mode.

The Company will make the communication in electronic form to the e-mail address provided by member and made available to Company and R&T agent of the Company by the Depositories. Therefore, it is requested to register/ provide/update your e-mail address with Depositories and with the R&T Agent of the Company on the email id hov.cs@karvy.com created for the purpose.

11. Non-Mandatory Requirements

The Board has set up Compensation & Remuneration Committee and other Committees, the details of which are furnished at Point No. 4 and 6 of this report.

12. Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certifications

As per the requirement of Clause 49 of the Listing Agreement, a certificate duly signed by CEO and CFO of the Company was placed at the meeting of Board of Directors of the Company held on May 21, 2014.

13. General Shareholder Information**a). Details of ensuing AGM:**

Day and Date	Time	Venue
Saturday the July 26, 2014	11:00 AM	Le Meridien, Raja Bahadur Mill Road, Pune-411001

b). Financial Year: April to March**c). Financial Calendar for the Financial Year 2014-15:**

Schedule of the Board Meetings for declaration of Financial Results (tentative and subject to change):

Quarter End	Date
1 st Quarter Results	On or before August 14, 2014
2 nd Quarter Results	On or before November 14, 2014
3 rd Quarter Results	On or before February 14, 2015
4 th Quarter Results (Audited)	On or before May 30, 2015

d). Date of Book Closure: July 21, 2014 to July 26, 2014 (both days inclusive)**e). Dividend payment date: No dividend was declared during the fifteen months period ended March 31, 2014.**

f). **Listing:** The shares are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)

g). **Listing on Stock Exchanges and Codes:**

	NSE	BSE
Exchange Code	HOVS	532761

ISIN No. in NSDL & CDSL: INE596H01014

h) **Market price data:**

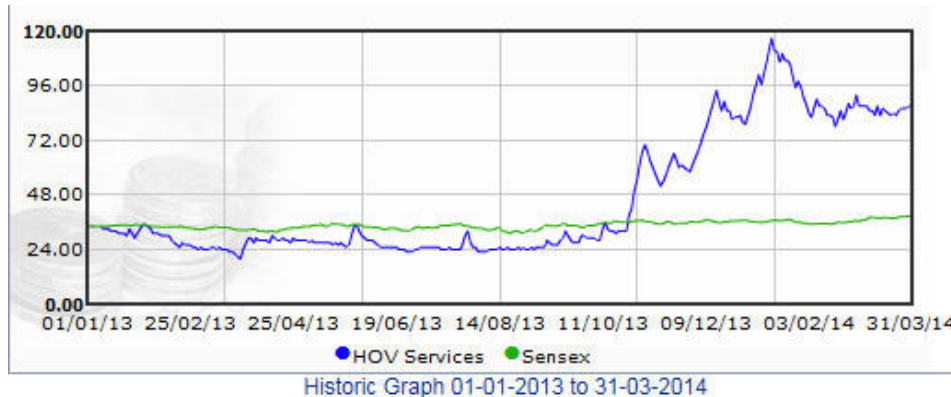
Monthly highs, lows and trading volume for period ended March 31, 2014 is as below:-

Month	NSE			BSE			Total Trade Quantity
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
Jan-13	36.00	28.15	8,07,167	36.25	29.25	4,33,967	12,41,134
Feb-13	35.60	23.60	2,07,146	35.35	23.90	1,06,053	3,13,199
Mar-13	30.40	20.00	4,71,252	29.90	20.00	2,58,451	7,29,703
Apr-13	31.50	26.05	2,39,488	30.30	26.30	70,894	3,10,382
May-13	35.40	24.00	8,04,447	35.50	24.15	4,62,072	12,66,519
Jun-13	32.00	22.60	1,01,259	29.70	22.00	43,114	1,44,373
Jul-13	35.90	22.90	5,87,868	34.40	23.05	2,74,260	8,62,128
Aug-13	25.60	21.50	1,25,197	25.00	21.70	62,051	1,87,248
Sep-13	33.60	23.90	7,41,772	33.35	24.10	2,55,363	9,97,135
Oct-13	54.90	27.70	23,53,893	55.10	27.80	9,65,459	33,19,352
Nov-13	72.70	48.80	10,33,173	73.40	48.95	7,29,370	17,62,543
Dec-13	96.90	60.45	4,75,567	97.50	60.60	4,75,581	9,51,148
Jan-14	121.60	83.40	6,64,208	122.00	82.80	4,40,061	11,04,269
Feb-14	93.70	74.50	2,62,225	93.90	75.50	1,90,642	4,52,867
Mar-14	93.70	80.05	4,69,051	96.25	80.00	2,55,090	7,24,141

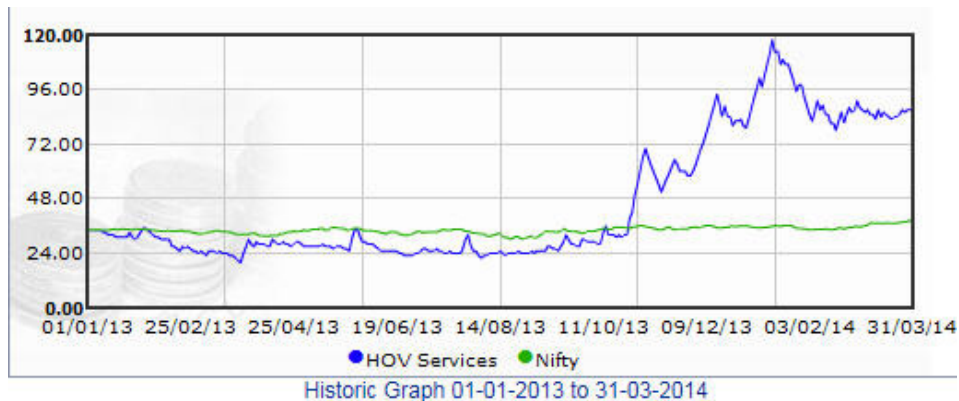
HOV Services Limited's Share prices versus the NSE Nifty

The Chart herein below shows the comparison of the Company's share price movement vis-à-vis the movement of BSE Sensex and NSE Nifty:

HOVS vis-à-vis BSE Sensex:



HOVS vis-à-vis NSE Nifty:



i) Registrar and Share Transfer Agent

Karvy Computershare Pvt. Ltd.
17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500081

j) Share Transfer System

Shareholders/Investors are requested to send share transfer related documents directly to our Registrar and Share Transfer Agent. If the transfer documents are in order, the transfer of shares(s) will get registered within 15 days of receipt of transfer documents by our Registrar and Share Transfer Agent. The Company's R&T agent has expertise and effective systems for share transfers.

k) Distribution of Shareholding as of March 31, 2014

i) Distribution of Shares according to size of holding:

Number of Shares	Shareholders		Share Amount	
	Cases	% of Cases	Amount	% Amount
upto 1 - 5000	7,653	89.28	8,577,800.00	6.87
5001 - 10000	381	4.45	3,103,730.00	2.48
10001 - 20000	221	2.58	3,472,560.00	2.78
20001 - 30000	78	0.91	2,002,110.00	1.60
30001 - 40000	58	0.68	2,065,430.00	1.65
40001 - 50000	38	0.44	1,765,180.00	1.41
50001 - 100000	63	0.74	4,571,500.00	3.66
100001 & ABOVE	79	0.92	99,436,910.00	79.55
Total:	8,571	100.00	124,995,220.00	100.00

ii) **Distribution of Shares by Shareholders Category:**

Sr.No	Shareholder Category	No. of shareholders	Shares Held	Voting Strength
1	Clearing Members	49	23,584	0.19
2	Foreign Institutional Investor	2	11,243	0.09
3	Foreign Nationals	4	526,233	4.21
4	HUF	309	164,539	1.32
5	Bodies Corporates	261	2,033,785	16.27
6	Non Resident Indians	84	263,662	2.11
7	Company Promoters	7	6,189,079	49.51
8	Resident Individuals	7,855	3,287,397	26.30
	Total:	8,571	12,499,522	100.00

iii) **Top Ten Shareholders as of March 31, 2014**

Sr.No	Name	Shares	% Equity	Category
1	Adesi 234 LLC	3,000,985	24.01	PRO
2	HOF2 LLC	1,667,933	13.34	PRO
3	Chitale LLC	904,274	7.23	LT1
4	Stern Capital Partners LLC	694,246	5.55	PRO
5	Sunil Vasant Rajadhyaksha	588,720	4.71	PRO
6	EINDIA Venture Fund Limited	476,506	3.81	LTD
7	Dr. Xin Cheng	223,950	1.79	FN
8	Richard B Hunter	148,817	1.19	FN
9	Surinder Rametra	120,000	0.96	PRO
10	Keshav Bansal	100,000	0.80	PUB

l) **Dematerialization of shares and liquidity**

The shares of the Company are tradable both in dematerialization (electronic) as well as physical form and are available for trading under both depository systems in India-CDSL & NSDL. 96.47 % of the Company's shares are held in electronic form as on March 31, 2014.

m) **Outstanding GDRs/ADRs/Warrants/Convertible instruments and their impact on the equity shares**

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments, and hence there are no other particulars to be given under this head. None of the underlying equity shares were issued against 15,000,000 number of ADR/GDR previously approved by the Company.

n) Plant/Office Locations

As the Company is engaged in Business Process Outsource (BPO) Industry, it does not have Plant. The Key facilities in India and USA are listed below:

India Office:	Global office:
3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune 411037	8550 W Desert Inn Rd Sute 102452 Las Vegas, NV 89117-2119

o) Name, Designation and Address of Compliance officer for communication**Bhuvanesh Sharma**

VP – Corporate Affairs & Company Secretary

3rd Floor, Sharda Arcade,

Pune Satara Road,

Bibwewadi, Pune 411037

Maharashtra, India

Tel: (91 20) 2423 1623

Fax: (91 20) 2422 1460

E-mail: investor.relations@hovsltd.com

Website: www.hovsltd.com

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of,
HOV Services Limited

We have examined the compliance of conditions of Corporate Governance by HOV Services Limited ("the Company"), for the fifteen months period ended on March 31, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements 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 representations given by the management of the Company, we certify that the Company has generally complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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.

Mumbai,

May 21, 2014

For Lodha & Company
Firm Registration No. 301051E
Chartered Accountants

A.M. Hariharan
Partner

M. No. 38323

INDEPENDENT AUDITORS' REPORT

To

The Board of Directors of HOV Services Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **HOV Services Limited** ("the Parent Group") its subsidiaries and an associate collectively referred to as 'the Group, which comprise the consolidated Balance Sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the fifteen months period then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the other auditors on the financial statements of the subsidiaries and associate as noted below, the consolidated financial statements 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 the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- (b) in the case of the consolidated statement of Profit and Loss, of the loss of the Group for the period ended on that date, and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

Other Matters:

- (a) We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 92,080,246 as at March 31, 2014 (as at December 31, 2012 Rs. 95,290,259), total revenues of Rs. 14,169,418 for the fifteen months period ended March 31, 2014 (Rs. 26,659,971 for the year ended December 31, 2012).
- (b) We did not audit the financial statements of an associate whose financial statements reflect net loss after tax of Rs.1,685,460,742 for the period from January 1, 2013 to December 31, 2013 (net profit after tax of Rs. 188,354,135 for the year ended December 31, 2012) being consolidated under the equity method.

The above financial statements have been audited by other auditor whose report have been furnished to us by the Management, and our opinion is based solely on the reports of the such other auditors. Our opinion is not qualified in respect of this matter.

For LODHA & COMPANY

Chartered Accountants

Firm Registration No. 301051E

A.M. Hariharan

Partner

Membership No. 38323

Mumbai

May 21, 2014

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

(Amount in Rs.)

