



**TWENTIETH ANNUAL REPORT
FINANCIAL YEAR 2007 - 08**

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CORPORATE INFORMATION

The Board of Directors

Mr. Surinder Rametra	<i>Chairman and Executive Director</i>
Mr. Parvinder S Chadha	<i>Executive Director</i>
Mr. Sunil Rajadhyaksha	<i>Executive Director</i>
Mr. Ajay Madan	<i>Director</i>
Mr. B R Gupta	<i>Director</i>
Mr. Rajeev Gupta	<i>Director</i>

Executive Management Team

Mr. Suresh Yannamani	<i>President</i>
Mr. James Reynolds	<i>Chief Financial Officer & Chief Accounting Officer</i>

Company Secretary & Compliance Officer

Mr. Bhuvanesh Sharma
E-mail: investor.relations@hovservices.com

Registered Office

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Pune 411-037
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Fax: (91 20) 2422 1460
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Head Office

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10th Floor,
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Kilpauk, Chennai-600 010
Ph: +91 44 42203000
Fax: +91 44 4285 8528

Registrar & Share Transfer Agent

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

DIRECTORS' REPORT

The Shareholders,

Your Directors' are pleased to present their Twentieth Annual Report on the Business and Operations of the Company together with Audited Statement of Accounts for the year ended March 31, 2008.

1. FINANCIAL RESULTS AND OPERATIONS:

The particulars of the Company and its Subsidiaries Consolidated financials statements are as below:

Particulars	For the year ended March 31, Rs. In Million			
	Consolidated		Standalone	
	2008	2007	2008	2007
INCOME				
Income from Operations	8,335.11	2,489.96	62.28	69.83
Other Income	744.87	13.33	0.29	6.06
	9,079.98	2,503.29	62.57	75.89
EXPENDITURE				
Staff Cost	4,036.07	1,073.51	24.31	19.34
General and Administrative Expenses	3,513.47	1,054.24	25.68	25.57
	7,549.54	2,127.75	49.99	44.91
Profit/(Loss) before Interest, Depreciation and Tax	1,530.44	375.54	12.58	30.98
Less: Interest	509.26	70.47	0.13	0.80
Less: Depreciation	169.78	47.23	1.65	1.07
Profit/(Loss) before Tax	851.40	257.84	10.80	29.11
Tax pertaining to earlier years	(0.08)	(0.04)	-	(0.04)
Less: Provisions for taxes				
Current Tax	27.77	36.19	1.20	0.77
Deferred Tax	0.14	0.95	0.01	0.11
Fringe Benefit Tax	1.56	0.95	0.30	0.32
Profit/(Loss) after Tax	822.01	219.79	9.29	27.95
Less: Minority Interest	277.59	12.49	-	-
Profit/(Loss) after Tax After Minority Interest	544.42	207.30	9.29	27.95

2. RESULTS OF OPERATIONS

Performance on consolidated basis:

The Revenue increased to Rs. 9,080 million from Rs. 2,503 million, an increase of 263%. Profit before taxes increased to Rs. 851 million from Rs 258 million, an increase of 230% and profit after taxes increased to Rs. 544 million from Rs 207 million or an increase of 163%.

3. 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 year.

4. Significant Developments:

The Company has achieved 15th Rank on the International Association of Outsourcing Professionals' (IAOP) Global Outsourcing 100 list for 2008. This is the third consecutive ranking within the top 25, and moves HOV Services up nine positions from last year's ranking. Your Company is again honored by IAOP's recognition as a worldwide leader in the outsourcing industry.

Highlights of Business Performance:

- Added \$35.7 million in customer contracts in the 4th Fiscal Quarter; and \$113.5 million over the last fiscal year.
- Pace of Revenue Growth is expected to continue - in part due to success of end-to-end solution sales strategy and in part due to success of cross sell and up-sell program across our top 350 customer.
- Expanded its global delivery capability by opening operations in Xian, China and 3 new facilities in Indian B cities.
- Average deal size increased during the 4th Fiscal quarter to \$1.8 million from \$0.6 million in the 1st quarter with many deals in the pipeline that are larger than average for the 4th Fiscal quarter.

Key Accomplishments and Noteworthy Items:

- Ranked 15th on the International Association of Outsourcing Professionals' (IAOP) Global Outsourcing 100 list for 2008.
- Continue Technology Deployment and derive substantial savings from integration and rationalization of global operations in the FY 2009 and beyond.
- The impact of the Rupee was accretive to the Company to the tune of Rs. 309.9 million in FY 2008. This is due to the global footprint of the Company deriving 98% of its revenues in North America with cost spread globally between US, Canada, India, China and Mexico. The Company has USD denominated borrowings from US institutions which contributed substantially to the income due to foreign exchange gains.
- Diversified Client Base - Top 100 clients represent over 73% of total revenues.

Material Transaction Proposal

Your Company received an offer in June 2008 of approximately \$202 million to purchase from an investor group consisting of some of our Promoters:

- (i) 100% of ownership interest of HOV Services, LLC and its subsidiaries ("LLC");
- (ii) 100% of ownership interest of HOV Services (Beijing) Ltd.; and
- (iii) Any operating assets used by the companies in (i) and (ii) wherever located.

The transaction is subject to many conditions and purchase consideration is subject to adjustments based on debt, exchange rate between Rupee and US dollar including material adverse changes to the business and prospects of the Company. The Company has not entered into any agreement pending satisfactory resolution of certain items described below and as such the offer can be withdrawn prior to receiving the advise and satisfactory resolution. Our advisors also may recommend certain changes which the potential buyer may not accept or the Company may decide not to proceed due to variety of reasons. These and other factors including macro economic climate has led to uncertainty in regards to satisfactory completion of the transaction.

The Board of Director's in their meeting held on August 26, 2008 considered the various steps involved to position the Company for taking advantage of various opportunities. And after deliberations approved the transfer of shares of LLC, a wholly owned subsidiary to HOVS Holdings Ltd., domiciled in Hong Kong, also a wholly owned subsidiary of the Company. These transfers are subject to obtaining required regulatory and other approvals including Reserve Bank of India prior to effectuating any step.

Our, independent directors of the Board believe the Material Transaction is potentially in the best interest of the shareholders. However, the Board is not in position to recommend the transaction at this time till it has received advice and clearance from the legal advisor to the Company; investment banker retained to provide valuation advice and tax advisors for determining the overall impact to all stakeholders in regards to the proceeds received and distribution.

The transaction is subject to prior approval from exchanges and regulatory bodies and the minority shareholders of the Company in an Extra Ordinary General Meeting properly convened. Also, the Promoters and members of the promoter group will abstain from voting their shares in the Company for the Material Transaction Proposal.

Issue of ADR/GDR

The Shareholders in their Annual General meeting held on July 21, 2007 approved the issue of up to 1,50,00,000 number of Global Depository Receipts (GDRs), American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), and / or Equity Shares through Depository Receipt Mechanism (hereinafter referred to as (“DR”) per SEBI guidelines and subject to all rules and regulations. The Company also received In-Principal approval from Bombay Stock Exchange Limited vide its letter dated November 29, 2007 and from National Stock Exchange Limited vide its letter dated November 29, 2007 for issue and allotment of equity shares not exceeding 1,50,00,000 to be allotted towards the proposed DRs.

The Company has not issued any equity shares post approval.

5. 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: The operation of Company is not energy intensive. The Company conducted energy audit in some of the units and has started implementing the recommendations in a phased manner. This has resulted in reduction of energy consumption by around 15%.

Research and Development: The Company has not undertaken any R&D activity in any specific area during the year under review, and hence no cost has been incurred towards the same. The Company believes technology deployment is strategic to its growth and has invested heavily in automation, capture, presentation and analytics and has invested heavily in it. The Company has development teams in US and India implementing its vision.

Technology Absorption, Adaptation and Innovation: The Company has been concentrating on providing end to end BPO services to Clients conforming to international standards including ISO, HIPAA and SAS70. The Company has adopted Six Sigma practices and LEAN techniques in a majority of its centers and processes; a significant number of our team member have gone through Six Sigma training as well and have also secured the coveted black belt. The Company is constantly pursuing and adopting modern technologies and standards to grow its competitive advantages, to better serve its clients, retain employees and improve productivity and performance.

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 Notes to the Accounts of the Annual Report.

6. Particulars of Employees

The Company has no employee 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.

7. Human Resources

The relationship of your Company with its employees remained cordial throughout the year.

8. Directors Responsibility Statement

As stipulated in Section 217(2AA) of Companies Act, 1956, your Directors subscribe to the “Directors Responsibility Statement” and confirm as under:

- 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 year and of the profit and loss account of the Company for that the 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.

9. 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 year under review.

10. Corporate Governance

A separate section on Corporate Governance forming part of the Directors' Report and the Certificate from the Company's Auditors confirming compliance of Corporate Governance norms as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is included as a separate section in this Annual Report.

11. Management Discussion and Analysis

Management Discussion and Analysis Report for the year 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.

