

HOVS LLC

FINANCIAL STATEMENT
FOR THE YEAR ENDED
MARCH 31, 2015

INDEPENDENT AUDITORS REPORT

To the Members of
HOVS LLC

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HOVS LLC Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

Management is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with 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 internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls, An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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,

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2015;
- (ii) In the case of the statement of Profit and Loss, net result of the operations of the Company for the year ended on that date, and
- (iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report that:

- a) We have sought and 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, the 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 aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014
- e) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us
 - i. The company does not have any pending litigations which would impact on its financial Position and
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses,

OTHER MATTER:

The audit report has been prepared for the purpose of enabling Ultimate Parent Company's financial reporting requirement under the Act

We disclaim any responsibility for reliance on this report by any person other than the Board of Directors of HOV Services Limited (Ultimate Parent Company) or for purposes other than that which it is meant for.

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

**Place: Mumbai
Date: May 21, 2015**

**A.M. Hariharan
Partner
Membership No. 38323**

HOVS LLC

BALANCE SHEET AS AT MARCH 31, 2015

		Amount in Rs.	
	Note No.	As at March 31, 2015	As at March 31, 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	921,574,108	884,897,135
Reserves and surplus	2	(21,484,546)	(20,680,268)
Current liabilities			
Trade Payables		2,503,632	14,423,952
Other current liabilities	3	120,026,447	107,698,842
TOTAL		1,022,619,641	986,339,661
ASSETS			
Non Current Assets			
Non-Current investments	4	1,018,520,998	977,985,715
Current Assets			
Trade Receivables	5	2,503,632	3,605,988
Cash and Bank Balances	6	1,595,011	4,747,958
TOTAL		1,022,619,641	986,339,661
Significant accounting policies and Accompanying Notes form an integral part of financial statements			
	8 & 9		

As per our attached Report of even date

For Lodha & Company
Chartered Accountants

For HOVS LLC

A. M. Hariharan
Partner

Manager

Place: Mumbai
Date : May 21, 2015

HOVS LLC

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2015

Amount in Rs.

Particulars	Note No.	For the Year ended March 31, 2015	For the fifteen months period ended March 31, 2014
Revenue from operations		14,675,304	17,062,272
Other income (Provisions written off)		-	-
Total Revenue		<u>14,675,304</u>	<u>17,062,272</u>
Expenses			
Employee Cost		-	-
Other Expenses	7	14,675,304	32,934,751
Finance Costs		-	-
Total Expenses		<u>14,675,304</u>	<u>32,934,751</u>
Loss before tax		-	(15,872,479)
Tax Expense			
Current Tax		-	-
Deferred Tax		-	-
Loss for the period/year		-	(15,872,479)
Add/(Less): Share of profit/(loss) from an associate		-	-
Profit/(Loss) for the period/year		<u>-</u>	<u>(15,872,479)</u>
Earnings per equity share of the face value of USD 1 each :			
Basic & Diluted		-	(15,872.48)

Significant accounting policies and Accompanying Notes form an integral part of financial statements 8 & 9

As per our attached Report of even date

For Lodha & Company
Chartered Accountants

For HOVS LLC

A. M. Hariharan
Partner

Manager

Place: Mumbai
Date : May 21, 2015

HOVS LLC

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

	Amount in Rs.	
	For the year ended March 31, 2015	For the fifteen months period ended March 31, 2014
A Cash flow from Operating Activities:		
Net Profit/ (Loss) before Tax	-	(15,872,479)
Add Adjustments for:		
Foreign Exchange Variation (Gain)/Loss	249,664	845,443
Operating Profit before Working Capital changes	249,664	(15,027,036)
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivables	1,251,816	(721,198)
Increase/(Decrease) in Trade and Other Payables	(4,654,427)	(20,614,231)
Cash generated from Operations	(3,152,947)	(36,362,465)
Taxes Paid	-	-
Net cash from/(used in) Operating Activities - A	(3,152,947)	(36,362,465)
B Cash flow from Investing Activities:		
Investments in subsidiaries	-	-
Net Cash from/(used in) Investing Activities - B	-	-
C Cash flow from Financing Activities:		
Paid /(Return) of additional paid in capital-net	-	30,049,900
Proceeds/(Repayments) from/to loans, Investment , net	-	-
Net cash from/(used in) Financing Activities - C	-	30,049,900
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(3,152,947)	(6,312,565)
Opening Cash and Cash Equivalents	4,747,958	11,060,523
Closing Cash and Cash Equivalents	1,595,011	4,747,958

Notes:

1. 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 Act, 2013.
2. Previous period's figures have been regrouped/rearranged where necessary to conform to current year's presentation.