	Note No.	As at March 31, 2014	As at December 31, 2012
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	1	124,995,220	124,910,220
Reserves and surplus	2	1,558,099,265	2,018,467,028
2 Minority Interest		4,703,931	10,165,078
3 Non-current liabilities			
Long-term borrowings	3	74,117,394	80,032,917
Deferred Tax Liabilities (net)	9	-	1,884,053
4 Current liabilities			
Short term borrowings	4	22,932,285	-
Trade payables		13,674,427	28,469,115
Other current liabilities	5	38,511,803	69,324,871
Short-term provisions	6	8,286,033	8,394,502
TOTAL		1,845,320,358	2,341,647,784
II. ASSETS			
1 Non Current Assets			
Fixed Assets			
Tangible Assets	7	32,029,661	32,546,485
Intangible Assets		15,879,281	18,883,464
Goodwill on consolidation		38,000	38,000
Non-Current investments	8	1,611,926,534	2,051,691,454
Deferred Tax Assets (net)	9	57,407	-
Long-term Loans and Advances	10	4,599,470	4,599,470
Other Non-Current Assets	11	31,327,519	32,653,824
2 Current Assets			
Trade Receivables	12	28,803,468	41,452,000
Cash and Bank Balances	13	84,136,910	143,061,483
Short Term Loans and Advances	14	14,075,310	7,661,985
Other Current Assets	15	22,446,798	9,059,619
TOTAL		1,845,320,358	2,341,647,784
Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements		21 & 22	

As per our attached report of even date

 For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
Partner

Sunil Rajadhyaksha
Chairman & Executive Director
(DIN: 00011683)

Parvinder S Chadha
Executive Director
(DIN: 00018468)

Surinder Rametra
Executive Director
(DIN:00019714)

 Place: Mumbai
Date: May 21, 2014

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

Sriram Iyengar
Chief Financial Officer

**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE FIFTEEN MONTHS PERIOD
ENDED MARCH 31, 2014**

(Amount in Rs.)

Particulars	Note No.	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
I Revenue from operations	16	173,261,767	140,196,812
II Other income	17	10,138,590	15,578,638
III Total Revenue (I + II)		183,400,357	155,775,450
IV Expenses			
Purchases for resale	18	-	21,198,553
Employee Benefits Expense	19	128,504,362	96,587,734
Depreciation and Amortization Expense	7	9,744,986	4,992,910
Other Expenses	20	69,920,166	36,591,602
Finance Costs		1,597,966	-
V Total Expenses		209,767,480	159,370,799
VI Profit/(Loss) before tax (III- V)		(26,367,123)	(3,595,349)
VII Tax Expense			
Current Tax		6,227,020	7,774,213
Deferred Tax		(1,941,460)	(834,924)
Tax pertaining to earlier year		41,780	700,403
VIII Profit/(Loss) for the period/ year		(30,694,463)	(11,235,041)
IX Minority Interest		(6,414,202)	(8,801,396)
X Profit/(Loss) for the period/ year after Tax and minority interest (VIII-IX)		(24,280,261)	(2,433,645)
XI Share of Profit/(Loss) from an associate (Refer note no.22.1)		(464,498,159)	51,232,281
XII Profit/(Loss) for the period/ year (X + XI)		(488,778,420)	48,798,636
XIII Earnings per equity share of the face value of Rs.10 each :	22.6		
Basic Earning Per Share		(39.13)	3.91
Diluted Earning Per Share		(39.13)	3.91
Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements	21 & 22		

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
Partner

Sunil Rajadhyaksha
Chairman & Executive Director
(DIN: 00011683)

Parvinder S Chadha
Executive Director
(DIN: 00018468)

Surinder Rametra
Executive Director
(DIN:00019714)

Place: Mumbai
Date: May 21, 2014

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

Sriram Iyengar
Chief Financial Officer

Consolidated Cash Flow Statement for the fifteen months period ended March 31, 2014

(Amount in Rs.)

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
A Cash flow from Operating Activities:		
Net Profit/ (Loss) before Tax after Minority Interest	(19,952,921)	5,206,047
Add Adjustments for:		
Depreciation & amortisation	12,096,491	5,306,444
Interest Income	(9,126,752)	(15,751,006)
Rent Income	(13,309,905)	(1,946,395)
Finance Cost	14,723,643	2,049,556
Loss on sale of Fixed Asset	65,322	
Foreign Exchange Variation (Gain)/Loss	1,149,620	(1,108,089)
Operating Profit before Working Capital changes	(14,354,502)	(6,243,443)
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivables	16,118,620	(23,901,118)
(Increase)/Decrease in Other Receivables	(18,682,078)	(79,512,541)
Increase/(Decrease) in Trade and Other Payables	(49,334,282)	6,056,390
Cash generated from Operations	(66,252,242)	(103,600,712)
Taxes Paid	(7,012,527)	(10,899,856)
Net cash from/(used in) Operating Activities - A	(73,264,769)	(114,500,568)
B Cash flow from Investing Activities:		
Purchase of Fixed Assets	(5,959,314)	(33,635,956)
Investment in property	-	(103,466,540)
Rent Income from property investment	13,309,905	1,946,395
Repayment of Minority Interest	(6,414,202)	-
Interest Income	9,126,752	15,751,006
Net Cash from/(used in) Investing Activities - B	10,063,141	(119,405,095)
C Cash flow from Financing Activities:		
Finance Cost on property loan	(14,723,643)	(2,049,556)
Proceeds from issue of equity shares	215,900	-
Proceeds/(Repayments) of Borrowings(Net)	17,574,443	84,641,220
Net cash from/(used in) Financing Activities - C	3,066,700	82,591,664
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(60,134,928)	(151,313,999)
Opening Cash and Cash Equivalents	85,899,105	237,213,104
Closing Cash and Cash Equivalents	25,764,177	85,899,105

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, 'Cash Flow Statements', prescribed by Companies (Accounting Standards) Rules, 2006.
- Funds earmarked for dividend & balance in Trust Cash accounts have been excluded from Cash and Cash equivalents and included in Other Receivables.
- Previous period's figures have been regrouped/rearranged wherever considered necessary.

As per our attached report of even date

 For **LODHA & CO.**

Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
Partner

Sunil Rajadhyaksha
Chairman & Executive Director
(DIN: 00011683)

Parvinder S Chadha
Executive Director
(DIN: 00018468)

Surinder Rametra
Executive Director
(DIN:00019714)

 Place: Mumbai
Date: May 21, 2014

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

Sriram Iyengar
Chief Financial Officer

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 1- Share Capital

(Amount in Rs.)

Particulars	As at March 31, 2014		As at December 31, 2012	
	Number	Amount in Rs.	Number	Amount in Rs.
Authorised Equity Shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000
Issued, Subscribed & Paid up Equity Shares of Rs. 10 each, fully paid up	12,499,522	124,995,220	12,491,022	124,910,220
Total	12,499,522	124,995,220	12,491,022	124,910,220

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Capital Redemption Reserve Balance as per last Balance sheet	630,230	630,230
Securities Premium Account Balance as per last Balance sheet	622,845,020	622,845,020
Add: On allotment of equity shares under ESOP Plan 2007	130,900	-
	622,975,920	622,845,020
General Reserve Balance as per last Balance sheet	19,541,409	19,541,409
Foreign Exchange Translation Reserve Opening Balance	(2,189,413)	3,055,530
Add/less : Addition/ (deletion) during the period	1,195,017	(5,244,939)
Closing Balance	(994,396)	(2,189,409)
Capital Reserve arising on consolidation Opening Balance	1,111,022,199	1,132,786,316
Less: Return of Additional paid in Capital	27,084,744	(21,764,117)
	1,138,106,943	1,111,022,199
Surplus/(Deficit) : Statement of Profit & Loss Opening Balance	266,617,579	217,818,943
Profit/(Loss) for the period/ year as per Statement of Profit & Loss	(488,778,420)	48,798,636
Closing Balance	(222,160,841)	266,617,579
Total	1,558,099,265	2,018,467,028

Note 3 - Long Term Borrowings

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Secured :		
Term loans :		
from banks	74,117,394	80,032,917
Total	74,117,394	80,032,917

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 4 - Short Term Borrowings

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Secured :		
Overdraft facility from a bank (Secured by way of pledge of Fixed deposit)	22,932,285	-
Total	22,932,285	-

Note 5 - Other Current Liabilities

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unclaimed Dividend	318,676	339,487
Current Maturities of long term borrowings	5,277,243	4,608,303
Advances from a customer towards services to be rendered	12,374,792	48,764,930
Statutory Dues Payable	1,774,405	1,775,680
Interest Accrued but not due on borrowings	560,000	626,000
Security Deposit towards office premises	2,649,981	-
Other Liabilities	15,556,706	13,210,471
Total	38,511,803	69,324,871

Note 6- Short-term Provisions

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Provision for employee benefits	2,264,812	1,843,299
Provision for Income Tax (Net Tax paid Rs.51,650,615; previous year Rs.44,413,260)	6,021,221	6,551,203
Total	8,286,033	8,394,502

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 7 - Fixed Assets

Amount in Rs.

Sr	Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block		
		Balance as at January 1, 2013	Additions	Disposals/ Adjustments	Balance as at March 31, 2014	Up to December 31, 2012	Depreciation for the period	On Disposals/ Adjustments	Balance as at March 31, 2014	Balance as at March 31, 2014
a	Tangible Assets									
	Plant & Equipment	29,338,380	1,049,088	272,139	30,659,607	393,218	3,414,149	1,042,720	4,850,087	25,809,520
	Computers	6,854,483	1,055,908	-	7,910,391	4,740,603	652,085	-	5,392,688	2,517,703
	Office Equipments	2,654,402	118,697	(66,858)	2,706,241	1,178,029	338,246	(27,736)	1,488,539	1,217,702
	Furniture & Fixtures	13,000	205,000	-	218,000	1,930	16,991	-	18,921	199,079
	Vehicle	-	2,507,052	-	2,507,052	-	221,395	-	221,395	2,285,657
	Total (a)	38,860,265	4,935,745	205,281	44,001,291	6,313,780	4,642,866	1,014,984	11,971,630	32,029,661
b	Intangible Assets									
	Software Product*	17,451,289	-	-	17,451,289	10,361,726	2,719,297	-	13,081,023	4,370,266
	Other Softwares	3,009,412	995,369	-	4,004,781	2,886,308	206,495	-	3,092,803	911,978
	Goodwill (Refer Note No. 22.2)	12,849,869	-	1,279,594	14,129,463	1,179,072	2,176,328	177,026	3,532,426	10,597,037
	Total (b)	33,310,570	995,369	1,279,594	35,585,533	14,427,106	5,102,120	177,026	19,706,252	15,879,281
	Total (a+b)	72,170,835	5,931,114	1,484,875	79,586,824	20,740,886	9,744,986	1,192,010	31,677,882	47,908,942

As at December 31, 2012

Amount in Rs.

Sr	Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block		
		Balance as at January 1, 2012	Additions	Disposals/ Adjustments	Balance as at December 31, 2012	Up to December 31, 2011	Depreciation for the year	On Disposals/ Adjustments	Balance as at March 31, 2012	Balance as at December 31, 2012
a	Tangible Assets									
	Plant & Equipment	-	29,163,354	175,026	29,338,380	-	393,218	-	393,218	28,945,162
	Computers	5,655,553	1,239,294	(40,364)	6,854,483	4,214,750	509,175	16,678	4,740,603	2,113,880
	Office Equipments	2,380,856	273,546	-	2,654,402	927,212	250,817	-	1,178,029	1,476,373
	Furniture & Fixtures	13,000	-	-	13,000	1,103	827	-	1,930	11,070
	Total (a)	8,049,409	30,676,194	134,662	38,860,265	5,143,065	1,154,037	16,678	6,313,780	32,546,485
b	Intangible Assets									
	Software Product *	17,451,289	-	-	17,451,289	8,174,335	2,187,391	-	10,361,726	7,089,563
	Other Softwares	2,886,714	122,698	-	3,009,412	2,413,898	472,410	-	2,886,308	123,104
	Goodwill	-	12,026,893	822,976	12,849,869	-	1,179,072	-	1,179,072	11,670,797
	Total (b)	20,338,003	12,149,591	822,976	33,310,570	10,588,233	3,838,873	-	14,427,106	18,883,464
	Total (a+b)	28,387,412	42,825,785	957,638	72,170,835	15,731,298	4,992,910	16,678	20,740,886	51,429,949

* Meant for License sale or otherwise

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 8 - Non Current Investments (Long Term)

Amount in Rs.