12. 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. You are requested to consider their re-appointment.

13. Directors

There is no change in the Board of Directors during the year under review. Mr. B R Gupta, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers his candidature for re-appointment.

14. Particulars Required Under Section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, the Company is required to attach the director's report, balance sheet, and profit and loss account of the subsidiary companies. The application was made to the Central Government of India for an exemption from such attachment as the Company presents the audited consolidated financial statement in the Annual Report. We believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial conditions. The Government of India has granted exemption to the Company from complying with section 212 for all the subsidiary companies vide its letter dated May 19, 2008 and July 18, 2008. Pursuant to the conditions of Government of India approval the statement thereto is annexed to the Annual Report.

Accordingly, the Annual Report does not contain the financial statement of the subsidiary companies. We will make available the audited annual accounts and related information of subsidiary companies, where applicable, upon request by any of our investors. These documents will also be available for inspection during business hours at our registered office in Pune, India.

15. Employee Stock Option Plan

The Company has instituted "HOVS Stock Option Plan 2007" for its employees and for employee's of its subsidiary companies. The details of options granted under the plan are given in the table.

Particular		Plan 2007
a.	Options Granted:	6,67,500
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.
c.	Options Vested:	Nil
d.	Options Exercised:	Nil
e.	Total number of shares arising as a result of exercise of options:	6,67,500
f.	Options lapsed:	57,000
g.	Variation of terms of option:	NA
h.	Money realized by exercise of options:	NA

i.	Total number of options in force:	6,10,500
j.	Details of Options granted to:	
	i. Senior Management:	6,10,500
	ii. Employee's receiving 5% or more of the total number of options granted during the year:	Nil
	iii. Employee's granted 1% or more of the issued capital:	Nil
k.	Diluted EPS after giving effect to issuance of shares on exercise calculated in accordance with AS 20.	NA

16. Acknowledgement

The Board wishes to convey their appreciation to our employees, shareholders, customers, suppliers and bankers for the continued support given by them to the Company during the year.

For and on behalf of the Board of Directors

Place: Mumbai
 Date: June 5, 2008

Surinder Rametra
 Chairman

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY OVERVIEW

Industry

HOV Services Ltd. (“HOVS”) strives to continually stay at the forefront of the marketplace and is positioned to leverage its global end-to-end capabilities in the Business Process Outsourcing (“BPO”) including Knowledge Process Outsourcing (“KPO”). We define BPO and KPO as:

BPO is generally the outsourcing of non-core business processes, generally offshore with the primary goal to save money.

Whereas in KPO, companies are outsourcing more core business processes where highly educated professionals perform the KPO tasks, based on a “right-shore” approach. With KPO, the primary goal is to gain access to scarce knowledge experts and provide a return on investment (“ROI”) rather than focusing primarily on cost savings.

Understanding the BPO Market

The BPO market is and has been in a steady state of growth for the past five to ten years. According to market analysis firm, Gartner, the global outsourcing market was approximately \$119 billion in 2000. Gartner is estimating the market to grow to approximately \$310 billion by the end of 2008. North American represents about 59% of the total market (approximately \$182.9 billion), Europe 27% and Asia-Pacific (primarily India) contributes the majority of the remaining portion.

Understanding the KPO Market

KPO projects require a higher level of control, confidentiality and enhanced risk management. Laxity in any of these parameters will not only jeopardize the KPO services being provided, but may also affect the entire business conducted by the client. Therefore, it is imperative that companies work with a KPO partner that has proven experience in the areas they are seeking to outsource. A reliable KPO partner must understand your industry, your challenges and your needs in order to be able to truly become an extension of your organization.

Evalueserve (EVS), a provider of offshore research and analytics services, predicts that low-end outsourcing services will grow globally from USD 7.7 billion in FY 2003 to USD 39.8 billion in FY 2010, which implies a Cumulative Annual Growth Rate (CAGR) of 26 percent. In contrast, the revenue from the global KPO market was USD 1.2 billion in FY 2003 and this is expected to grow to USD 17 billion by FY 2010, which implies a CAGR of 46 percent.

With such a steady growth rate in each of these industries, HOVS is positioned for tremendous growth as well. We operate in the largest BPO and KPO markets, according to Gartner’s statistics, and continue to climb in our global ranking. In fact, HOV Services was just listed as #15 on the International Association of Outsourcing Professionals 2008 Global Outsourcing 100 List, climbing up from #24 in 2007. We were also placed on the following unranked sub category lists:

- Best 10 Leaders with Employee Presence in India
- Best 10 Companies by Industry Focus: Healthcare
- Best 20 Companies by Industry Focus: Financial Services
- Best 20 Companies by Industry Focus: Telecommunications
- Best 20 Companies by Services Offered: Document Management

HOV Services Summary

HOVS to Exceed Expectations® for every one of our customers. As a leader in Global Business Process Outsourcing, we develop fully integrated solutions that combine best-of-breed technology, leading-edge infrastructure and domain expertise to give our customers the most streamlined process available. Our end-to-end solutions for healthcare, banking, publishing and our e-content management coupled with workflow based large volume transaction processing services set standards for the industry. HOVS applies LEAN Six Sigma techniques to improve quality, reduce cost and improve cycle time of our customer’s business processes.

For our customers, HOVS creates value by providing quality products and services that are delivered reliably and cost effectively to enhance their abilities to operate business. We aspire to “Exceed Expectations” through our end-to-end solutions, superior customer service and competitive desire to be the best BPO and KPO provider to our customers and their industry.

For our employees, we create value by running an ethical business that offers equal opportunity, career advancement and rewards for competence, performance and dedication to our customers, shareholders and business philosophy. We aspire to “Exceed Expectations” by being the employer of choice in the locations we work, and by attracting and keeping high caliber individuals who work as a team to create value.

For our shareholders, we create value by providing leadership, executing strategy based on analysis to deliver profits worthy of investment. We aspire to of being a leader in the BPO/KPO industry whose value is recognized by the profits we generate, the expertise of our employee and of our competitive accomplishments for customers we serve.

The Future and Vision of HOV Services

With the continued growth in the BPO and KPO industries, it is our goal to leverage our extensive industry expertise and excellent client base to continually grow our position in these markets. HOVS has uses an end-to-end, fully integrated solution strategy in BPO/ KPO market that blends a concentrated focus on key vertical and horizontal with technologically enabled service offerings. This solution suite is accented by the company’s firm commitment to Exceed Expectations® for our customers throughout the business process thereby improving their performance and helping them reach their strategic business goals.

HOVS customers include over 50% of FORTUNE 100® companies across key verticals such as financial services, telecommunications, healthcare, insurance, construction, publishing, retail, manufacturing and government. Our customers are serviced from more than 50 locations across North America, India, China and Mexico by our dedicated base of more than 12,506 associates (as of March 31, 2008), strategically located across the globe.

Comprehensive Service Offerings

HOVS offers a comprehensive suite of service offering’s and a few of them are discussed in brief below:

Accounts Payable (A/P) Services

HOVS transforms manual and paper intensive accounts payable functions into an automated outsourced process. Our AP solution consists of an integrated suite of services that streamline, automate and web-enable accounts payable functions.

Resulting, in per invoice processing costs and cycle times reduction while, increasing visibility and control of the entire business process. This is accomplished without the headache and expense of acquiring, deploying and managing additional technology and resources. By tailoring a solution to address individual customer business need and integrating with all leading ERP and enterprise-wide financial systems, the HOVS accounts payable solution delivers a unique set of benefits in the AP automation market.

Account Receivable Management (ARM) Services

HOVS provide an end-to-end solution assuming all, or part of the AR functions from invoice generation, lockbox/remittance processing, cash application/ reconciliation, notice presentment, first party collections, delinquency management and bad debt purchase.

HOVS can consolidate the printing, mailing and electronic delivery of Accounts Receivable documents. Our experience in invoice design, formatting, composition and printing provides mass customization of the invoice document. Invoices are custom formatted, according to pre-defined business rules, resulting in a document unique to each customer. An exact copy of each invoice is stored in document DNA directly from the print composition process. Invoices are available for retrieval by the Accounts Receivable department before the customer receives the invoice in the mail.

Early and Late Stage Debt Collection

Accounts receivable activity is often defined by the age of the receivable assigned for collection. Typically, early stage collection references debt placed for treatment 90 days or less from the point of delinquency. Conversely, the term late stage refers to older accounts or those previously placed with one or more collection agencies or attorneys.

HOVS provides effective collection solutions that yield high recoveries despite the age of the account or who may have previously worked it. Our Cure and Pre-collect program focus on newly delinquent debt. Our late stage services work effectively on older accounts, including secondary, tertiary and purchased debt assignments.

By outsourcing collection processes to HOVS, we can assist our customers organization appropriately staff for fluctuating volumes and significantly reduce cost using our distributed workforce and Global Service centers in the U.S., Mexico, China and India.