As per our attached report of even date

For Lodha & Company
Chartered Accountants

For HOVS LLC

A. M. Hariharan
Partner

Manager

Place: Mumbai

Date : May 21, 2015

HOVS LLC

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

Note 1- Share Capital

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Amount in Rs.	Number	Amount in Rs.
Share Capital				
Common Stock	1000	62,591	1000	60,100
Additional Paid in Capital		921,511,517		884,837,035
Total	1000	921,574,108	1000	884,897,135

Details of common stock holders more than 5%

Name of Shareholder	As at March 31, 2015		As at March 31, 2014	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
HOV Services Limited- Holding Company	1000	100%	1000	100%

Details of Additional Paid up Capital held by Holding Company

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Opening Balance	884,837,035	779,086,309
Add: Further received as additional paid in capital from Holding Company	-	30,049,900
Less: Refund to the Holding Company	-	-
Add : Exchange difference during the period	36,674,482	75,700,826
Total	921,511,517	884,837,035

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Foreign Exchange Translation Reserve		
Opening Balance	(1,209,496)	(574,753)
Add :Addition during the period/year	(804,278)	(634,743)
Closing Balance	(2,013,774)	(1,209,496)
Deficit : Statement of Profit & Loss		
Opening Balance	(19,470,772)	(3,598,293)
Profit/(Loss) for the period/year as per Statement of Profit & Loss	-	(15,872,479)
Closing Balance	(19,470,772)	(19,470,772)
Total	(21,484,546)	(20,680,268)

Note 3 - Other Current Liabilities

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Advances received towards reimbursement of expenses	34,077,728	-
Provision for Expenses	-	13,522,455
Payable to Fellow Subsidiary- HOV Holdings Limited	83,709,387	80,834,231
Payable to Holding Company- HOV Services Limited	2,239,332	13,342,156
Total	120,026,447	107,698,842

HOVS LLC

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

Note 4 - Non Current Investments

Name of the Body Corporate	As at March 31, 2015		As at March 31, 2014	
	No. of Shares / Extent of Holding (%)	Amount in Rs.	No. of Shares / Extent of Holding (%)	Amount in Rs.
Investments in Equity Shares -Long Term Trade (Unquoted , fully paid up and at cost)				
Investment in Associate - SourceHOV LLC, USA (Refer Note No. 9.4) Cost as on date of Investments	-	-	8,748,035 26.1%	944,936,835
Investment in Associate - SourceHOV Holdings Inc, USA (Refer Note No. 9.4) Cost as on date of Investments	64715 44.8%	984,102,317		-
Investment in Subsidiary - HOV Environment LLC, USA	6110 100%	34,418,681	6110 100%	33,048,880
Total		1,018,520,998		977,985,715

Note 5 - Trade Receivable

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Unsecured, considered good		
Trade receivable outstanding for a period less than six months from the due date of payment	2,503,632	3,605,988
Total	2,503,632	3,605,988

Note 6 - Cash and Bank Balances

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Balances with banks :		
In Current Accounts	1,595,011	4,747,958
Total	1,595,011	4,747,958

Note 7 - Other Expenses

Amount in Rs.

Particulars	For the year ended on March 31, 2015	For the fifteen months period ended March 31, 2014
Consultancy Charges	14,675,304	39,491,499
Telephone Expenses	-	493,370
Bank Charges	-	32,584
Travelling Expenses	-	2,988,778
Other expenses- Reimbursement of Corporate Expenses	-	20,261,448
Less : Corporate expenses reimbursed from an associate	-	(30,332,928)
Total	14,675,304	32,934,751

HOVS LLC

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

NOTE 8: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Overview of the Company

HOVS LLC ("HOVS") was formed on March 1, 2011, in Delaware State of United States of America (USA) as HOV SPV LLC and on March 17, 2011 and the name was subsequently changed to HOVS LLC, Limited Liability Company. The Company is formed for the purpose of acquisitions of different companies, investment activity, Sale of Software licenses, and other allied services and businesses.