Sr.	Name of the Body Corporate	No. of Shares / Units		Extent of Holding (%)		Amount Rs.	
		As at March 31, 2014	As at December 31, 2012	As at March 31, 2014	As at December 31, 2012	As at March 31, 2014	As at December 31, 2012
1	Investment property (at cost)						
	Investment in Office premises	NA	NA	NA	NA	103,466,540	103,466,540
	Less: Accumulated Amortisation					2,665,039	313,534
						100,801,501	103,153,006
	Investments in Equity Shares (Common/Preferred stock) -Trade (Unquoted , fully paid up)						
2	Investment in Associate - SourceHOV LLC						
	Carrying value as on date of investment	8,748,035	8,748,035	26.10%	27.20%	890,617,029	890,617,029
	Add: Fair value of Investment in the associate on the date of Investment					1,183,486,316	1,183,486,316
	Total Value of Investment in associate on the date of Investment					2,074,103,345	2,074,103,345
	Less: Share of Profit/(loss) from an associate					(517,598,940)	(53,100,781)
	Less: Return of Additional paid in Capital					(45,379,372)	(72,464,116)
						1,511,125,033	1,948,538,448
	Total	8,748,035	8,748,035			1,611,926,534	2,051,691,454

Note 9 - Deferred Tax Asset (Net)

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Deferred Tax Liability on account of : Depreciation	(2,271,276)	(2,038,720)
Deferred Tax Asset on account of Provision for Employee Benefits	679,929	154,667
Carry forward of business loss	1,648,754	-
Net Deferred Tax (Liability)/ Asset	57,407	(1,884,053)

Note 10 - Long term loans and advances

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unsecured, considered good Deposits for premises and others	4,599,470	4,599,470
Total	4,599,470	4,599,470

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 11 - Other Non-Current Assets
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
MAT credit Receivable	29,754,455	30,399,455
Prepaid Expense	1,573,064	2,254,369
Total	31,327,519	32,653,824

Note 12 - Trade Receivables
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unsecured, considered good Trade receivables outstanding for a period less than six months from the date they are due for payment	28,803,468	41,452,000
Total	28,803,468	41,452,000

Note 13 - Cash and Bank Balances
Amount in Rs.

Particulars	As at March 31, 2014		As at December 31, 2012	
Cash and Cash Equivalents :				
a. Balances with banks				
i) In Current Accounts	12,897,539		21,225,405	
ii) Fixed Deposits with maturities less than twelve months	12,816,000		64,600,000	
b. Cash on hand	50,638	25,764,177	73,700	85,899,105
(II) Other Bank balances :				
Fixed Deposits with maturities less than twelve months (pledged with banks for guarantees & others)	710,566		816,000	
Other Fixed deposits having maturities more than twelve months	57,336,320		56,000,000	
Unpaid Dividend Account	318,676		339,487	
In Trust Account	7,171	58,372,733	6,891	57,162,378
Total		84,136,910		143,061,483

Note 14 - Short term loans and advances
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unsecured, considered good :		
Service Tax Receivable	6,114,276	1,999,603
Deposits	701,000	850,000
MAT Credit Receivable	3,335,000	2,690,000
Advances to Vendor	-	486,000
Expenses recoverable from associates	1,312,043	1,545,889
Other Loans & Advances recoverable in cash or in kind or for value to be received	2,612,991	90,493
Total	14,075,310	7,661,985

Note 15 - Other Current Assets
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Prepaid Expenses	1,302,440	1,738,099
Interest accrued but not due on Fixed Deposits	3,609,785	6,517,881
Work in Progress	16,331,736	803,639
Unbilled Revenue	1,202,837	-
Total	22,446,798	9,059,619

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 16 - Revenue from operations

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Sale of Goods	-	25,582,906
Software and IT enabled services	159,092,349	113,536,841
Environmental Solution Services	14,169,418	1,077,065
Total	173,261,767	140,196,812

Note 17 - Other Income

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Interest Income	9,126,752	15,751,006
Gain on Variation in Foreign Exchange Rates (Net)	3,144,183	-
Balances written back	20,404	244,040
Other non-operating income	-	287
Rent Received	13,309,905	1,946,395
Less: Expenses attributed to rent income		
Finance Cost	(13,125,677)	(2,049,556)
Amortisation Expenses	(2,351,505)	(313,534)
	(2,167,277)	(416,695)
Miscellaneous Income	14,528	-
Total	10,138,590	15,578,638

Note 18 - Purchase for resale
Amount in Rs.

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Purchase of Material	-	21,198,553
Total	-	21,198,553

Note 19- Employee Benefits Expense

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Salaries and wages	119,642,278	89,703,658
Contributions to provident and other funds	6,756,809	5,274,209
Staff welfare expenses	2,105,275	1,609,867
Total	128,504,362	96,587,734

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 20 - Other Expenses

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Rent	16,826,055	9,691,386
Repairs & Maintenance - Building	1,246,905	579,423
Repairs & Maintenance-Computer	1,251,504	621,543
Repairs & Maintenance - Others	1,463,162	1,332,377
Insurance	428,907	146,839
Rates and taxes	809,327	546,573
Power & Fuel Expenses	9,781,163	8,128,238
Membership & Subscription Fees	544,317	1,746,002
Travelling & Conveyance Expenses	8,769,234	11,875,754
Communication Cost	2,759,147	1,875,318
Advertising & Publicity Expenses	1,643,620	1,728,676
Office upkeep & Maintenance Expenses	3,401,405	2,141,749
Legal & Professional charges	24,718,253	17,880,669
Director's sitting Fees	640,000	720,000
Loss on Variation in Foreign Exchange (Net)	-	1,661,490
Compounding Fees	3,578,000	-
Office, Administrative & Other Expenses	2,467,239	1,622,669
Project Expenses	9,337,341	-
Less: Corporate Expenses Reimbursement	(19,745,413)	(25,707,104)
Total	69,920,166	36,591,602

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014**NOTE - 21****SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1 Overview of the Group**

HOV Services Limited ("Parent"), its subsidiaries and an associate collectively referred to as "the Group" is headquartered in Pune, India and operate as a hybrid between various investment portfolios and a diversified services corporation including software development, support services and environmental solutions. The Parent organize its portfolio companies by industry by sector with forward-looking goals for combination based on the ultimate benefit to the target customer base and to us as the owners.

2. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared and presented under historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('GAAP') and in compliance with the Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India to the extent applicable.

3. Use of Estimates

The preparation of consolidated financial statements in conformity with AS and GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

4. Principles of Consolidation

The consolidated financial statements include the financial statements of HOV Services Ltd and all it's subsidiaries, which are more than 50% owned or controlled have been prepared in accordance with the consolidation procedures under AS 21 - 'Consolidated Financial Statements and an associate consolidated as per AS 23 - 'Accounting for Investments in associates in consolidated financial statement' prescribed by the Companies (Accounting Standards) Rules, 2006.

The consolidated financial statements have been prepared on the following basis:

- The financial statements of the parent and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full.
- The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.
- The consolidated financial statements are prepared using uniform accounting policies across the Group.
- Goodwill arising on consolidation

The excess of cost to the parent of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognized in the financial statements as goodwill. The parent's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

5. Accounting Treatment for Investment in Associate:

Equity accounted associate are entities in respect of which, the group has significant influence, but not control, over the financial and operating policies. Investments in such entities are accounted for using the equity method (equity accounted associate) and are initially recognized at cost. The excess of the parent's portion of equity of the associate over its cost its investment in the associate, at the date on which investment in the associate is made, is recognized in the consolidated financial statements as a capital reserve and the excess of cost to the parent of its investment in associate over its portion of equity in the associate is recognized in the consolidated financial statements as a Goodwill.

6. Members of the Group:

HOV Service Ltd's subsidiaries, step down subsidiaries and associates are listed below:

Name	Country of incorporation	Percentage of ownership Interest	
		As at March 31, 2014	As at December 31, 2012
Subsidiaries :			
HOVS Holdings Limited	Hong Kong	100	100
HOVS, LLC	USA	100	100
HOV Environment Solutions Private Limited (Subsidiary of HOV Environment LLC w.e.f September 1, 2013) (Subsidiary of HOVS Holdings upto August 31, 2013)	India	100	100
HOV Environment LLC (Subsidiary of HOVS LLC) (w.e.f. April 2, 2012)	USA	61.10	61.10
Associate :			
SourceHOV LLC	USA	26.1	27.20

7. Revenue Recognition

- a) Revenue from Software & IT enabled services are recognized as per the work orders/ agreements entered with the customers.
- b) Rental and Interest income is recognized on time proportion basis and is disclosed under Other Income.
- c) The revenue from supply of material is recognized on delivery and/or as per the agreements entered with the parties. In respect of revenue from installation and commissioning of Environmental projects are recognized on the basis of running/final invoices for the work completed. And in respect of consultancy services the income is recognized as and when the services are rendered or the invoices are raised.

8. Unbilled Revenue/Work In Progress :

Revenue recognized over and above the billings is classified as Unbilled Revenue.

Work in Progress (Environment Segment) comprise of work done and will be billed to the customers as per the agreement and valued at cost.

9. Fixed Assets

Tangible: Fixed assets are stated at historical cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use, less accumulated depreciation.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the group, developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired softwares meant for in-house consumption are capitalized at the acquisition price.

10. Impairment of Assets

In accordance with AS 28 on 'Impairment of Assets' prescribed by Companies (Accounting Standards) Rules, 2006, where there is an indication of impairment of the Group's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization / depreciation) had no impairment loss been recognized.

11. Method of Depreciation / Amortization:

I) Parent Company

- a) **Tangible Assets** - Depreciation is provided on Straight Line Method at the rate and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs 5,000 are entirely depreciated in the year of acquisition. Investment property is amortized over the period of lease.
- b) **Intangible Assets** - Software product (meant for sale) are amortized over its estimated useful life of 8 years. Other Software products are depreciated over its period of license.

II) Indian and Foreign Subsidiaries

Depreciation is provided on Straight Line Method at the following rates determined based on Managements estimate of useful life of the asset.

Fixed Asset	Useful life in years
Computers and office equipment	2 - 5
Plant & Equipment	8 -10
Furniture and fixture	12-16
Software Product	3 - 8
Vehicle	10-12
Goodwill	8

12. Investments

Investments are classified into long-term investments and current investments. Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments. Current investments are carried at the lower of the cost and fair value and provision is made to recognize any decline in the value of investment.

13. Accounting of Employee Benefits**Employee Benefits to employees in India****a) Gratuity:**

The parent Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the parent Company contributes to the Scheme with LIC. The parent Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

b) Provident Fund:

Retirement benefits in the form of Provident Fund / Pension Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the period when the contributions to the respective funds are due.

c) Leave Entitlement:

Liability for Leave entitlement for employees is provided on the basis of Actuarial Valuation done during the period.

Employee Benefits to employees in Foreign Subsidiary Companies:

In respect of employees in Foreign Subsidiary Companies, contributions to defined contribution pension plans are recognized as an expense in the statement of profit & loss as incurred and necessary provision has been done as per applicable laws.

14. Accounting for Taxes on Income

Provision for current income tax is made on the basis of the estimated taxable income for the year in accordance with the specific applicable laws.

MAT credit asset pertaining to the Parent and its Indian subsidiary company is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a reasonable / virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

The deferred Tax Assets /Liabilities and tax expenses are determined separately for parent and each subsidiary company, as per their applicable laws and then aggregated.

15. Translation of Foreign Currency Items**(i) Initial Recognition**

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain/loss is recognized in the Statement of Profit & Loss.

(ii) Conversion

All the activities of the foreign subsidiaries are carried out with a significant degree of autonomy from those of the Parent. Accordingly, as per the provisions of AS – 11 “Effects of changes in foreign exchange rates”, these operations have been classified as ‘Non integral operations’ and therefore, all assets and liabilities, both monetary and non-monetary, are translated at the closing rate while the income and expenses are translated

at the average rate for the year. The resulting exchange differences are accumulated in the foreign currency translation reserve until the disposal of net investment.

16. Borrowing Costs

Borrowing costs directly attributable to acquisition, construction and production of qualifying assets are capitalized as a part of the cost of such asset up to the date of completion. Other borrowing costs are charged to the Statement of Profit & Loss.

17. Lease

Where the Group has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of the fair value or present value of minimum lease payment and liability is created for equivalent amount. Each lease rent paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating Lease. Lease rentals for such leases are charged to Statement of Profit & Loss.