Healthcare Payer/Provider Services

HOVS provides secure, integrated, technology based solutions for healthcare payers. HOVS's solution significantly reduces direct (claims processing, adjudication, presentment) and indirect (call, print, mail) costs thereby, delivering business process efficiencies as well as enabling secure on-line storage and web-based access of documents, all without capital investment. Additionally, our customers benefit from higher auto adjudication rates for all claim types including complex claims (Superbills, claims with attachments, split claims, Rx) which makes them more competitive in their chosen markets.

HOVS offer providers a comprehensive Revenue Cycle Management solution (RCM) **Flexpost**, an end-to-end, technology-based solution to enhance and integrate with our customer's current RCM process by normalizing workflow and view of paper and EDI, regardless of the payer.

Combining leading edge IT capabilities with key EMR system partnerships HOVS medical record conversion applications allow healthcare providers to enhance patient care through superior day-forward medical records management while saving costs, freeing up revenue generating space, and improving efficiencies.

Risk Management and Employment Verification Services

HOVS assists organizations to deploy and manage a successful background screening and drug screening solution using Screen 360 and meet their growing business needs and help with compliance.

HOVS specializes in helping organizations efficiently implement, manage and control screening solution. We pride ourselves on understanding the complex screening needs of today's global employers and strive to provide easy-to-use, streamlined solutions that help organizations hire safer and smarter.

Screen 360 is designed to provide flexibility, streamline processes, adopt best practices and on a secure basis provide the human resource department to the ability to select the appropriate candidates. The cost effective solution, provides organizations quick turnaround times and meet a variety of reporting and compliance needs. Our clients gain peace of mind and place the right candidates in the right positions. As a hosted solution, Screen 360 gives organizations real time access to all employee screening results.

Screen 360 is a one stop solution for organization which includes following features and offerings:

- Identity Track Search
- Global Track Search
- County, Criminal and State Search
- National Criminal Search
- Education Search
- Employment Search
- Personal Verification
- I-9 Verification
- Professional Verification
- Drug Screening

Risk Management - Collection Management Solution

Several large clients use OASIS, a sophisticated transaction management system to support the creditors, debt purchaser, collection agency and litigation needs of our clients.

Managing a debt portfolio for a client is critical for both creditors and collectors alike. Knowing just how much is being collected as well as running detailed reports analyzing productivity and distribution is of the utmost importance. OASIS gives creditors and collection agency real-time statistics while allowing the owner of the debt portfolio to adhere to strict compliance guidelines by the Fair Debt Collection Act.

With HOVS, CLIP scoring models, you can drive empirical collections actions and decisions. Our analytic scoring models can predict with a high degree of accuracy such outcomes as:

- Whether the account is likely to pay
- How much a delinquent account is likely to pay over a given time period
- How likely the account is to self-cure, roll, or charge-off

The OASIS collection software will guarantee success in the complex and highly competitive accounts receivable management industry.

Claim Processing

By outsourcing any or all of your policy, membership or insurance support functions to HOVS, you can reduce costs associated with both policy and claims management through services that help automate mailroom functions and allow policy documents and claims correspondence to quickly enter an electronic workflow. HOVS's claims adjudication and policy database maintenance services helps insurers lower the costs of repetitive administrative functions while still insuring consistent policies of security, privacy and regulatory compliance.

HOVS' insurance processing solution is an integrated suite of services that streamline, automate and Web-enable paper-based insurance functions. Each service can be used on a stand-alone basis or combined with complimentary services as customer requirements and individual situations dictate. The seamless integration of services into a complete outsourced business process, customized for individual customer business rules and specific requirements, makes HOVS's insurance processing solution unique in the market place.

Content Transformation and Document Lifecycle Solution

HOVS's Content Management Services offers integrated, end-to-end solutions to meet customer defined content requirements. HOVS's Content Transformation Services are comprised of web-based document management through *document DNA*®.

Most organizations have complex business processes that form the foundation of business and operations. Often these processes are not automated and performed across the enterprise. Proven business enterprise content management approach that is standards-based and flexible in a wide range of industries shortens deployment time and improve competitive advantage.

document DNA Content Management Solution combines Content Management, business process management, workflow capabilities, information-related decisions, helping one make the right decision with the right Information the first time a specified event happens.

Manage diverse content

The document management capabilities in the *document DNA* solution can help organizations consolidate diverse content from multiple file shares and personal drives into a centrally managed repository with consistent categorization.

Satisfy compliance and legal requirements

The *document DNA* solution also includes integrated records management capabilities that give organizations the capability to store and protect business records in their final state.

Streamline business processes

The *document DNA* solution enables businesses to streamline content-driven, collaborative business processes by providing the tools and platform for automating the tasks of these processes.

The *document DNA*[§] solution provides capabilities to manage the entire lifecycle of unstructured content from creation to expiration on a single unified platform. These capabilities include:

- Document Management
- Record Management
- Content Management
- Workflow Solution
- Collaboration
- Form Solution

[§]Digital Network Access (DNA)

HOVS's **Document Lifecycle Services** impact the entire life cycle of a typical document-centric process, from in-bound mail processing to final presentment, enabling customers to reduce operating costs, improve service levels and gain access to new technology with no capital investment. This suite of services includes:

Mailroom Processing

HOVS can receive your mail at one of our geographically dispersed locations or set up mailroom operations at a customer-designated location. The mailroom process begins by receiving, opening, sorting, and batching critical documents.

Document Lifecycle Services

HOVS offers a complete data capture, conversion, archival and presentation solution which when combined with our business rules and provide an end-to-end solution for our most demanding customers.

OPPORTUNITIES AND STRENGTHS

- Strong Customer Base - Your Company has more than 50% of the FORTUNE 100® Companies as Clients.
- Global Footprint - with over 50 sites spread across US, Mexico, Canada, China and India, Company is well positioned to provide the Right Shore delivery for our various customers in North America
- Strong Roots in Quality - The Company strongly subscribes to Six Sigma philosophy and deploy it extensively for continuous improvements in our delivery and quality. We have a strong Six Sigma program in-house and many of our associates are well versed in it.
- HOVS Academy - our in-house academy which provides for the training requirements of the Human Resources and also acts as knowledge repository to be used when a particular skill set is required urgently.
- Large Market - we operate in a large market with substantial opportunity to increase penetration with in existing customer and add new one's. Also, there is substantial potential for cross sell and up sell of our services as we often provide few or just one service to most of our clients.



Threats and Risks

- Competition from Global Companies setting shop in India, China and Mexico as well as domestic BPO companies pose serious threat by price and margin erosion.
- Competition from Philippines and other developing Countries can also be considered a threat. However, HOVS global delivery located in geographies with the command on English language and on other soft skills puts HOVS in a better shape.
- The rising inflation and salaries and 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 man power.
- The appreciation of Rupee against US Dollar is a threat which has the effect of affecting the margins.

FUTURE OUTLOOK

The highly diversified nature of business, our global foot print, capability to provide end-to-end support to our clients, solid client base of Fortune 100 Companies and strong team of over 12,506 associates and presence in both voice and non voice platforms makes excellent foundation for strong future growth.

We have embarked upon effective use of technology to improve operations efficiency which will lead to better, faster and cheaper solutions to our clients. We have tremendous cross selling and up-selling opportunities in all the verticals in which we have presence.

Our growth is expected to be more in Healthcare, E Publishing, Finance & Accounting areas. The focus is towards improving value addition which is expected through strategic initiatives involving elimination of low margin transactions and concentrating on fewer clients and providing end-to-end services to them.

INTERNAL CONTROL SYSTEMS

The Company has well defined Internal Control Systems and well documented Procedures. The Organization Structure clearly provides role clarity and also the responsibilities of the Role. There are adequate checks and balances at all levels. The Internal Audit is outsourced to a Professional firm which reviews all the policies and procedures and also audits most of the transactions. The mandate goes beyond financial transactions to even review all the functions viz. Purchase, Sales and Marketing, Operations, Payroll, HR and many others. The reports submitted every quarter is reviewed by the Management and if needed corrective actions are taken.

The good practices followed in any of the group Companies is replicated to the other Companies so that organizational transformation leads to the next higher level.

FINANCIAL PERFORMANCE

Your Company has achieved consolidated revenue of Rs. 9,079.98 million and a net profit of Rs. 544.42 million. This marks a growth of 263% in revenue and 163% in net profits over the previous year.

The acquisitions have been made by a judicious mix of equity and debt so that the equity dilution is kept at the minimum. The Company is adequately geared to improve the returns to the equity holders.

HUMAN RESOURCES

Your Company operates in the knowledge intensive industry and recognizes the value of the Human Resources. The Company recognizes the merit and contributions of the employees. The Company's remuneration, rewards and recognition policies are linked to the performance. Adequate training is provided both in-house and using external faculties and facilities at all levels. Management staffs are also considered for relevant training by sponsoring to various seminars, lectures, communication and other soft skill development programs, stress busting programs etc. Employees at all levels are exposed to the benefits of Yoga which is available thro' a trained Yoga consultant. Once in a month all employees are addressed by Senior Management and apprised of the developments taking place during that period. All exceptional services are duly recognized and awarded. The Company follows open policy to redress the grievances if any. There is also an in-house e-magazine to bring out important happenings and to encourage in-house talents.