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 and in compliance with the Accounting Standards (AS) prescribed by the Companies Act, 2013 to the extent applicable and on the principles of 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 recognised prospectively.

4. Revenue recognition

The Company recognizes revenue when the work is performed in order to match revenues with the services and related expenses.

5. Investments

Investments are classified into long term and current investments as per AS 13. 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 and provision is made to recognize any decline in the carrying value of the investment.

6. Foreign Exchange Transactions

As per the provisions of AS – 11 “Effects of changes in foreign exchange rates”, the 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.

7. 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 statements

8. Currency

The functional currency of the Company is USD. However for reporting for the consolidation purpose, the Company has used the Indian Rupee as its reporting currency

NOTE -9: NOTES TO THE FINANCIAL STATEMENTS

9.1 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.

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 year's financial statements on such reconciliation/adjustments.

9.2 Related Party Transactions:

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

A) Name of the related parties:

Name	Relationship
HOV Services Limited	Holding Company
HOV Environment LLC	Subsidiary
HOVS Holdings Limited	Subsidiary of Parent Company
HOV Environment Solutions Private Limited (WOS of HOV Environment LLC w.e.f. September 1, 2013) (WOS of HOVS Holdings up to August 31, 2013)	Step down Subsidiary
SourceHolding Inc	Associate
SourceHOV LLC	Associate
Rule 14, LLC	Associate
HandsOn Venture LLC	Associate
Manager	KMP

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

(Amount in Rs.)

Name and Description of transactions	For the year ended March 31, 2015	For the fifteen months period ended March 31, 2014
HOV Services Limited		
Reimbursement received for Corporate Expenses	Nil	20,261,448
Expenses for software support & maintenance	14,675,304	17,062,272
Reimbursement of Transaction related Expenses	8,312,155	NIL
Investment as Additional paid in capital	Nil	27,084,744
Source HOV LLC		
Reimbursement received for other expenses	6,103,985	8,394,516
HandsOn Venture LLC		
Received for transaction and corporate expenses	32,733,007	Nil
Rule 14, LLC		
Services provided for software support & maintenance	14,675,304	17,062,272
Manager ^{**}		
Management Fees	5,122,828	22,429,227

^{**} Total management fees paid were reimbursed by an associate.

Balances with the related parties referred above in the ordinary course of business are as under:

Name of Related Party	Nature of balances	As on March 31,	As on March 31,
		2015	2014
HOVS Holdings Limited	Payable	83,709,387	80,834,231
HOV Services Limited	Payable		
	- Trade	2,503,632	14,423,952
	- Other	2,239,332	13,342,156
Rule 14, LLC	Receivable	2,503,632	3,605,988

Note:-

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

9.3 Earnings Per Share (EPS):

Particulars	For the year ended March 31, 2015	For the fifteen months period ended March 31, 2014
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	Nil	(15,872,479)
Weighted Average Number of Equity Shares (Nos.)	1,000	1,000
Basic and Diluted Earnings per Equity Share (Rs.)	Nil	(15,872.48)
Nominal value per Equity Share (in USD)	1	1

9.4 Pursuant to shareholders' approval on November 4, 2014, SourceHOV Holdings Inc. ("SourceHOV"), a company in which HOVS LLC, wholly owned US subsidiary of HOV Services Limited, holds an investment, completed the merger with BancTec Group LLC. Post-merger the equity ownership of HOVS LLC in SourceHOV increased from 26.1% to 44.8%. The fair value of investment in SourceHOV LLC on November 4, 2014 Rs. 5,833,760,000 (equivalent USD 95 million) based on an Independent valuation report and fairness opinion from SEBI registered merchant banker. Accordingly, additional Capital Reserve of Rs 5,824,025,710 has been recognised in consolidated financial statements of the Ultimate Parent Company, being the fair value of investment in the associate over the carrying value of investment.

9.5 There are no pending litigations against or by the Company.

9.6 Previous period figures

- a) The current financial year comprises 12 months period ended March 31, 2015 as against previous financial year comprising of 15 months period ended on March 31, 2014. Therefore, figures of the current year are not comparable with those of the previous period.
- b) Figures of the previous period have been regrouped / rearranged, wherever considered necessary to conform to the current year's presentation

**Signatures to Notes 1 to 9
For HOVS LLC**

Place : Mumbai
Date : May 21, 2015

Manager