18. Provisions, Contingent Liabilities and Contingent Assets

- i) Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be outflow of resources.
- ii) Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.
- iii) Contingent Assets are neither recognized nor disclosed in the financial statements.

NOTE - 22: NOTES TO THE FINANCIAL STATEMENTS

22.1 The financial statements of an associate has been prepared for the period from January 1st, 2013 to December 31, 2013 and accordingly, share of loss Rs. 464,498,159 (previous year profit of Rs. 51,232,281) of the group have been consolidated in the financial statements

22.2 In April 2012, HOVS LLC (a subsidiary) invested in a new company named "HOV Environment LLC", having equity interest of 61.10% and other minority investors had brought various assets worth USD 115,000 (equivalent Rs. 6,299,390) and against which equity of USD 350,100 (equivalent Rs.19, 177,533) was allotted and excess consideration of USD 235,100 (equivalent to Rs. 12,878,143) was recognized as goodwill.

22.3 Commitment and Contingent liabilities:
a) Contingent Liabilities not provided for in respect of:

(Amount in Rs.)

Sr.No.	Particulars	As at March 31, 2014	As at December 31, 2012
(i)	Corporate Guarantees outstanding in respect of loans taken by an Associate	NIL	59,013,519
(ii)	Disputed Income Tax Matters(including interest up to date of demand)	10,259,390	5,352,170

b) Other Commitments:

Operating Lease: The group has acquired certain premises under lease arrangements which are renewable /cancelable at the group's and/or lessors' option as mutually agreed. The future lease rental payments that the Company is committed to make in respect of these are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2014	As at December 31, 2012
- within one year	11,927,547	11,731,213
- later than one year and not later than five years	29,144,356	27,901,495

Rental Income:

The group has given leasehold building under lease agreements. The future rental income receivables as per the terms of the agreement are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2014	As at December 31, 2012
- within one year	10,647,924	8,873,272
- later than one year and not later than five years	6,010,925	19,521,199

22.4 Employee Benefits:

Defined Benefit Plans (Gratuity) - As per Actuarial Valuations: (Amount in Rs.)

Particulars		As at March 31 , 2014	As at December 31 , 2012
I	Assumptions		
	Discount Rate	9.00%	8.50%
	Expected Rate of Return on plan asset	8.50%	9.00%
	Salary Escalation	5.01%	6.00%
II	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of period	3,559,154	2,332,935
	Interest cost	400,405	186,635
	Current Service Cost	763,007	1,243,454
	Benefits Paid	(20,844)	(33,781)
	Actuarial (Gain)/Loss on obligations	(963,412)	(170,089)
	Present value of obligations as at end of period	3,738,310	3,559,154
III	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of period	2,145,118	1,697,989
	Expected return on plan assets	177,723	169,809
	Contributions	54,470	311,101
	Benefits paid	(20,844)	(33,781)
	Actuarial Gain / (Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of period	2,356,467	2,145,118
IV	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of period	2,145,118	1,697,989
	Actual return on plan assets	177,723	169,809
	Contributions	54,470	311,101
	Benefits Paid	(20,844)	(33,781)
	Fair value of plan assets at the end of period	2,356,467	2,145,118
	Funding Status - Surplus/(Deficit)	(1,381,843)	(1,414,036)
	Excess of Actual over estimated return on plan assets	NIL	NIL

	Particulars	As at March 31, 2014	As at December 31, 2012
V	Actuarial Gain/Loss recognized		
	Actuarial Gain/(Loss) for the year -Obligation	963,412	170,089
	Actuarial (Gain)/Loss for the year - plan assets	NIL	NIL
	Total (Gain)/Loss for the year	(963,412)	(170,089)
	Actuarial (Gain)/Loss recognized in the period	(963,412)	(170,089)
VI	The amounts to be recognized in the Balance Sheet and Statements of Profit and Loss		
	Present value of obligations as at the end of period	3,738,310	3,559,154
	Fair value of plan assets as at the end of the period	2,356,467	2,145,118
	Funded status	(1,381,843)	(1,414,036)
	Net Asset/(Liability) recognized in Balance Sheet	1,381,843	1,414,036
VII	Expenses Recognised in Statement of Profit & Loss		
	Current Service cost	763,007	1,243,454
	Interest Cost	400,405	186,635
	Expected return on plan assets	(177,723)	(169,809)
	Net Actuarial (Gain)/Loss recognised in the period	(963,412)	(170,089)
	Expenses recognised in statement of Profit & Loss	22,277	1,090,191

22.5 a) In the opinion of the management, assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

b) The accounts of certain Trade Receivables, Trade Payables, Loans & Advances and Banks are however, subject to formal confirmations/reconciliations and consequent adjustments, if any. The management does not expect any material difference affecting the current period's financial statements on such reconciliation/adjustments.

22.6 Earnings per Share (EPS):

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Net Profit/(Loss) as per Statement of Profit and Loss (Rs.)	(488,778,420)	48,798,636
Weighted average number of equity shares	12,491,358	12,491,022
Add: Effect of dilutive issue of options (Nos.)	120,420	-
Diluted Weighted Average Number of Equity Shares (Nos.)	12,611,778	12,491,022
Basic Earnings per Share	(39.13)	3.91
Diluted Earnings per Share	(39.13)	3.91
Nominal value per Equity Share (Rs.)	10	10

22.7 Related Party Transactions

Name of the related parties with whom transactions have been entered in the ordinary course of business:

a) Associates with whom transactions have been entered during the period:

Sr. No.	Name
1	HandsOn Ventures, LLC
2	Tracmail India Private Limited
3	HOVG, LLC dba, Bay Area Credit Service, LLC
4	HOV Services, Inc
5	Rule 14, LLC

b) Directors/Key Managerial Personnel:

Sr. No.	Name
1	Mr. Sunil Rajadhyaksha (Chairman and Executive Director)
2	Mr. Parvinder S Chadha (Executive Director)
3	Mr. Surinder Rametra (Executive Director)

c) Transactions carried out with related parties referred to in "a" and "b", above, in the ordinary course of business are as under: -

(Amount in Rs.)

Sr. No.	Name	Nature	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
1	Rule 14, LLC	Services rendered	17,062,272	2,567,736
2	HOVG, LLC dba, Bay Area Credit Service, LLC	Services rendered	33,921,944	24,421,748
3	Tracmail India Private Limited	Advance given	756,703	393,463
		Repayment of advances	756,703	393,463
		Purchase of immovable property	NIL	100,423,000
		Rent Income	13,309,905	1,946,395
		Rent Deposit Received	2,649,981	NIL
4	HOV Services, Inc	Services rendered	107,908,133	86,547,359
5	HandsOn Venture, LLC	Reimbursement of expenses	6,162,821	3,127,098
		Management Fees paid	NIL	10,645,406
6	Mr. Sunil Rajadhyaksha	Managerial Remuneration	6,000,000	4,800,000
		Advance received	234,882	100,000
		Advance repaid	234,882	92,000
7	Mr. Parvinder S Chadha	Managerial Remuneration	5,400,000	4,800,000
8	Mr. Surinder Rametra	Managerial Remuneration	5,400,000	4,800,000

- d) Balances with the related parties referred in (a) and (b) above are as under as of March 31, 2014:

(Amount in Rs.)

Name of the Related party	Nature	Balances As at	
		March 31, 2014	December 31, 2012
HOVG, LLC dba, Bay Area Credit Service, LLC	Receivable	6,851,377	4,163,075
Tracmail India Private Limited	Deposit payable	2,649,981	NIL
HOV Services, Inc	Receivable	7,306,874	9,076,709
	Unbilled Revenue	1,202,837	NIL
HandsOn Ventures, LLC	Receivable	1,312,042	1,545,889
Rule 14, LLC	Receivable	3,605,988	2,629,311
Mr. Parvinder Chadha	Payable	869,183	566,465
Mr. Sunil Rajadhyaksha	Payable	879,235	434,594
Mr. Surinder Rametra	Payable	819,119	740,707

Note:-

- Related party relationship is as identified by management relied upon by the auditors
- No balance in respect of related parties has been provided for/ written back / written off during the year, nor has any provision been made for doubtful debts / receivables.

22.8 Segment Reporting:

- a) Disclosures under Accounting Standards -17 "Segment Reporting" are as under :

Amount in Rs.

Particulars	For the fifteen months period ended March 31, 2014	Year Ended December 31, 2012
Segment Revenue :		
Software and IT Enabled Services	159,092,349	113,536,841
Environment Solutions Services	14,169,418	26,659,971
Net Sales/ income from operations	173,261,767	140,196,812
Add : Un-allocable Income	10,138,590	15,578,638
Total	183,400,357	155,775,450
Segment Results Profit/(Loss) before tax and interest from segment		
Software and IT Enabled Services	(476,772,707)	58,282,414
Environment Solutions Services	(16,218,997)	(17,422,724)
Un-allocable	10,138,590	15,578,638

Particulars	For the fifteen months period ended March 31, 2014	Year Ended December 31, 2012
Profit (Loss) before tax after minority interest and share of profit (loss) from an associate	(482,853,114)	56,438,328
Finance Cost	(1,597,966)	NIL
Provision for Taxation	(4,327,340)	(7,639,692)
Profit/ (Loss) after taxation for the period	(488,778,420)	48,798,636
Segment Assets :		
Software and IT Enabled Services	1,674,772,015	2,162,876,037
Environment Solutions Services	69,746,844	76,118,203
Un-allocable	100,801,499	103,153,006
Total Assets	1,846,320,358	2,342,147,246
Segment Liabilities :		
Software and IT Enabled Services	39,594,477	50,863,847
Environment Solutions Services	43,734,470	63,264,931
Un-allocable	78,896,926	84,641,220
Total Liabilities	162,225,873	198,769,998
Capital Employed		
Software and IT Enabled Services	1,635,177,538	2,112,012,190
Environment Solutions Services	26,012,374	12,853,272
Unallocable	21,904,573	18,511,786
Total Capital Employed	1,683,094,485	2,143,377,248
Capital Expenditure :		
Software and IT Enabled Services	3,749,127	1,635,538
Environment Solutions Services	2,181,987	26,605,529
Total Capital Expenditure	5,931,114	28,241,067
Depreciation/Amortisation :		
Software and IT Enabled Services	4,033,957	3,420,620
Environment Solutions Services	5,711,029	1,572,290
Total Depreciation/Amortisation	9,744,986	4,992,910

- b) The Group has its major operating activities mainly in India and most of its assets are located in India.

- 22.9. a) The current financial period comprises of fifteen months as against previous year comprising of twelve months year therefore, figures of the current period are not comparable with those of the previous year.
- b) Figures of the previous year have been regrouped / rearranged, wherever considered necessary to conform to the current period's presentation.

**Signatures to Notes 1 to 22
For and on the behalf of the**

Board of Directors of HOV Services Limited

Sunil Rajadhyaksha
Chairman & Executive Director
(DIN: 00011683)

Parvinder S Chadha
Executive Director
(DIN: 00018468)

Surinder Rametra
Executive Director
(DIN:00019714)

Place: Mumbai
Date : May 21, 2014

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

Sriram Iyengar
Chief Financial Officer

Information regarding subsidiary companies for the fifteen months period ended March 31, 2014 in terms of general exemption provided by Central Government

Amounts in Rs. Lacs

Sr. No.	Name of the subsidiary company	HOVS LLC	HOV Environment LLC	HOVS Holdings Limited	HOV Environment Solutions Private Limited
	Currency	US\$	US\$	US\$	INR
	Exchange rate on last day of financial year	59.2440	59.2440	59.2440	N.A.
	Financial year ending on	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014
1	Share Capital	8,848.97	540.89	0.07	1.00
2	Reserves	(206.80)	(316.69)	932.44	(200.85)
3	Total Assets	9,863.40	344.90	932.52	575.90
4	Total Liabilities	9,863.40	344.90	932.52	575.90
5	Details of Investment>(*Except Investment in subsidiary)	9,449.37	-	-	-
6	Turnover	170.62	-	-	-
7	Profit before taxation	(158.72)	(61.60)	(3.66)	(180.71)
8	Provision for taxation	-	-	-	(11.98)
9	Profit after taxation	(158.72)	(61.60)	(3.66)	(168.72)
10	Proposed dividend	-	-	-	-

INDEPENDENT AUDITORS' REPORT

To
The Members of
HOV Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **HOV Services Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the fifteen months period then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the fifteen months period ended on that date, and

- (c) in the case of the Cash Flow Statement, of the cash flows for the fifteen months period ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which 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 it appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - (e) On the basis of the written representations received from the directors as on 31st March 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For LODHA & COMPANY

Chartered Accountants

Firm Registration No. 301051E

A.M. Hariharan

Partner

Membership No. 38323

Mumbai

May 21, 2014

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF THE HOV SERVICES LIMITED

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1.
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The Company has carried out physical verification of all its fixed assets during the period. In our opinion, the frequency of verification is reasonable considering the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c) During the period, no substantial part of fixed assets has been disposed off by the Company.
2. The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) of the Order are not applicable to the Company.
3. The Company has not granted or taken any loans, secured or unsecured, to / from companies, firms of other parties 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, having regard to the explanation that purchase of certain items of fixed assets and sale of services are of a special nature for which suitable alternative source do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register required to be maintained under Section 301 of the Act.
6. The Company has not accepted any public deposits within the meaning of Section 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Act for the services rendered by the Company.