Career Progress has been drawn up for all levels and there is clarity of growth opportunities within the Company. Employees are encouraged to refer their friends for any positions to be filled in and also paid adequately if such referred persons are appointed. Company takes adequate care of the women employees. Women employees working in night shift or till late in the night are picked up and dropped along with an escort.

The employee relations with the Company were cordial through out the year at all our locations.

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2007-08

ANNEXURE TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2007-08

The Company is listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Report on Corporate Governance as per Clause 49 of Listing Agreement (s) is given under:

Company's Philosophy on Code of Governance

Our Board of Directors has been constituted in compliance with the Companies Act, 1956 and Listing Agreement(s) with the Stock Exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically. The Board has 6 Directors, three of whom are executive Directors and three of whom are non-executive independent Directors. The Chairman of the Board, Mr. Surinder Rametra is an executive Director.

1. Board of Directors

a) Composition of Board

The Board of Directors along with its committees provides direction and vision for the function of the Company. The composition of the Board is governed by Listing Agreement executed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited, The Companies Act, 1956 and the provisions of the Articles of Association of the Company. The Board has an optimum combination of executive and non executive Directors and presently fifty percent of the Board comprises of independent Directors. The Board comprises of six Directors, consisting of three executive and three non executive directors. All three non executive directors are Independent Directors. The Company is having an Executive Chairman.

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 Scheme 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 to Non Executive Directors:

Sr. No.	Name of Director	Stock Options
1	Mr. Ajay Madan	2,500
2	Mr. B R Gupta	2,500
3	Mr. Rajeev Gupta	2,500

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.

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

Composition of Board of Directors

Name of Director	Category	Board Meetings		Attended Last AGM	Other Directorships/ Board Committees (Number)		
		Held	Attended		Director ship	Committee Membership	Committee Chairmanship
Mr. Surinder Rametra	Promoter Executive	6	5	Yes	1	-	-
Mr. Parvinder S Chadha	Promoter Executive	6	3	Yes	-	-	-
Mr. Sunil Rajadhyaksha	Promoter Executive	6	5	Yes	1	-	-
Mr. Ajay Madan	Non-Executive Independent	6	5	Yes	4	-	-
Mr. B R Gupta	Non-Executive Independent	6	3	Yes	4	5	2
Mr. Rajeev Gupta	Non-Executive Independent	6	2	Yes	-	-	-

The details of Board Meetings held during the financial year 2007-2008 are as under;

Date of Board Meetings	May 28, 2007	June 15, 2007	July 19, 2007	August 6, 2007	October 25, 2007	January 29, 2008
Board Strength	6	6	6	6	6	6
No. of Directors Present	4	2	5	2	5	5

2. Audit Committee

The composition of the Audit Committee meets the 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.

All the members of the Committee are financial literate. Mr. B R Gupta, Chairman of the Audit Committee has rich experience of more than 41 years in the insurance and financial markets. He is a Post Graduate, Law Graduate & Fellow of Insurance Institute of India. Mr. Bhuvanesh Sharma, Company Secretary 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. Ajay Madan	Member (Independent Director)
Mr. Rajeev Gupta	Member (Independent Director)
Mr. Surinder Rametra	Member (Chairman & Executive Director)

The details of Audit Committee Meetings held during the financial year 2007-2008 are as under;

Date of Committee Meetings	May 28, 2007	July 19, 2007	October 25, 2007	January 29, 2008
Committee Strength	4	4	4	4
No. of Members Present	3	3	4	3

3. Compensation & Remuneration Committee

The Board of Directors of the Company at its meeting held on January 5, 2006 constituted the Remuneration Committee which was reconstituted as Compensation & Remuneration Committee by the Board of Directors of the Company at its meeting held on October, 25, 2006. The Compensation & Remuneration Committee was constituted in terms 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 Compensation & Remuneration Committee consist of Mr. Ajay Madan, Mr. B R Gupta and Mr. Rajeev Gupta, all Independent Directors with Mr. Ajay Madan as Chairman of the Compensation & Remuneration Committee.

The details of Compensation & Remuneration Committee Meetings held during the financial year 2007-2008 are as under:

Date of Committee Meetings	July 21, 2007	October 25, 2007
Committee Strength	3	3
No. of Members Present	3	3

Brief Terms of Reference

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

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	12,00,000	Nil	Nil	Nil
2	Mr. Parvinder S Chadha	12,00,000	Nil	Nil	Nil
3	Mr. Sunil Rajadhyaksha	12,00,000	Nil	Nil	Nil
4	Mr. Ajay Madan	Nil	Nil	1,30,000	2500
5	Mr. B R Gupta	Nil	Nil	90,000	2,500
6	Mr. Rajeev Gupta	Nil	Nil	60,000	2,500

- Notes:
- 1) The Company has not entered into any pecuniary relationship or transaction with the Non-Executive Directors.
 - 2) The Company had received the Central Government approval vide its letter dated November 2, 2007 for the payment of remuneration of Rupees. 4,00,000/- (inclusive of all) to each of the whole-time Directors.

4. Investor Grievances Committee

The Board of Directors of the Company at its meeting held on January 5, 2006 constituted the Investor Grievances Committee consisting of Mr. Ajay Madan, Chairman of the Committee, Mr. Surinder Rametra and Mr. Sunil Rajadhyaksha. 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.

Mr. Bhuvanesh Sharma is the Company Secretary and Compliance Officer of the Company. He oversees the performance of the Registrar and Transfer Agents of the Company.

The Investor Grievances Committee in its meeting held on July 21, 2007 had authorized Mr. R. Vijaya Kumar, Chief Financial Officer, India and Mr. Bhuvanesh Sharma, Company Secretary and Compliance Officer to have fortnightly calls on every Monday to take care of requirements related to shareholders quarries, 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 maintained the records thereof.

During the year under review the number of investors complaints received is 13. All of them were satisfactorily resolved/ replied, and no complaint/request is pending as on March 31, 2008.

5. Other Committees Constituted by the Board

The Board of Directors has constituted the other committees as detailed below;

Sr. No.	Name of the Committee	Members	Date of Constitution	Brief Terms of Reference
1	Selection Committee	Ajay Madan Rajeev Gupta Parvinder S Chadha	March 9, 2006	In terms of Director's Relatives (Officer or Place of Profit) Rules, 2003.
2	IPO Committee	Parvinder S Chadha Surinder Rametra Sunil Rajadhyaksha	March 9, 2006	To administer the process of Initial Public Issue.
3	Investment Committee	B R Gupta Surinder Rametra Sunil Rajadhyaksha	October 25, 2006	To administer the investment of funds.
4	Acquisition Committee	Ajay Madan Rajeev Gupta Sunil Rajadhyaksha Surinder Rametra	December 21, 2006	To administer the matters of acquisitions
5	Capital Committee	Parvinder S Chadha Surinder Rametra Sunil Rajadhyaksha	February 26, 2007	To administer capital expansion.

The meeting of members of Capital Committee was held on December 7, 2007 and the meeting of Acquisition Committee was held on July 21, 2007.

6. General Body Meetings

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

Year	Location	Date	Time	Special Resolutions passed
2004-05	Unit No. 32, Electronic Co-Operative Estate, Pune-Satara Road, Pune-411009	September 30, 2005	11:00 AM	Nil
2005-06	3rd Floor, Sharda Arcade, Bibwewadi, Pune-411037	June 15, 2006	11:00 AM	Nil
2006-07	Le Meridien, Raja Bahadur Mill Road Pune-411001	July 21, 2007	10:30 AM	Yes

b) Extra Ordinary General Meeting:

No Extra Ordinary General Meeting was held during the year.

7. Disclosures Requirements

- The detailed Management Discussion and Analysis Report are given separately in the Annual Report.
- During the year 2007-08, there were no materially significant transactions, having a potential conflict of interest of the Company at large.
- 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.
- The Company does not have any Whistle Blower Policy in force.
- The Company has complied with all the mandatory requirements.
- The Company has complied with non-mandatory requirement relating to Remuneration Committee.

- Shareholding of Non-Executive Directors as on March 31, 2008 is as below:

Sr. No.	Name of Director	Number of shares held
1	Mr. Ajay Madan	Nil
2	Mr. B R Gupta	Nil
3	Mr. Rajeev Gupta	10,000

8. Means of Communications

The Company communicates the development taking place in the Company through Quarterly Results, Press Releases and Analyst Calls. The financial results are generally published in Free Press Journal, Mumbai and Economics Times (English) and Navshakti Mumbai, Loksatta, Pune, (regional newspaper).

The Company's periodic financial results as well as official news releases and presentations made to the institutional investors and analysts are displayed on the web site of the Company at www.hovservices.com. The Company's results are also uploaded on the EDIFAR (Electronic Data Information Filing and Retrieval System) website maintained by National Informatics Center (NIC).