9. a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to the Company with appropriate authorities. As explained to us, no undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial period for a period of more than six months from the date they became payable.
- b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute except the following:

Nature of Statutes	Nature of Dues	Period To Which It Relates	Amount in Rs.	Forum Where Disputed
Income Tax Act, 1961	Income Tax	Assessment Year 2009-10	2,905,432	Income Tax Appellate Tribunal
		Assessment Year 2007-08	4,907,220	Commissioner of Income Tax Appeals -Pune

10. The Company has no accumulated losses at the end of the financial period and has not incurred cash losses in the current period and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
12. During the period, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks and financial institutions, are not, prima facie prejudicial to the interest of the Company.
16. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
17. The Company has not raised any funds on short term basis. Therefore, the provisions of clause 4(xvii) of the Order are not applicable to the Company.

18. 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 or in the recent past.
19. The Company has not issued any debentures during the period or in the recent past.
20. The Company has not raised any money by public issue during the period or in the recent past.
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 according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

For LODHA & COMPANY
Chartered Accountants
Firm Registration No. 301051E

Mumbai
May 21, 2014

A.M. Hariharan
Partner
Membership No. 38323

BALANCE SHEET AS AT MARCH 31, 2014

Amount in Rs.

	Note No.	As at March 31, 2014	As at December 31, 2012
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	1	124,995,220	124,910,220
Reserves and surplus	2	730,608,156	721,946,746
2 Non-current liabilities			
Long-term borrowings	3	73,730,943	80,032,917
Deferred Tax Liabilities (net)	4	1,141,065	1,884,053
3 Current liabilities			
Trade payables	20.8	11,533,304	8,051,424
Other current liabilities	5	10,257,813	7,307,542
Short-term provisions	6	8,286,033	8,893,965
TOTAL		960,552,534	953,026,867
II. ASSETS			
1 Non Current Assets			
Fixed Assets	7		
Tangible Assets		5,207,794	3,601,323
Intangible Assets		5,282,245	7,212,668
Non-Current investments	8	761,578,152	736,844,913
Long-term Loans and Advances	9	20,948,129	4,734,491
Other Non-Current Assets	10	32,447,519	32,653,824
2 Current Assets			
Trade Receivables	11	28,582,203	15,869,095
Cash and Bank Balances	12	77,745,906	124,707,584
Short Term Loans and Advances	13	22,886,965	19,472,585
Other Current Assets	14	5,873,621	7,930,384
TOTAL		960,552,534	953,026,867
Significant accounting policies and accompanying notes form an integral part of financial statements	19 &20		

As per our attached report of even date

For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
 Partner

Sunil Rajadhyaksha
 Chairman & Executive Director
 (DIN: 00011683)

Parvinder S Chadha
 Executive Director
 (DIN: 00018468)

Surinder Rametra
 Executive Director
 (DIN:00019714)

 Place: Mumbai
 Date: May 21, 2014

Bhuvanesh Sharma
 VP-Corporate Affairs &
 Company Secretary

Sriram Iyengar
 Chief Financial Officer

STATEMENT OF PROFIT AND LOSS FOR FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014

Amount in Rs.

Particulars	Note No.	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
I Revenue from operations	15	159,237,924	113,598,418
II Other income	16	12,742,891	14,727,812
III Total Revenue (I + II)		171,980,815	128,326,230
IV Expenses			
Employee Benefits Expense	17	122,174,284	87,607,204
Depreciation and Amortization Expense	7 & 8	4,033,957	3,420,620
Other Expenses	18	51,461,665	41,132,595
Less: Corporate Charges recovered from a Subsidiary Company		(19,745,413)	(25,707,104)
V Total Expenses		157,924,493	106,453,315
VI Profit before tax (III-V)		14,056,322	21,872,915
VII Tax Expense			
Current Tax		6,227,020	7,774,213
Deferred Tax		(742,988)	(834,924)
Tax pertaining to earlier year		41,780	700,403
VIII Profit for the period/ year (VI-VII)		8,530,510	14,233,223
IX Earnings per equity share of the face value of Rs.10 each :	20.3		
Basic Earning Per Share		0.68	1.14
Diluted Earning Per Share		0.68	1.14
Significant accounting policies and accompanying notes form an integral part of financial statements	19 & 20		

As per our attached report of even date

For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
 Partner

Sunil Rajadhyaksha
 Chairman & Executive Director
 (DIN: 00011683)

Parvinder S Chadha
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 Executive Director
 (DIN:00019714)

 Place: Mumbai
 Date: May 21, 2014

Bhuvanesh Sharma
 VP-Corporate Affairs &
 Company Secretary

Sriram Iyengar
 Chief Financial Officer

CASH FLOW STATEMENT FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014

(Amount in Rs.)

Particulars	For the fifteen months period ended March 31, 2014	For year ended December 31, 2012
A Cash flow from Operating Activities:		
Net Profit/(Loss) before tax	14,056,322	21,872,915
Add: Adjustments for :		
Depreciation & Amortisation	6,385,462	3,734,154
Interest Income	(10,132,347)	(14,900,180)
Rent Income	(13,309,905)	(1,946,395)
Finance Cost	13,125,677	2,049,556
Loss on Sale of Fixed Asset	65,322	-
Foreign Exchange (Gain)/Loss, net	(4,759,839)	470,379
Operating Profit before Working Capital changes	5,430,692	11,280,429
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivable	(7,953,269)	1,681,789
(Increase)/Decrease in Other Receivables	30,818,983	(138,795,838)
Increase/(Decrease) in Trade and Other Payable	6,298,264	349,457
Cash generated from Operations	34,594,670	(125,484,163)
Taxes Paid	(7,298,245)	(10,400,393)
Net cash from/(used in) Operating Activities - A	27,296,425	(135,884,556)
B Cash flow from Investing Activities:		
Purchase of Fixed Assets	(3,777,327)	(1,578,498)
Refund/(Paid) of Additional paid in capital	(27,084,744)	21,764,117
Purchase of Immovable Property	-	(103,466,540)
Rent Income received	13,309,905	1,946,395
Interest Income	10,132,347	14,900,180
Net Cash from/(used in) Investing Activities - B	(7,419,819)	(66,434,346)
C Cash flow from Financing Activities:		
Finance Cost	(13,125,677)	(2,049,556)
Proceeds from issue of equity shares	215,900	-
Proceeds/ (Repayments) of Borrowings- net	(5,744,295)	84,641,220
Net cash from/(used in) Financing Activities - C	(18,654,072)	82,591,664
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	1,222,533	(119,727,238)
Opening Cash and Cash Equivalents	6,045,205	125,772,443
Closing Cash and Cash Equivalents	7,267,739	6,045,205

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, Cash Flow Statement prescribed by Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped/rearranged where necessary to conform to current period's presentation.

As per our attached report of even date

For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
 Partner

Sunil Rajadhyaksha
 Chairman & Executive Director
 (DIN: 00011683)

Parvinder S Chadha
 Executive Director
 (DIN: 00018468)

Surinder Rametra
 Executive Director
 (DIN:00019714)

 Place: Mumbai
 Date: May 21, 2014

Bhuvanesh Sharma
 VP-Corporate Affairs &
 Company Secretary

Sriram Iyengar
 Chief Financial Officer

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 1- Share Capital

a)

Particulars	As at March 31, 2014		As at December 31, 2012	
	Number	Amount in Rs.	Number	Amount in Rs.
Authorised				
Equity Shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000
Issued, Subscribed & Paid up				
Equity Shares of Rs. 10 each, fully paid up	12,499,522	124,995,220	12,491,022	124,910,220
Total	12,499,522	124,995,220	12,491,022	124,910,220

b) Rights of Equity Shareholders

The Company has only one class of equity shares having a par value of Rs. 10 each. Each shareholder has right to vote in respect of such share, on every resolution placed before the Company and his voting right on a poll shall be in proportion to his share of the paid-up equity capital of the Company. In the event of liquidation, the equity shareholders are entitled to receive the remaining assets of the Company after payments to preferential amounts secured and unsecured creditors, if any, in proportion to their shareholding.

c) Reconciliation of numbers of equity shares

Particulars	As at March 31, 2014		As at December 31, 2012	
	Number	Amount in Rs.	Number	Amount in Rs.
Shares outstanding at the beginning of the period	12,491,022	124,910,220	12,491,022	124,910,220
Shares issued during the period	8,500	85,000	-	-
Shares bought back during the period	-	-	-	-
Shares outstanding at the end of the period	12,499,522	124,995,220	12,491,022	124,910,220

d) Details of members holding equity shares more than 5%

Name of Shareholder	As at March 31, 2014		As at December 31, 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Adesi 234, LLC	3,000,985	24.03%	3,000,985	24.03%
HOF 2 LLC	1,667,933	13.35%	1,667,933	13.35%
Chitale LLC	904,274	7.24%	904,274	7.24%
Stern Capital Partners LLC	694,246	5.56%	694,246	5.56%

e) Aggregate number of shares bought back during the period of five years immediately preceding the reporting date

Particulars	As at March 31, 2014	As at December 31, 2012
	No. of Shares	No. of Shares
Equity shares bought back by the Company	63,023	63,023

f) Shares reserved for issue under options:
a. Employees Stock Option Plan (Plan 2007):

The shareholders in its Nineteenth Annual General meeting held on July 21, 2007 had approved to issue 1,100,000 equity shares of a face value of Rs.10 each with each such option conferring a right upon the employee to opt for one equity share of the company, in terms of HOVS ESOP Plan 2007. Under the plan, 400,000 options were reserved for employees of the Company and 700,000 for employees of subsidiary companies. Options were issued to employees at an exercise price not less than closing price of the stock exchange where there is highest trading volume, prior to the date of meeting of the Compensation & Remuneration Committee in which options are granted. The options will vest in a phased manner within five years as 10% in each first to four years and balance 60% at the end of fifth year.

The details of grant made and lapsed under Plan 2007 are as below:

(In No.)

Particulars	As at March 31, 2014		As at December 31, 2012	
	Directors	Other than Directors	Directors	Other than Directors
Options outstanding at the beginning of the period	35,000	450,000	35,000	460,500
Add: Options Granted during the period	75,000	40,000	NIL	NIL
Less: Options Lapsed	250	367,750	NIL	10,500
Less: Exercised during the period	5,000	3,500	NIL	NIL
Options outstanding at the end of the period	104,750	118,750	35,000	450,000

b. Employees Stock Option Plan (Plan 2008):

The shareholders in its Twentieth Annual General meeting held on September 30, 2008 approved additional 750,000 equity shares of a face value of Rs.10 each with each such option conferring a right upon the employee to opt for one equity share of the Company, in terms of HOVS ESOP Plan 2008. Under the 2008 plan, 750,000 options were reserved for employees of the subsidiary companies of the Company, working in India or out of India. Options were issued to employees at an exercise price not less than closing price of the stock exchange where there is highest trading volume, prior to the date of meeting of the Compensation & Remuneration Committee in which options are granted. The options will vest in a phased manner within five years as 10% in each first to four years and balance 60% at the end of fifth year. No options are granted under ESOP Plan 2008.

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Capital Redemption Reserve		
Balance as per last Balance Sheet	630,230	630,230
Securities Premium Account		
Opening Balance	622,845,020	622,845,020
Add: On allotment of equity shares under ESOP Plan 2007	130,900	-
Closing Balance	622,975,920	622,845,020
General Reserve		
Balance as per last Balance Sheet	19,541,409	19,541,409
Surplus		
Opening Balance	78,930,087	64,696,864
Add: Profit for the period/ year	8,530,510	14,233,223
Closing Balance	87,460,597	78,930,087
Total	730,608,156	721,946,746

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 3 - Long Term Borrowings
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Secured :		
Term loan : from a bank (Equated Monthly Instalment of Rs. 1,244,197 each payable in 106 months @ 12.75% (Previous year 12.5%) floating rate of interest) (Secured by way of deposit of title deeds of property situated at Navi Mumbai)	73,730,943	80,032,917
Total	73,730,943	80,032,917

Note 4 - Deferred Tax Liabilities (Net)
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Deferred Tax Liability on account of : Depreciation	1,820,994	2,201,198
Deferred Tax Asset on account of Provision for Employee Benefits	(679,929)	(317,145)
Total	1,141,065	1,884,053

Note 5 - Other Current Liabilities
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unclaimed Dividend	318,676	339,487
Current Maturities of long term borrowings	5,165,983	4,608,303
Statutory Dues Payable	1,563,173	1,733,752
Interest accrued but not due on borrowings	560,000	626,000
Security Deposit towards office premises	2,649,981	-
Total	10,257,813	7,307,542

Note 6- Short-term Provisions
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Provision for employee benefits	2,264,812	1,843,299
Provision for Income Tax (Net of Tax paid Rs. 51,650,615; previous year Rs. 44,413,260)	6,021,221	7,050,666
Total	8,286,033	8,893,965

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
 Note 7 - Fixed Assets

Amount in Rs.

Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block		
	Balance as at January 1, 2013	Additions	Disposals/ Adjustments	Balance as at March 31, 2014	Up to December 31, 2012	Depreciation for the period	Disposals/ Adjustments	Balance as at March 31, 2014	Balance as at March 31, 2014
a Tangible Assets									
Computers	6,854,483	1,055,908	-	7,910,391	4,740,603	652,085	-	5,392,688	2,517,703
Office Equipment	2,654,402	125,047	(95,058)	2,684,391	1,178,029	335,874	(27,736)	1,486,167	1,198,224
Furniture & Fixtures	13,000	-	-	13,000	1,930	1,028	-	2,958	10,042
Vehicle	-	1,601,003	-	1,601,003	-	119,178	-	119,178	1,481,825
Total (a)	9,521,885	2,781,958	(95,058)	12,208,785	5,920,562	1,108,165	(27,736)	7,000,991	5,207,794
b Intangible Assets									
Software Product*	17,451,289	-	-	17,451,289	10,361,726	2,719,297	-	13,081,023	4,370,266
Other Softwares	3,009,413	995,369	-	4,004,782	2,886,308	206,495	-	3,092,803	911,979
Total (b)	20,460,702	995,369	-	21,456,071	13,248,034	2,925,792	-	16,173,826	5,282,245
Total (a+b)	29,982,587	3,777,327	(95,058)	33,664,856	19,168,596	4,033,957	(27,736)	23,174,817	10,490,039

As at December 2012

Particulars	Gross Block			Accumulated Depreciation/Amortisation			Net Block		
	Balance as at January 1, 2012	Additions	Disposals/ Adjustments	Balance as at December 31, 2012	Up to December 31, 2011	Depreciation for the period	Disposals/ Adjustments	Balance as at December 31, 2012	Balance as at December 31, 2012
a Tangible Assets									
Computers	5,655,553	1,239,294	(40,364)	6,854,483	4,214,750	509,175	16,678	4,740,603	2,113,880
Office Equipment	2,380,856	273,546	-	2,654,402	927,212	250,817	-	1,178,029	1,476,373
Furniture & Fixtures	13,000	-	-	13,000	1,103	827	-	1,930	11,070
Total (a)	8,049,409	1,512,840	(40,364)	9,521,885	5,143,065	760,819	16,678	5,920,562	3,601,323
b Intangible Assets									
Software Product*	17,451,289	-	-	17,451,289	8,174,335	2,187,391	-	10,361,726	7,089,563
Other Softwares	2,886,714	122,699	-	3,009,413	2,413,898	472,410	-	2,886,308	123,105
Total (b)	20,338,003	122,699	-	20,460,702	10,588,233	2,659,801	-	13,248,034	7,212,668
Total (a+b)	28,387,412	1,635,539	(40,364)	29,982,587	15,731,298	3,420,620	16,678	19,168,596	10,813,991

* Meant for License sale or otherwise

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 8 - Non Current Investments (Long Term)

Sr.	Name of the Body Corporate	No. of Shares/Units		Face Value	Extent of Holding (%)		Amount (Rs.)	
		As at March 31, 2014	As at December 31, 2012		As at March 31, 2014	As at December 31, 2012	As at March 31, 2014	As at December 31, 2012
A)	Investment property (at cost) Investment in Office premises Less: Accumulated Amortisation Total	N.A	N.A	N.A	N.A	N.A	103,466,540 2,665,039	103,466,540 313,534
B)	Investments in Equity Shares/Units - Trade (Unquoted, fully paid up and valued at cost) 1. HOVS LLC- Subsidiary Company (Common Stock) Add: Amount further invested as additional paid in capital Less: Return of additional paid in Capital Total	1000	1000	USD 1	100%	100%	45,180	45,180
		N.A	N.A	N.A	100%	100%	706,104,387 (45,379,373)	706,104,387 (72,464,117)
							660,770,194	633,685,450
	2. HOVS Holdings Limited- Subsidiary Company	1001	1001	Hongkong Dollar 1	100%	100%	6,457	6,457
	Aggregate amount of unquoted investments						761,578,152	736,844,913

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 9 - Long term loans and advances
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unsecured, considered good Deposits for premises and others Amount due from HOV Environment Solutions Private Limited (step down subsidiary)	4,599,470	4,599,470
	16,348,659	135,021
Total	20,948,129	4,734,491

Note 10 - Other Non -Current Assets
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
MAT credit Receivable	30,874,455	30,399,455
Prepaid Expenses	1,573,064	2,254,369
Total	32,447,519	32,653,824

Note 11 - Trade Receivables
Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unsecured, considered good *		
Trade receivables outstanding for a period more than six months from the date they are due for payment	6,009,980	-
Others	22,572,223	15,869,095
Total	28,582,203	15,869,095

*Refer note no. 20.6

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 12 - Cash and Bank Balance

Amount in Rs.

Particulars	As at March 31, 2014		As at December 31, 2012	
(I) Cash and Cash Equivalents :				
a. Balances with banks				
In Current Accounts	7,235,607		6,012,308	
b. Cash on hand	32,132	7,267,739	32,897	6,045,205
(II) Other Bank balances :				
Fixed Deposits with maturities less than twelve months (pledged with bank against guarantees issued/loan taken by a step down subsidiary)	12,816,000		62,316,000	
Other Fixed deposits having maturities more than twelve months	57,336,320		56,000,000	
Unpaid Dividend Account	318,676		339,487	
In Trust Account	7,171	70,478,167	6,892	118,662,379
Total		77,745,906		124,707,584

Note 13 - Short term loans and advances

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Unsecured, considered good		
a) Balances with Service Tax authorities	4,571,845	1,999,603
b) MAT Credit receivable	2,215,000	2,690,000
c) Others:		
Expenses recoverable from subsidiaries and associates (Refer note no. 20.6)	14,654,198	14,692,489
Other Loans & Advances recoverable in cash or in kind or for value to be received	1,445,922	90,493
Total	22,886,965	19,472,585

Note 14 - Other Current Assets

Amount in Rs.

Particulars	As at March 31, 2014	As at December 31, 2012
Prepaid Expenses	1,068,204	1,451,105
Unbilled Revenue	1,202,837	-
Interest accrued but not due on Fixed Deposits	3,602,580	6,479,279
Total	5,873,621	7,930,384

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 15 - Revenue from operations
Amount in Rs.

Particulars	For fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Software and IT enabled services	159,237,924	113,598,418
Total	159,237,924	113,598,418

Note 16 - Other Income
Amount in Rs.

Particulars	For fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Interest Income	10,132,347	14,900,180
Gain on Variation in Foreign Exchange Rates (Net)	4,759,839	-
Provisions written back	3,454	244,040
Rent received	13,309,905	1,946,395
Less: Expenses attributed to rent income		
Finance Cost	(13,125,677)	(2,049,556)
Amortisation Expenses	(2,351,505)	(313,534)
	(2,167,277)	(416,695)
Miscellaneous Income	14,528	287
Total	12,742,891	14,727,812

Note 17 - Employee Benefits Expense
Amount in Rs.

Particulars	For fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Salaries and wages	113,413,946	80,544,740
Contributions to provident and other funds	6,657,306	5,274,209
Staff welfare expenses	2,103,032	1,788,255
Total	122,174,284	87,607,204

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014
Note 18 - Other Expenses
Amount in Rs.

Particulars	For fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Rent	14,793,155	9,076,886
Repairs & Maintenance - Building	1,246,905	579,423
Repairs & Maintenance - Computer	1,167,311	608,414
Repairs & Maintenance - Others	1,166,976	1,303,377
Insurance	48,615	23,248
Rates and taxes	809,327	543,371
Power & Fuel Expenses	9,781,163	8,128,238
Membership & Subscription Fees	544,317	1,746,002
Travelling & Conveyance Expenses	4,420,091	8,577,243
Communication Cost	2,265,777	1,822,254
Advertising & Publicity Expenses	1,643,620	1,728,676
Office upkeep & Maintenance Expenses	3,401,405	2,141,749
Auditors Remuneration (Refer note 20.7)	1,698,720	1,580,760
Legal & Professional charges	2,698,617	1,135,797
Director's sitting Fees	640,000	720,000
Loss on Variation in Foreign Exchange Rates (Net)	-	470,379
Compounding Fees	3,578,000	-
Office, Administrative & Other Expenses	1,557,666	946,780
Total	51,461,665	41,132,595

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2014**NOTE 19: SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1. Company Information:**

The Company was incorporated in 1989 under the Companies Act, 1956 as Codec Communication Pvt. Ltd with registration number 25-14448. The Company commenced its operations on January 10, 1989. In March, 2006 the Company changed its name to HOV Services Limited as a part of its plans to create brand recognition among its customers. The Company is engaged in the BPO business of Data Entry Services, Software Development and Support Services.

2. Basis for Preparation of Financial Statements:

The Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India under the historical cost convention, on the accrual basis, in compliance with the Accounting Standards (AS) prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and on the principles of a going concern.

3. Use of Estimates:

The preparation of financial statements in conformity with AS and GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

4. Revenue Recognition:

Revenue from Software & IT enabled services are recognized as per the work orders/ agreements entered with the customers.

Rental and Interest income is recognized on time proportion basis and is disclosed under Other Income.

5. Fixed Assets:

Tangible: Fixed assets are stated at historical cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use, less accumulated depreciation.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired softwares meant for in-house consumption are capitalized at the acquisition price.

6. Impairment of Assets:

In accordance with AS 28 on 'Impairment of Assets' prescribed by the Companies (Accounting Standard) Rules, 2006 where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized in the statement of Profit and Loss whenever the carrying amount of such assets exceeds its recoverable amount. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization / depreciation), had no impairment loss been recognized.

7. Depreciation / Amortization:

a) **Tangible Assets** - Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956.

Investment property is amortized over the period of lease.

b) **Intangible Assets** – Software product (meant for sale) are amortized over its estimated useful life of 8 years. Other Software products are depreciated over its period of license.

8. Investments:

Investments are classified into long term and current investments. Long-term investments are carried at cost and provision is made to recognize any decline in the value other than temporary in the value of such investments. Current investments are carried at the lower of the cost or fair value/market value and provision is made to recognize any decline in the carrying value of the investments. Investment in property is recognized at cost less amortization.

9. Employee Benefits:**a) Gratuity:**

The Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the Company contributes to the Scheme with LIC. The Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

b) Provident Fund:

Retirement benefits in the form of Provident Fund / Pension Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the period when the contributions to the respective funds are due.

c) Leave Entitlement:

Liability for Leave entitlement for employees is provided on the basis of Actuarial Valuation done at the period end.