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

9. Non-Mandatory Requirements

The Board has setup Compensation & Remuneration Committee and other Committees, the details of which are furnished at Point No. 3 and 5 of this report.

10. 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 Board Meeting of the Company held on June 5, 2008.

11. General Shareholder Information

a) Details of ensuing AGM:

Day and Date	Time	Venue
Tuesday, September 30, 2008	10:30 AM	Taj Blue Diamond, 11 Koregaon Road, Pune, Maharashtra - 411001

b) Financial Year: April 1 to March 31

c) Financial Calendar for the Year 2008-2009:

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 July 31, 2008
2 nd Quarter Results	On or before October 31, 2008
3 rd Quarter Results	On or before January 31, 2009
4 th Quarter Results	On or before June 30, 2009

d) Date of Book Closure: August 26, 2008 to August 29, 2008 (both days inclusive)

e) Dividend payment date: NIL

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:

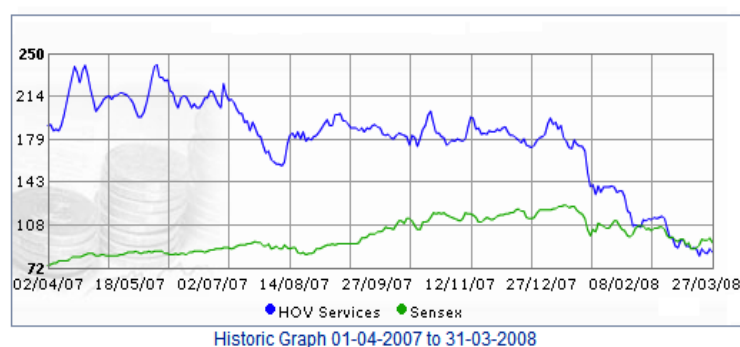
Monthly highs, lows and trading volume for FY 2008.

Month	NSE			BSE			Total Trade Quantity
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
Apr-07	248.90	183.00	348,674	248.05	182.50	430,312	778,986
May-07	237.65	192.00	232,706	240.60	190.05	360,879	593,585
Jun-07	245.00	196.65	211,689	245.00	200.10	240,993	452,682
Jul-07	228.50	162.80	534,136	230.00	165.00	582,255	1,116,391
Aug-07	203.00	143.00	406,831	199.00	148.00	482,187	889,018
Sep-07	205.00	178.00	167,721	205.00	180.00	259,455	427,176
Oct-07	209.00	169.20	254,162	209.00	168.00	488,485	742,647
Nov-07	205.00	170.00	165,625	205.00	171.05	246,163	411,788
Dec-07	192.00	168.00	115,508	191.60	171.50	194,752	310,260
Jan-08	200.60	126.00	115,291	201.15	126.00	157,527	272,818
Feb-08	140.00	103.00	109,951	143.85	103.50	184,328	294,279
Mar-08	111.50	72.20	144,643	111.00	73.60	172,703	317,346

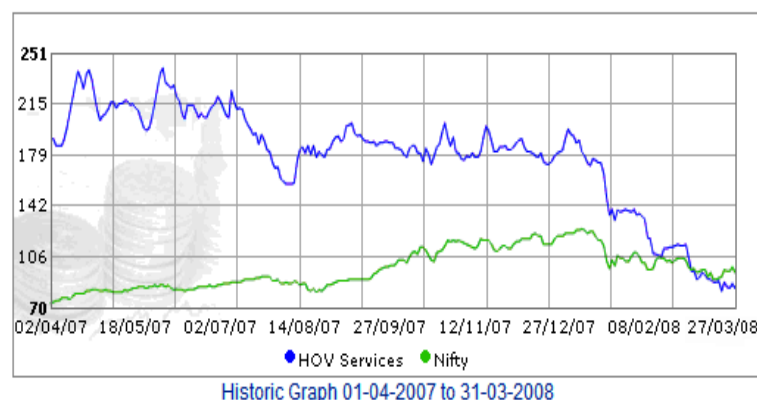
HOV Services Limited's Share prices versus the NSE Nifty

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, 2008
i) Distribution of Shares according to size of holding:

Number of Shares	Shareholders		Share Amount	
	Number	Percentage to total (%)	Rs.	Percentage to total (%)
Up to 5000	7022	99.11	10,051,530	8.01
5001 to 10000	20	0.28	1,477,810	1.18
10001 to 20000	7	0.1	1,011,880	0.81
20001 to 30000	5	0.07	1,186,830	0.95
30001 to 40000	1	0.01	334,000	0.27
40001 to 50000	2	0.03	835,530	0.67
50001 to 100000	11	0.16	7,925,740	6.3
100001 to above	17	0.24	102,717,130	81.81
Total	7085	100.00	125,540,450	100.00

ii) Distribution of Shares by Shareholders Category:

Sr. No.	Shareholder Category	No. of Shareholders	Shares Held	Voting Strength
1	BANKS	1	4,750	0.04
2	CLEARING MEMBERS	30	11,813	0.09
3	FOREIGN INSTITUTIONAL INVESTOR	5	909,913	7.25
4	FOREIGN NATIONALS	8	619,243	4.93
5	H U F	255	56,310	0.45
6	BODIES CORPORATE	2	714,759	5.69
7	BODIES CORPORATES	273	859,145	6.84
8	MUTUAL FUNDS	3	887,229	7.07
9	NON RESIDENT INDIANS	50	208,723	1.66
10	COMPANY PROMOTERS	8	6,947,931	55.34
11	RESIDENT INDIVIDUALS	6449	1,334,029	10.63
12	TRUSTS	1	200	0
	Total	7085	12,554,045	100

iii) Top Ten Shareholders as of March 31, 2008

S. No.	Name(s) of the Shareholders	Category as per depository	Shares	%
1	ADESI 234, LLC	Promoters	3,000,985	23.90
2	HOF 2, LLC	Promoters	1,429,680	11.39
3	CHITALE, LLC	Promoters	878,852	7.00
4	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. S.V.	FII	713,711	5.69
5	STERN CAPITAL PARTNERS, LLC	Promoters	694,246	5.53
6	SUNIL RAJADHYAKSHA	Promoters	588,720	4.69
7	NADATHUR HOLDINGS AND INVESTMENTS PRIVATE LIMITED	LTD	540,000	4.30
8	EINDIA VENTURE FUND LIMITED	LTD	476,506	3.80
9	ICICI PRUDENTIAL BALANCED FUND	MUT	473,537	3.77
10	ICICI PRUDENTIAL TECHNOLOGY FUND	MUT	253,692	2.02
	TOTAL		9,049,929	72.09

l) Dematerialization of shares and liquidity

The shares of the Company are tradable both in dematerialization (electronic) as well as physical form and available for trading under both depository system in India-CDSL & NSDL. 84.67% of the Company's shares are held in electronic form as on March 31, 2008.

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, convertible instruments and hence there are no other particulars to be given under this head.

n) Plant/Office Locations

As the Company is engaged in Business Process Outsource (BPO) Industry, it does not have Plant. The Company has over 49 facilities worldwide. The Key facilities in India and USA are listed below:

India Offices
Pune

3rd Floor, Sharda Arcade,
Pune Satara Road,
Bibwewadi, Pune 411037

Navi Mumbai

3rd Tower, 3rd Floor,
Vashi Railway Station Complex,
Navi Mumbai-400705

Chennai

Dowlath Towers, 59,
Taylors Road, Kilpauk,
Chennai-600 010

Global Offices

1305 Stephenson Highway
Troy, MI 48083
USA

771 East Southlake Blvd.
Southlake, TX 76092. USA

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

Bhuvanesh Sharma
3rd Floor, Sharda Arcade,
Pune Satara Road,
Bibwewadi, Pune 411037
Maharashtra, India
Tel: (91 20) 2422 1460
Fax: (91 20) 2422 1470
E-mail: investor.relations@hovservices.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**, as stipulated in clause 49 of the Listing Agreement with 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 procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 explanations given to us and based on the representations given by the Management of the Company, we certify that the Company has 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 the effectiveness with which the Management has conducted the affairs of the Company.

For LODHA & COMPANY
Chartered Accountants

Sd/-
(R.P. Baradiya)
Partner
Membership No. 44101
Mumbai: June 5, 2008

Declaration regarding Compliance with Code of Conduct

We hereby declare that the Company has received affirmation from the Board members and Senior Management Personnel with regard to Compliance of Code of Conduct of the Company for Directors and Senior Management Personnel, in respect of the financial year ended March 31, 2008.