10. Foreign Exchange Transactions:

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign currency are translated at the exchange rate prevalent at the date of Balance Sheet. The resultant gain or loss is recognized in the Statement of Profit and Loss.

11. Accounting for Taxes on Income:

Provision for current income tax is made on the basis of the estimated taxable income for the period in accordance with the Income Tax Act, 1961.

MAT credit asset is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Deferred tax resulting from timing differences between book profits and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise. Deferred tax assets are recognized and carried forward only if there is a virtual/ reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

12. Borrowing Costs:

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such assets up to the date when such asset is ready for its intended use. Other borrowing costs are charged to Statement of Profit and Loss.

13. Leases:

Where the Company has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of the fair value or present value of minimum lease payment and liability is created for equivalent amount. Each lease rent paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating Lease. Lease rentals for such leases are charged to Statement of Profit and Loss.

14. Earnings Per Share:

The earnings considered in ascertaining Earnings Per Share comprise the net profit after tax. The number of shares used in computing Basic EPS is weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also weighted average number of equity shares which could have been issued on the conversion of all diluted potential equity shares. Diluted potential equity shares are deemed converted at the beginning of the period, unless they have been issued at later date.

15. Provisions, Contingent Liability and Contingent Assets:

- i) Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be outflow of resources.
- ii) Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.
- iii) Contingent Assets are neither recognized nor disclosed in the financial statement.

NOTE - 20: NOTES TO THE FINANCIAL STATEMENTS**20.1. Contingent Liabilities and Commitment:****a) Contingent Liabilities not provided for in respect of: (Amount in Rs.)**

Sr. No.	Particulars	As at March 31, 2014	As at December 31, 2012
(i)	Corporate Guarantees outstanding in respect of loans taken by an Associate	NIL	59,013,519
(ii)	Fixed Deposit pledged for issue of bank guarantee/ loan on behalf of a step down subsidiary	57,336,320	56,000,000
(iii)	Disputed Income Tax Matters(including interest upto date of demand)	10,259,390	5,352,170

b) Other Commitment:

- (i) **Operating Lease:** The Company has acquired certain premises under lease arrangements which are renewable /cancellable at the Company's and/or lessors' option as mutually agreed. The future lease rental payments that the Company is committed to make in respect of these are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2014	As at December 31, 2012
- within one year	11,927,547	11,731,213
- later than one year and not later than five years	29,144,356	27,901,495

(ii) Rental Income:

The company has given leasehold building on rent. The future rental income receivables as per the terms of the agreement are as follows:

(Amount in Rs.)

Particulars	As at March 31, 2014	As at December 31, 2012
- within one year	10,647,924	8,873,272
- later than one year and not later than five years	6,010,925	19,521,199

- 20.2.a) In the opinion of the management assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- b) The accounts of certain Trade Receivables, Trade Payables and Loans & Advances are however, subject to formal confirmations/reconciliations and consequent adjustments, if any. The management does not expect any material difference affecting the current period's financial statements on such reconciliation/adjustments.

20.3. Earnings Per Share (EPS):

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	8,530,510	14,233,223
Weighted Average Number of Equity Shares (Nos.)	12,491,358	12,491,022
Add: Effect of dilutive issue of options (Nos.)	120,420	-
Diluted Weighted Average Number of Equity Shares (Nos.)	12,611,778	12,491,022
Basic Earning per Equity Share (Rs.)	0.68	1.14
Diluted Earning per Equity Share (Rs.)	0.68	1.14
Nominal value per Equity Share (Rs.)	10	10

20.4. Foreign Currency Exposure:

Foreign exchange currency exposure not covered by any derivative instruments: -

Particulars	As at March 31, 2014		As at December 31, 2012	
	Amount in Foreign Currency (USD)	Amount (In Rs.)	Amount in Foreign Currency (USD)	Amount (In Rs.)
Trade Receivables	475,579	28,582,203	289,702	15,869,094
Loans & Advances	222,000	13,342,156	240,000	13,146,600

20.5. Employee Benefits:

Defined Benefit Plans (Gratuity) - As per Actuarial Valuations:

(Amount in Rs.)

Particulars		As at March 31 , 2014	As at December 31 , 2012
I	Assumptions		
	Discount Rate	9.00%	8.50%
	Expected Rate of Return on plan asset	8.50%	9.00%
	Salary Escalation	5.01%	6.00%
II	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of Period	3,559,154	2,332,935
	Interest cost	400,405	186,635
	Current Service Cost	763,007	1,243,454
	Benefits Paid	(20,844)	(33,781)
	Actuarial (gain)/Loss on obligations	(963,412)	(170,089)
	Present value of obligations as at end of Period	3,738,310	3,559,154
III	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of Period	2,145,118	1,697,989
	Expected return on plan assets	177,723	169,809
	Contributions	54,470	311,101
	Benefits paid	(20,844)	(33,781)
	Actuarial Gain / (Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of period	2,356,467	2,145,118
IV	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of period	2,145,118	1,697,989
	Actual return on plan assets	177,723	169,809
	Contributions	54,470	311,101
	Benefits Paid	(20,844)	(33,781)
	Fair value of plan assets at the end of period	2,356,467	2,145,118
	Funding Status - Surplus/(deficit)	(1,381,843)	(1,414,036)
	Excess of Actual over estimated return on plan assets	NIL	NIL
V	Actuarial Gain/Loss recognized		
	Actuarial gain/(Loss) for the year -Obligation	963,412	170,089
	Actuarial (gain)/Loss for the year - plan assets	NIL	NIL
	Total (gain)/Loss for the year	(963,412)	(170,089)
	Actuarial (gain)/Loss recognized in the period	(963,412)	(170,089)

Particulars		As at March 31, 2014	As on December 31, 2012
VI	The amounts to be recognized in the Balance Sheet and Statements of Profit and Loss		
	Present value of obligations as at the end of period	3,738,310	3,559,154
	Fair value of plan assets as at the end of the period	2,356,467	2,145,118
	Funded status	(1,381,843)	(1,414,036)
	Net Asset/(liability) recognized in balance sheet	(1,381,843)	(1,414,036)
VII	Expenses Recognised in Statement of Profit & Loss		
	Current Service cost	763,007	1,243,454
	Interest Cost	400,405	186,635
	Expected return on plan assets	(177,723)	(169,809)
	Net Actuarial (gain)/Loss recognised during the period	(963,412)	(170,089)
	Expenses recognised in statement of Profit & Loss	22,277	1,090,191

20.6. Related Party Transactions

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

A) Name of the related parties:

a) The Parties where Control exists:

(i) Subsidiaries

Sr. No.	Name
1	HOVS Holdings Limited
2	HOVS LLC

(ii) Step down Subsidiaries

Sr. No.	Name
1	HOV Environment Solutions Private Limited
2	HOV Environment, LLC

b) Associates with whom transactions have been entered during the period

Sr. No.	Name
1	HandsOn Venture, LLC
2	HOVG, LLC dba, Bay Area Credit Service, LLC
3	Tracmail India Private Limited
4	HOV Services, Inc

c) Directors/Key Managerial Personnel:

Sr. No.	Name
1	Mr. Sunil Rajadhyaksha (Chairman and Executive Director)
2	Mr. Parvinder S Chadha (Executive Director)
3	Mr. Surinder Rametra (Executive Director)

B) During the period, following transactions were carried out with the related parties in the ordinary course of business:

(Amount in Rs.)

Name of the Party	Nature of Relationship	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
HOV Services, Inc Services Provided	Associate / Subsidiary	108,108,133	86,547,359
HOVG, LLC dba, Bay Area Credit Service, LLC Services Provided	Associate	33,921,944	24,421,748
Tracmail India Private Limited Rent Income	Associate	13,309,905	1,946,395
Advances Given		756,703	393,463
Repayment of advances		756,703	393,463
Purchase of Immovable Property		NIL	100,423,000
Rent Deposit Received		2,649,981	NIL
HOV Environment Solutions Private Limited Advances Given	Subsidiary	151,172,520	408,249
Advances Repaid		135,968,989	728,870
Interest Received		1,122,341	NIL
HOVS, LLC Services Provided	Subsidiary	17,207,847	2,629,311
Reimbursement of Expenses		19,745,413	25,707,104
Return of Additional paid in Capital		NIL	49,480,000
Additional paid in Capital		27,084,744	27,715,884
HandsOn Venture, LLC Reimbursement of Expenses	Associate	6,162,821	3,127,098
Mr. Surinder Rametra Managerial Remuneration	Key Managerial Personnel	5,400,000	4,800,000
Mr. Parvinder S Chadha Managerial Remuneration	Key Managerial Personnel	5,400,000	4,800,000
Mr. Sunil Rajadhyaksha Managerial Remuneration	Key Managerial Personnel	6,000,000	4,800,000

Balances with the related parties referred above:

(Amount in Rs.)

Name of the Party	Nature of Relationship	Balance as at	
		March 31, 2014	December 31, 2012
HOVS LLC Investment Receivables	Subsidiary	660,770,194 27,766,108	633,685,450 15,775,911
HOVS Holdings Limited Investment in Shares	Subsidiary	6,457	6,457
HOV Services, Inc Receivables Unbilled Revenue	Associate	7,306,874 1,202,837	9,076,709 NIL
HOV Environment Solutions Private Limited Receivable Guarantees outstanding	Subsidiary	16,348,659 57,336,320	135,021 56,000,000
HOVG, LLC dba, Bay Area Credit Service, LLC Receivables	Associate	6,851,377	4,163,075
HandsOn Venture, LLC Receivables	Associate	1,312,042	1,545,889
Tracmail India Private Limited Deposit Payable	Associate	2,649,981	NIL
Mr. Surinder Rametra Remuneration payable	Key Managerial Personnel	819,119	740,707
Mr. Parvinder S Chadha Remuneration payable	Key Managerial Personnel	869,183	566,465
Mr. Sunil Rajadhyaksha Remuneration payable	Key Managerial Personnel	879,235	434,594

- Related party relationship is as identified by the management and relied upon by the auditors.
- No amounts in respect of related parties have been written off/ written back during the period, nor has any provision been made for doubtful debts/ receivable.

20.7. Auditors' Remuneration:

(Amount in Rs.)

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
Payment to Statutory Auditors: Audit Fees (includes Rs. 50,000 for earlier year) Limited Review Fees Certification Fees Reimbursement of Out of Pocket Expenses (Excluding service tax of Rs.209,960; previous year Rs.202,218)	1,225,000 300,000 122,500 51,220	1,175,000 225,000 122,500 58,260
Total	1,698,720	1,580,760

- 20.8. There are no Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly, no additional disclosures have been made.
- 20.9. As per Accounting Standard (AS) 17 "Segment Reporting", segment information has been provided in the notes to Consolidated Financial Statements.
- 20.10. **Earnings / Expenditure in foreign Currency:**

(Amount in Rs.)

Particulars	For the fifteen months period ended March 31, 2014	For the year ended December 31, 2012
<u>Earnings in Foreign Exchange</u>		
Income from Operations	159,237,924	113,598,418
Reimbursement of Expenses	19,745,413	25,707,104

- 20.11. a) In view of change in calendar year to financial year resulting in current period figures being for fifteen months and are accordingly, not comparable with that of previous year comprising of twelve months.
- b) Figures of the previous year have been regrouped / rearranged, wherever considered necessary to conform to the current period's presentation.

Signatures to Notes 1 to 20

For and on the behalf of the

Board of Directors of HOV Services Limited

Sunil Rajadhyaksha
Chairman & Executive Director
(DIN: 00011683)

Parvinder S Chadha
Executive Director
(DIN: 00018468)

Surinder Rametra
Executive Director
(DIN:00019714)

Place: Mumbai
Date: May 21, 2014

Bhuvanesh Sharma
VP- Corporate Affairs &
Company Secretary

Sriram Iyengar
Chief Financial Officer

Notice of 26th Annual General Meeting

Notice is hereby given that the Twenty-Sixth Annual General Meeting of the members of HOV Services Limited will be held on Saturday, July 26, 2014 at 11:00 AM at Le Meridien, Raja Bahadur Mill Road, Pune, Maharashtra- 411001, to transact the following business:

ORDINARY BUSINESS:**1. Adoption of financial statements**

To receive, consider and adopt the audited financial statement of the Company for the fifteen months period ended March 31, 2014 including the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss Account of the Company together with Schedules and Notes annexed thereto and the Cash Flow Statement for the period ended on that date and the Reports of the Directors and Auditors thereon.

2. Appointment of Director

To re-appoint Mr. Surinder Rametra, who retires by rotation and, being eligible, seeks re-appointment.

3. Appointment of Auditors

To consider and if thought fit, to pass with or without modification(s) the following resolution as ordinary resolution:

RESOLVED THAT, pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, and pursuant to the recommendations of the audit committee of the Board of Directors, M/s Lodha & Company, Chartered Accountants (Registration No. 301051E) be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this 26th Annual General Meeting (AGM) till the conclusion of the 29th AGM of the Company to be held in the year 2017 (subject to ratification of the appointment by the members at every AGM held after this AGM), at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors.

SPECIAL BUSINESS:**4. Appointment of Mr. B R Gupta as an Independent Director of the Company**

To consider and if thought fit to pass with or without modification(s), the following resolution as an ordinary resolution:

RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and rules framed there under, read with schedule IV to the Companies Act, 2013, Mr. B R Gupta (DIN 00020066), a non-executive Director who retires by rotation at the Annual General Meeting and has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company with effect from July 26, 2014 up to July 25, 2016.

5. Appointment of Mr. Harish Bhasin as an Independent Director of the Company

To consider and if thought fit to pass with or without modification(s), the following resolution as an ordinary resolution:

RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and rules framed there under, read with schedule IV to the Companies Act, 2013, Mr. Harish Bhasin (DIN 01682548), a non executive Director of the Company who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment , be and is hereby appointed as an Independent Director of the Company with effect from July 26, 2014 up to July 25, 2016.

6. Non-appointment of Mr. Prakash Shukla as an Independent Director of the Company

To consider and if thought fit to pass with or without modification(s), the following resolution as an ordinary resolution:

RESOLVED THAT not to re-appoint Mr. Prakash Shukla, Independent Director of the Company who does not seek re-appointment.

By Order of the Board

HOV Services Limited
Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

Place: Mumbai
Date: May 21, 2014

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.** A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
2. The relative Explanatory Statement pursuant to section 102 of the Companies Act, 2013 (Act) in respect of the business under Item Nos. 4 to 6 of the Notice, is annexed hereto. The relevant details as required under clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/re-appointment as Directors, are also annexed.
3. Members / proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
4. The Register of Members and Transfer Books of the Company will be closed from July 21, 2014 to July 26, 2014, both days inclusive.
5. Members holding shares in physical form are requested to quote their folio number in all correspondence with the Company and to intimate the following directly to the Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited, Karvy House, 46 Avenue 4, Banjara Hills, Hyderabad-500 034:
 - a. Change, if any in their address;
 - b. Request for nominations form as per the provisions of the Companies Act, 2013.
6. Members holding share in dematerialized form are requested to contact their Depository Participant for any change in their particulars.
7. The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with KARVY/Depositories
8. Members are requested to send their queries, if any, at least 10 days in advance address to Company Secretary at the email address investor.relations@hovsltd.com of Company to facilitate the reply in the Meeting.
9. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
10. The certificate from the Auditors of the Company certifying that the Company's HOVS ESOP Plan 2007 & HOVS ESOP Plan 2008 is being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 will be available for inspection by members at the AGM.
11. In compliance with the provisions of section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by **Karvy Computershare Private Limited ("KCPL")**, on all resolutions set forth in this Notice.

By Order of the Board

Place: Mumbai
Date: May 21, 2014

HOV Services Limited
Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

EXPLANATORY STATEMENT**(Pursuant to section 102 of the companies Act, 2013)**

As required under provisions of section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 4 to 6 of the accompanying Notice:

Item Nos. 4 and 5.

The Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered with the Stock Exchanges, appointed Mr. B R Gupta and Mr. Harish Bhasin, as Independent Directors at various times, in compliance with the requirements of the clause and pursuant to the applicable provisions of erstwhile Companies Act, 1956.

Pursuant to the provisions of section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

Mr. B R Gupta and Mr. Harish Bhasin are non-executive directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under section 149(6) of the Act. In the opinion of the Board, each of these directors fulfil the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

The terms and conditions of appointment of the above Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

Mr. B R Gupta and Mr. Harish Bhasin, respectively, are concerned or interested in the Resolutions of the accompanying Notice relating to their own appointment.

No director, key managerial personnel or their relatives, is interested in the resolution.

The Board recommends the resolution set forth in Item No. 4 and 5 for approval of the members.

Item Nos. 6

Mr. Prakash Shukla is a Non-Executive (Independent) Director of the Company. He joined the Board of the Company in October 2009. Mr. Prakash Shukla does not seek his re-appointment as Independent Director owing to his busy schedule and commitment overseas.

No director, key managerial personnel or their relatives, is interested in the resolution.

The Board recommends the resolution set forth in Item No. 6 for approval of the members.

Additional information on directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement.**1. Mr. Surinder Rametra**

In 1983, Mr. Rametra founded Sun Computers and Software, Inc. and took the company public in 1994 under the name ATEC. He served as ATEC's Chairman and CEO until 2003. Mr. Rametra currently serves as an Executive Director of the HOV Services Limited.

Mr. Rametra's career encompasses leadership of private and public enterprises. He is also a founding member of Silver Oak Hospital in Chandigarh, India and Shanti Foundation, a charitable organizations devoted to health care and educational activities.

Mr. Rametra has a degree in Mechanical Engineering from Punjab Engineering College, India, a Master's degree in Industrial Engineering from the Indian Institute of Technology, India and an MBA in Finance from New York University.

Mr. Rametra is married, has three children and is blessed with four grandchildren.

Companies (other than HOV Services Limited) in which Surinder Rametra holds directorship and committee membership

Directorship

Universal Town Planner Private Limited

Chairperson of Board committees

None

Member of Board committees

None

Shareholding in the Company

Surinder Rametra holds 120,000 equity shares of the Company.

2. B R Gupta

Mr. B. R. Gupta, 73 is a Fellow of Insurance Institute of India, Law Graduate & Post Graduate. He is the Former Executive Director (Investments) of Life Insurance Corporation of India. After superannuation he was reappointed as Investment Advisor by LIC of India & Investment Consultant by General Insurance Corporation of India. He has over 50 years of experience in Insurance, Investment and Financial Services Sector. Mr. Gupta has been a Director on the boards of ICICI Prudential Asset Management Company, National Stock Exchange, IDBI Capital Market Services Ltd., Mahindra and Mahindra Limited, Greaves Cotton Limited. He has been a member of Secondary Market Committee of Security Exchange Board of India, Debt Market Committee of National Stock Exchange & Governing Board of National Insurance Academy. Presently, he holds the position of Director in Aditya Birla Nuvo Ltd., J.B.F. Industries Ltd., J.B.F. RAK LLC, Sagacious Financial Services Ltd., J.B.F. Petrochemicals Ltd. He has been an Advisor to IL & FS Academy for Insurance and Finance Ltd., (an initiative of IL & FS Group) for a number of years. Currently he is associated with Trinity Global Education Pvt. Ltd. As Advisor in the Financial Services Division.

Companies (other than HOV Services Limited) in which B R Gupta holds directorship and committee membership

Directorship

Aditya Birla Nuvo Limited

JBF Industries Limited

SAGACIOUS Financials Private Limited

JBF RAK LLC

JBF Petrochemicals Limited

Chairperson of Board committees

JBF Industries Limited-Audit Committee, Stakeholder's Relationship Committee

JBF Petrochemicals Limited-Audit Committee

Member of Board committees

Aditya Birla Nuvo - Audit Committee

Shareholding in the Company

BR Gupta holds 1,500 equity shares of the Company.

3. Harish Bhasin

Mr. Harish P. Bhasin, 67, is a Director of the Company and one of the Founder Member of Klassic Construction (P) Ltd. (KCPL), a privately held Company registered in Mumbai, Maharashtra, providing construction and engineering services for Government sector, commercial and residential buildings since 1993. KCPL is a member of "Builders Association of India" and is in good standings. Mr. Bhasin is a visionary and goal oriented senior executive with over 35 years of experience in the United States and India in various industries including information technologies, construction and pharmaceuticals. He managed multiple organizational initiatives at the strategic, tactical and operational levels. He has a Master's degree in Engineering Sciences from University of Mississippi, in 1968. He earned a United States Patent (# 3762466) "Static Stirrer Apparatus and Process" dated Oct 2, 1973 in his name.

Companies (other than HOV Services Limited) in which Harish Bhasin holds directorship and committee membership

Directorship

Klassic Project Engineering Construction Private Limited

Chairperson of Board committees

None

Member of Board committees

None

Shareholding in the Company

Harish Bhasin holds 2,500 equity shares of the Company.

HOVS**HOV Services Limited****PROXY FORM**

[Pursuant to Section 105 (6) of the Companies Act, 2013 and Rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

HOV SERVICES LIMITED

CIN: L72200PN1989PLC014448

3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune-411 037, India , Tel:91 20 24231623, Fax: 91 20 24221470

investor.relations@hovsltd.com | www.hovsltd.com

26th Annual General Meeting – July 26, 2014

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Registered address	<input type="text"/>																				
Email	<input type="text"/>																				
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I / We, being the member(s) of shares of the above named company, hereby appoint:

- Name _____ Address _____
E-mail Id _____ Signature _____, or failing him;
- Name _____ Address _____
E-mail Id _____ Signature _____, or failing him
- Name _____ Address _____
E-mail Id _____ Signature _____, or failing him

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 26th Annual General Meeting of the Members of HOV Services Limited to be held on Saturday, the 26th day of July, 2014 at 11:00 AM at Le Meridien, Raja Bahadur Mill Road, Pune, Maharashtra- 411001 and at any adjournment thereof in respect of such resolutions as are indicated below in respect of such resolutions as are indicated below:

Resolution number	Resolution	Vote (Optional see Note 2) (Please mention no. of shares)		
		For	Against	Abstain
Ordinary business				
1	Adoption of Balance Sheet, Statement of Profit and Loss, Report of the Board of Directors and Auditors for the financial period fifteen months ended March 31, 2014.			
2	Appoint Mr. Surinder Rametra, Executive Director who retires by rotation and being eligible, seeks re-appointment.			
3	Appoint Lodha & Co. as the auditors of the Company.			
Special business				
4	Appoint B R Gupta as an Independent Director.			
5	Appoint Harish Bhasin as an Independent Director.			
6	Non appointment of Prakash Shukla as an Independent Director.			

Signed this day of 2014.

.....
Signature of the member

.....
Signature of the proxy holder(s)

Affix revenue stamp of not less than ₹ 1/-
--

Notes:

1. This form, in order to be effective, should be duly stamped, completed, signed and deposited at the registered office of the Company, not less than 48 hours before the meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate.

HOVS
HOV Services Limited

ATTENDANCE SLIP

HOV SERVICES LIMITED

CIN: L72200PN1989PLC014448

3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune-411 037, India ,

Tel:91 20 24231623, Fax: 91 20 24221470

investor.relations@hovsltd.com | www.hovsltd.com

26th Annual General Meeting – July 26, 2014

Registered Folio no. / DP ID no. / Client ID no.:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Number of shares held

--	--	--	--	--	--	--	--	--	--

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the 26th Annual General Meeting of the Company at the Le Meridien, Raja Bahadur Mill Road, Pune, Maharashtra- 411001, India, Saturday, the 26th day of July, 2014 at 11:00 AM. IST.

..... Name of the member / proxy
(in BLOCK letters)

.....
Signature of the member / proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the AGM.



HOV Services Limited

Registered Office:

**3rd Floor, Sharda Arcade,
Pune Satara Road,
Bibwewadi, Pune -411 037**

Day and Date : Saturday, July 26, 2014

Time : 11:00 AM

**Venue : Le Meridien, Raja Bahadur Mill Road,
Pune - 411001**

If undelivered, please return to :



Computershare

Karvy Computershare Private Limited

(Unit : HOV Services Limited)

**Plot No. 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad-500 081.**

Tel No. (040) 44655000

Fax No. (040) 23420814

Email : einward.ris@karvy.com