Surinder Rametra
Chairman & Executive Director

AUDITORS' REPORT

To,
The Board of Directors of
HOV SERVICES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **HOV Services Limited** (the 'Parent Company') and its subsidiaries collectively referred to as 'the HOV Services Group' as at 31st March, 2008, the Consolidated Profit & Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Parent Company's management and have been prepared by them on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of one subsidiary, whose financial statements reflect total assets of Rs. 27.09 million as at 31st March, 2008 and total revenues of Rs. Nil for the period. These financial statements are unaudited and have been furnished to us by the management and our opinion, in so far as it relates to the amounts included in respect of the said subsidiary is based solely on these certified financial statements.
4. We have not audited the financial statements of certain subsidiaries included in the consolidated financial statements, whose total assets of Rs. 9,248.47 million as at 31st March, 2008 and total revenue of Rs. 7,697.76 million for the year ended **31st March, 2008**. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports so furnished.
5. We report that the consolidated financial statements have been prepared by the Parent Company's management in accordance with the requirements of the Accounting Standard (AS) 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements, read together with para 3 and 4 above and "Significant Accounting Policies and Notes to Accounts" in Schedule 14 and other notes appearing elsewhere in the accounts, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of Consolidated Balance Sheet, of the state of affairs of the HOV Services Group as at 31st March, 2008;
 - (ii) in the case of Consolidated Profit and Loss account, of the profit for the year ended on that date; and
 - (iii) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

R.P. Baradiya
Partner
Membership No. 44101

Place: Mumbai
Date: June 5, 2008

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	Schedule No.	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
I. SOURCES OF FUNDS			
Shareholders' Funds :			
Share Capital	1	2,872,933,502	2,872,933,502
Reserves and Surplus	2	1,429,031,252	884,612,770
		4,301,964,754	3,757,546,272
Minority Interest		670,827,861	187,504,919
Loan Funds:			
Secured Loans	3	5,472,859,595	4,677,786,378
Deferred Tax Liability		1,556,296	1,416,217
TOTAL		10,447,208,506	8,624,253,786
II. APPLICATION OF FUNDS			
Goodwill arising out of consolidation		7,356,284,638	6,943,285,538
Fixed Assets :	4		
Gross Block		990,213,035	778,786,528
Less: Depreciation		494,153,285	342,763,141
Net Block		496,059,750	436,023,387
Capital Work-in-Progress		15,385,387	11,295,608
		511,445,137	447,318,995
Current Assets, Loans and Advances :			
Inventories (Consumables)		66,004,658	70,906,502
Sundry Debtors	5	2,226,567,769	1,630,799,979
Cash and Bank Balances	6	355,715,359	546,381,035
Loans and Advances	7	1,333,383,630	932,088,583
Total Current Assets		3,981,671,416	3,180,176,099
Less: Current Liabilities and Provisions:			
Liabilities	8	1,328,763,567	1,858,022,132
Provisions	9	73,429,118	88,504,714
Total Current Liabilities		1,402,192,685	1,946,526,846
Net Current Assets		2,579,478,731	1,233,649,253
TOTAL		10,447,208,506	8,624,253,786
Significant Accounting Policies and Notes forming part of the Financial Statements	14		

Schedules referred to above form an integral part of the Consolidated Financial statement

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

R. P. BARADIYA
Partner

Surinder Rametra
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Place: Mumbai
Date: June 5, 2008

Bhuvanesh Sharma
Company Secretary

James Reynolds
CFO & CAO- Global

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2008

	Schedule No.	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
INCOME :			
Income from Operations	10	8,335,109,820	2,489,957,048
Other Income	11	434,953,442	13,295,976
Foreign Exchange Variation (Net)		309,915,351	-
		9,079,978,613	2,503,253,024
EXPENDITURE :			
Personnel Expenses	12	4,036,069,415	1,073,513,154
Operating Expenses	13	3,513,473,736	1,048,223,134
Interest & Finance charges		509,261,602	70,460,937
Depreciation	4	169,776,031	47,229,539
Foreign Exchange Variation (Net)		-	5,982,676
		8,228,580,784	2,245,409,440
Profit before Taxation		851,397,829	257,843,584
Provision for Taxation			
Current Tax		27,768,969	36,184,653
Deferred Tax		140,079	954,606
Fringe Benefit Tax		1,568,168	950,654
Profit after Taxation		821,920,613	219,753,673
Tax Adjustment for earlier year		(84,085)	(38,200)
Net Profit Before Minority Interest		822,004,698	219,791,873
Minority Interest		277,586,216	12,490,680
Net Profit After Minority Interest		544,418,482	207,301,193
Balance of Profit brought forward from previous year.		265,303,593	58,002,400
Balance carried to Balance Sheet		809,722,075	265,303,593
Basic and Diluted Earning Per Share (EPS) in Rs. (refer note no. 7)		43.37	19.47
Significant Accounting Policies and	14		

Notes forming part of the Financial Statements

 Schedules referred to above form an integral part of the Consolidated Financial Statements.
 As per our attached report of even date

 For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

 R. P. BARADIYA
 Partner

 Surinder Rametra
 Chairman & Executive Director

 Parvinder S Chadha
 Executive Director

 Place: Mumbai
 Date: June 5, 2008

 Bhuvanesh Sharma
 Company Secretary

 James Reynolds
 CFO & CAO- Global

Consolidated Cash Flow Statement for the year ended March 31, 2008

	For the year ended March 31, 2008
A. Cash flow from Operating Activities:	
Net Profit before tax after Minority interest	573,811,613
Adjustments for:	
Depreciation	169,776,031
Interest Expenses	509,261,602
Interest Income	(8,918,334)
Provisions Written Back	(207,660)
Profit on Sale of Subsidiary	(377,656,493)
Foreign Exchange variation gain	(309,915,351)
Operating Profit before Working Capital changes	556,151,408
Adjustments for changes in Working Capital :	
(Increase)/Decrease in Sundry Debtors	(595,767,789)
(Increase)/Decrease in Other Receivables	(441,455,194)
(Increase)/Decrease in Inventory (consumables)	4,901,843
Increase/(Decrease) in Trade and Other Payables	(486,201,241)
Cash generated from Operations	(962,370,973)
Taxes Paid	(79,217,152)
Net cash from/(used in) Operating Activities - A	(1,041,588,124)
B. Cash flow from Investing Activities:	
Purchase of Fixed Assets	(195,923,336)
Sale of Investment	860,979,435
Purchase of Investments	(141,062,586)
Interest Expenses	(517,542,945)
Interest Received	8,918,334
Net Cash from/(used in) Investing Activities - B	15,368,902
C. Cash flow from Financing Activities	
Proceeds/(Repayments) from/to loans, net	795,073,217
Net cash from/(used in) Financing Activities - C	795,073,217
Net Increase/(Decrease) in Cash and Cash Equivalents (A + B + C)	(231,146,006)
Opening Cash and Cash Equivalents	512,255,663
Closing Cash and Cash Equivalents	281,109,657

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, 'Cash Flow Statements', issued by the Institute of Chartered Accountants of India.
- Pledged FDRs and balance in trust cash account has been excluded from Cash and Cash equivalents and included in Other Receivables.
- This is second year of consolidation and hence cash flow statement for previous year is not given.

As per our attached report of even date

 For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

 R. P. BARADIYA
 Partner

 Surinder Rametra
 Chairman & Executive Director

 Parvinder S Chadha
 Executive Director

 Place: Mumbai
 Dated : June 5, 2008

 Bhuvanesh Sharma
 Company Secretary

 James Reynolds
 CFO & CAO- Global

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008
SCHEDULE 1

SHARE CAPITAL	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
Authorised: 30,000,000 Equity Shares of Rs.10 each.	300,000,000	150,000,000
Issued, Subscribed & Paid up :		
1 12,554,045 (Previous year 12,554,045) Equity shares of Rs.10 each	125,540,450	125,540,450
Notes:		
(1) Out of above, 29,87,095 shares were issued as fully paid up Bonus shares, by capitalisation of the balance lying in profit and loss account.		
(2) During the financial year 2006-07, 40,50,000 equity shares have been allotted pursuant to the Initial Public Offer(IPO) as fully paid up @ Rs.200 per share (including Rs. 190 per share as premium)		
2 Issued 9,972,794 Class A Preferred Units @ (USD \$ 6.32) Rs. 275.49 each.	2,747,393,052	2,747,393,052
Note: Out of above, 5,226,105 units were issued for consideration other than cash.		
Total	2,872,933,502	2,872,933,502

SCHEDULE 2

RESERVES AND SURPLUS:	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
1 Securities Premium Account		
Opening balance as per last balance sheet	623,581,192	-
Add: Additions during the year on Initial Public Offer.	-	769,500,000
Less: Utilised towards Share issue expenses	-	145,918,808
	623,581,192	623,581,192
2 Profit & Loss Account		
Opening balance as per last balance sheet	265,303,593	58,002,400
Add: Transfer from Profit and Loss Account	544,418,482	207,301,193
	809,722,075	265,303,593
3 Foreign Exchange Translation Reserve	(4,272,015)	(4,272,015)
Total	1,429,031,252	884,612,770

SCHEDULE 3

SECURED LOANS	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
From Banks		
Vehicle Loans (Secured by way of hypothecation of Vehicle acquired there against)	113,435	757,333
Working Capital Loans (Secured against receivable of certain subsidiaries of USA)	785,184,430	250,057,471
From Others		
Working Capital Loans (Secured against fixed & Current Assets of certain subsidiaries of USA)	4,687,561,730	4,426,971,574
Total	5,472,859,595	4,677,786,378

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008
SCHEDULE 4: FIXED ASSETS

Amount in Rs.

Description	Gross Block				Depreciation			Net Block	
	As at 1/4/2007	Additions during the year	Deletion/ Adj. during the year	As at 31/3/2008	As at 1/4/2007	For the year	Deletion/Adj. during the year	As at 31/3/2008	As at 31/3/2007
Building	13,243,436	262,183,015	(230,799,820)	44,626,631	229,292	23,027,622	17,285,535	4,084,182	13,014,144
Computer	606,272,331	149,944,206	(154,912,097)	601,304,440	257,165,273	85,140,699	(65,440,124)	324,438,592	349,107,058
Furniture & Fixtures	93,665,234	40,418,054	(11,147,053)	122,936,235	50,282,611	13,552,151	4,169,711	54,931,762	43,382,624
Office Equipments	53,774,233	162,881,804	(7,765,669)	208,890,368	30,573,630	46,637,681	28,509,401	103,169,656	23,200,602
Vehicles	9,765,392	5,207,854	(4,583,787)	10,389,458	4,383,570	1,159,637	(2,910,410)	7,756,662	5,381,822
Intangibles									
Software Product (Meant for Sale)	2,065,902	-	-	2,065,902	128,765	258,240	-	1,678,897	1,937,137
Total	778,786,528	620,634,933	(409,208,427)	990,213,035	342,763,141	169,776,031	(18,385,887)	496,059,750	436,023,387
Previous Year	35,567,093	743,219,435	-	778,786,528	8,707,061	47,229,539	286,826,541	436,023,387	-

SCHEDULE 5

SUNDRY DEBTORS	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
(Unsecured, considered good)		
Outstanding for a period exceeding six months :		
Considered Good	4,841,152	332,773,508
Considered Doubtful	76,640,676	80,639,027
	81,481,828	413,412,535
Less : Provision for Doubtful Debts	(76,640,676)	(80,639,027)
	4,841,152	332,773,508
Other Debts	2,221,726,617	1,298,026,471
Total	2,226,567,769	1,630,799,979

SCHEDULE 6

CASH AND BANK BALANCES	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
Cash in hand	36,938,887	34,749,583
Balances with Banks		
(a) In Operating Account	238,070,748	476,671,620
(b) In Trust Account	74,257,098	28,968,027
(c) In Fixed Deposits (including interest accrued of Rs. 17194; previous year Rs. 264,838)	6,448,626	5,991,805
Total	355,715,359	546,381,035

SCHEDULE 7

LOANS AND ADVANCES	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
(Unsecured, Considered Good)		
Advances paid for Investment in subsidiary	-	88,243,596
Other Deposits, Loans & Advances	448,744,344	658,462,066
Security Deposit	125,090,159	87,967,213
Advance tax and Tax deducted at source	7,079,827	108,077
Due From Affiliates	752,469,300	97,307,630
Total	1,333,383,630	932,088,582

SCHEDULE 8

CURRENT LIABILITIES	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
Sundry Creditors	1,196,457,388	1,677,208,411
Other Liabilities	45,991,004	62,144,727
Deposit/Advance from Customer	86,315,175	114,427,412
Due to Affiliates	-	4,241,582
Total	1,328,763,567	1,858,022,132

SCHEDULE 9

PROVISIONS	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
Leave entitlement	31,632,751	22,289,531
Gratuity	26,397,702	992,497
Taxes Payable	15,398,665	65,222,686
Total	73,429,118	88,504,714

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008
SCHEDULE 10

INCOME FROM OPERATIONS	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
Sale of Software Licenses	3,300,750	1,386,300
Income From Services	8,331,809,070	2,488,570,748
Total	8,335,109,820	2,489,957,048

SCHEDULE 11

OTHER INCOME	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
Interest Income	8,918,334	8,019,363
Profit on Sale of Investment in subsidiaries	377,656,493	-
Other Income	48,170,955	-
Dividend	-	3,177,409
Provisions no longer required written-back	207,660	2,099,204
Total	434,953,442	13,295,976

SCHEDULE 12

EMPLOYEES' REMUNERATION & BENEFITS	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
Salaries, Wages and Bonus	3,755,192,577	985,362,799
Staff Welfare	58,574,443	34,823,571
Staff Insurance	226,392,174	53,482,648
	4,040,159,194	1,073,669,018
Less: Transferred to capital work-in-progress	4,089,779	155,864
Total	4,036,069,415	1,073,513,154

SCHEDULE 13

OPERATING EXPENSES	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
Advertising & Publicity	22,822,510	17,654,807
Business Promotion Expenses	5,815,264	9,842,411
Communication Costs	346,094,522	119,866,964
Electricity charges	105,910,341	16,656,724
Insurance charges	41,948,365	10,473,319
Legal & professional fees	1,054,703,348	443,514,299
Postage & Delivery expenses	143,989,998	75,966,656
Office Supplies & Forms	408,744,580	62,201,472
Office, Administration & Other Expenses	215,465,501	62,180,212
Rates and Taxes	51,870,497	8,918,453
Rent charges	486,144,884	114,712,113
Repairs & Maintenance- Building	80,786,310	8,224,112
Repairs & Maintenance- Other	258,620,341	17,193,868
Bank Charges & Commission	51,049,217	33,574,317
Travel & Conveyance	239,508,058	51,707,700
	3,513,473,736	1,052,687,427
Less: Transferred to capital Work-in-progress.	-	4,464,293
Total	3,513,473,736	1,048,223,134

SCHEDULE 14
SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2008.
A. SIGNIFICANT ACCOUNTING POLICIES
1 Overview of the Group

HOV Services Limited ("Parent") and its subsidiaries collectively referred to as "the Group" is one of the largest end-to-end BPO company headquartered in Chennai, India provides Finance and Accounting services in the BFSI, Healthcare, Government, Telco, Publishing, Retail, Commercial and Industrial Manufacturing industries. Its clients include over 50% of the FORTUNE 100® and are some of the largest companies in the industries served. RightShore delivery centers strategically located in India, North America, China and Mexico with over 12,200 associates working together to Exceed Expectations® of our clients.

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') issued by the Institute of Chartered Accountants of India (the 'ICAI'), 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 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 its subsidiaries, which are more than 50% owned or controlled and have been prepared in accordance with the consolidation procedures under AS 21 - 'Consolidated Financial Statements' issued by ICAI.

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. Members of the Group:

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

Name	Country of incorporation	Percentage of ownership Interest as at 31st March 2008
HOV AR Management Services Pvt Ltd (Formerly known as Bay Area Credit Service (I) Pvt. Ltd.)	India	100
HOVS Holdings Limited (a)	Hongkong	100
HOV Services Beijing Limited (Subsidiary of HOVS Holdings Ltd)	China	100
HOV Services, LLC	USA	100
Bay Area Credit Services, LLC (Subsidiary of HOV Services, LLC)	USA	100
Glen Danial Corporation dba Imperial Collection Services (Subsidiary of HOV Services, LLC)	USA	100
HOV Enterprise Services, Inc (Formerly known as Savant Consulting Group, Inc) (Subsidiary of HOV Services, LLC)	USA	100
Meridian Consulting Group (Subsidiary of HOV Enterprise Services, Inc)	USA	100
Digital Boardwalk , LLC (Subsidiary of HOV Enterprise Services, Inc)	USA	100
TRAC Holdings, LLC (Subsidiary of HOV Services, LLC)	USA	30
Tracmail AR Services Private Limited (Subsidiary of TRAC Holdings, LLC) (b)	India	30
SAM Holding, LLC (Subsidiary of HOV Services, LLC) (c)	USA	30
Superior Asset Management, Inc (Subsidiary of SAM Holding, LLC) (c)	USA	30
Rustic Canyon III, LLC (Subsidiary of HOV Services, LLC)	USA	100
Lason Inc (Subsidiary of Rustic Canyon III, LLC)	USA	100
Lason India Pvt. Ltd. (Subsidiary of Lason Inc)	India	100
Vetri Software (I) Pvt. Ltd. (Subsidiary of Lason India Pvt. Ltd)	India	100
Complex Proprietary Advisory Corporation (Subsidiary of HOV Services, LLC) (d)	USA	100
Tracmail India Pvt. Ltd. (Subsidiary of TRAC Holding, LLC) (e)	India	30

Notes :

- (a) Subsidiary with effect from September 18, 2007
- (b) Subsidiary with effect from March 31, 2008
- (c) Subsidiary with effect from April 1, 2007 (30% Holding with 100% Management Control)
- (d) Subsidiary till September 30, 2007
- (e) Subsidiary till March 31, 2008

6. Revenue recognition

- a) The revenue from Finance and Accounting segment of the BPO sector including software development and support services is recognized as per the work orders/agreements entered with the parties. The Company's revenues are driven primarily by transaction volumes. The Company records revenues when the services are provided and all significant obligations of the Company have been satisfied. In certain circumstances, depending upon contractual terms or billing cycle cut off, the Company is unable to bill for work completed in a certain period. In these cases, the Company recognizes revenue when the work is performed in order to match revenues with the services and related expenses. The work ultimately will be billed according to the contractual terms or the next possible billing cycle, as applicable.
- b) Revenue arising from collection services is recognized when cash is collected on behalf of clients.
- c) Revenue from our consulting services and reimbursable expenses billed to our clients is recognized when services are rendered.

7 Inventories

Supplies are valued at the lower of cost or net realizable value. From time to time, due to changes in market demand, technology or other such factors, it may be necessary for the Company to write-down the carrying value of its supplies.

8 Fixed assets

Tangible: Fixed assets are stated at historical cost less accumulated depreciation. Replacements are either capitalized or charged to revenue depending upon their nature and long term utility.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, whether developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products.

Capital work in progress: It comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not ready for their intended use as at the balance sheet date.

9. Impairment of assets

In accordance with AS 28 on 'Impairment of Assets' issued by the Institute Of Chartered Accountants of India, 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 profit and loss account. 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.

10. Method of depreciation / Amortization:

I) Parent Company and Indian Subsidiaries

- a) **Tangible Assets** - Depreciation is provided under Straight Line Method 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.
- b) **Intangible Assets** - Software product (meant for sale) are amortized over its estimated useful life of 8 years.

II) Foreign Subsidiaries

It is provided on straight-line basis over the estimated useful lives of the assets given herein below:

Fixed Asset	Useful life in years
Computers and office equipments	2 - 5
Leasehold Improvements	2 - 10
Furniture and fixture	2 - 7
Software	3 - 5
Vehicle	5 - 7

11. 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.

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

Gratuity liability is a defined benefit obligation. The Company has taken an insurance policy under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and the amount paid / payable in respect of the present value of liability of past services is charged to the Profit and loss account every year. The difference between the amount paid / payable to LIC and the actuarial valuation made at the end of each financial year is charged to Profit and Loss account.

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 Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

c) Leave Entitlement

Liability towards long term Leave Benefit is provided for as at the Balance Sheet date as per the actuarial valuation taken at the end of the year.

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 profit & loss account as incurred and necessary provision has been done as per applicable laws.

13. 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.

Provision for Fringe Benefit Tax (FBT) is made on the basis of expenses incurred on employees and other expenses as prescribed under the Income Tax Act, 1961.

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.

14. Translation of Foreign Currency Items

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 Profit & Loss Account.

Assets and liabilities expressed in foreign currency are converted, if covered by forward contract rates, at the rate contracted after adjusting the premium over the period of the forward contract, otherwise, at the year end rates. Exchange differences arising on such restatement are recognized in the profit and loss account.

All the activities of the foreign subsidiaries are carried out without 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 'Integral operations' and therefore all monetary assets and liabilities are translated at the closing rate while all non monetary items are translated at historical rate and resulting gain or loss due to this is recognized in profit and loss account. The income and expenses are translated at the average rate for the year. The resulting exchange differences are treated as foreign currency translation income or loss and reported in profit and loss account.

15. 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 Profit & Loss Account.

16. Unbilled revenue

Unbilled revenue represents services performed in advance of billing per contractual agreements, which normally is invoiced in the subsequent month.

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 Profit and Loss account.

18. Provisions, Contingent Liabilities and Contingent Assets

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.

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.

Contingent Assets are neither recognized nor disclosed in the financial statements

B NOTES TO ACCOUNTS

1. Considering the way the foreign subsidiaries are finance and operated, the management of the parent company has w.e.f. April 1, 2007 classified them as integral as against hitherto being treated as non-integral.

Accordingly, as per Accounting Standard (AS) 11, 'The Effects of Changes in Foreign Exchange Rates', the transllated amount of the non-monedary items as on aforesaid date were treated as historical costs. Subsequent transllation difference were credited to the profit and loss account instate of hitherto being credited to 'Foreign exchange transllation reserve account.

Consequently, had the change in the classification not been made, the profite for the year would have been Rs. 234.73 million as against the reported figure of Rs. 544.42 million.

2. Capital commitments and Contingent liabilities:

	As at March 31, 2008	As at March 31, 2007
Corporate Guarantee Outstanding		
- on behalf of Associates	180,000,000	NIL
Bank Guarantees outstanding	263,250	4,935,500

3. Profit on sale of investment of Rs. 377,656,493 represents gain on sale of equity of subsidiaries Complex Proprietary Advisory Corporation and Tracmail India Pvt. Limited.

4. Employee Benefits:

Defined Benefit Plans in respect of Gratuity payable to Indian employees - As per Actuarial Valuations as on March 31, 2008:

I	Assumptions	As on March 31,2008
	Discount Rate (Different rates for different subsidiaries used)	7.6%, 8%,9.0%
	Salary Escalation (Different rates for different subsidiaries used)	5%,10%
II	Table showing changes in present value of obligations	As on March 31,2008
	Present value of obligations as at beginning of year	18,508,093
	Interest cost	1,259,454
	Current Service Cost	3,219,084
	Benefits Paid	3,590,221
	Actuarial (gain)/Loss on obligations	(7,802,344)
	Present value of obligations as at end of year	26,397,702
III	Table showing changes in the fair value of plan assets	As on March 31,2008
	Fair value of plan assets at beginning of year	12,609,606
	Expected return on plan assets	1,246,904
	Contributions	5,738,108
	Benefits paid	3,590,221
	Actuarial Gain / (Loss) on Plan assets	1,102,379
	Fair value of plan assets at the end of year	17,106,776
IV	Table showing fair value of plan assets	As on March 31,2008
	Fair value of plan assets at beginning of year	12,609,606
	Actual return on plan assets	1,246,904
	Contributions	5,738,108
	Benefits Paid	3,590,221
	Fair value of plan assets at the end of year	17,106,776
	Funded status	9,591,472
	Excess of Actual over estimated return on plan assets	NIL
	(Actual rate of return = Estimated rate of return as ARD falls on 31st March)	
V	Actuarial Gain/Loss recognized	As on March 31,2008
	Actuarial gain/(Loss) for the year -Obligation	7,802,344
	Actuarial (gain)/Loss for the year - plan assets	1,102,379
	Total (gain)/Loss for the year	(6,699,965)
	Actuarial (gain)/Loss recognized in the year	(6,699,965)
VI	The amounts to be recognized in the balance sheet and statements of profit and loss	For the year ended March 31, 2008
	Present value of obligations as at the end of year	26,397,702
	Fair value of plan assets as at the end of the year	17,106,776
	Funded status	9,591,472
	Net Asset/(liability) recognized in balance sheet	(9,591,472)

VII	Expenses Recognised in statement of Profit & loss	For the year ended March 31, 2008
	Current Service cost	3,219,084
	Interest Cost	1,259,454
	Expected return on plan assets	(1,159,684)
	Net Actuarial (gain)/Loss recognised in the year	5,898,913
	Expenses recognised in statement of Profit & loss	9,339,268

5. The goodwill working for the current financial year is as follows:

Particulars	Rs.
A) Opening Balance of Goodwill	6,943,285,538
B) Add: Additions on account of acquisition	432,322,723
C) Less: Deletion on account of Sale of Company	(85,941,523)
D) Add: Additional Paid in Capital in HOVS, LLC	66,617,900
E) Closing Goodwill (A+B-C+D)	7,356,284,638

- 6 a) In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. Provision for all known and determined liabilities and depreciation is adequate and not in excess.
- b) Accounts of sundry debtors, sundry creditors and advances given are, however, subject to confirmations and adjustments, if any. In the opinion of the management, adjustments as may be required on such confirmations would not be significant.

7 Earnings per Share:

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Net Profit as per Profit and Loss Account (Rs.)	544,418,482	207,301,193
Weighted average number of equity shares	12,554,045	10,645,552
Basic and Diluted Earning per share	43.37	19.47
Nominal value per Equity Share (Rs.)	10	10

8. Related Party Transactions

Related parties with whom transactions have been entered in the ordinary course of business.

a) Associates:

Sr. No	Name
1	HOF 4 Limited
2	HOV Re, LLC
3	HOV FS, LLC
4	HOV Procure, LLC
5	Hands On Ventures, LLC
6	General Pacific, LLC
7	HOV Capital, LLC
8	Tracmail India Private Limited*
9	HOF 2, LLC
10	HOF 3, LLC

*Became associate from March 31st, 2008.

b) Directors/Key Managerial Personnel and their relatives:

Sr. No.	Name
1	Mr. Ron Cogburn (Executive Vice President)
2	Mr. Sunil Rajadhyaksha (Executive Director)
3	Mr. Karan Negi (President ARM Business)
4	Mr. Vikram Negi (Executive Vice President)
5	Mr. Anil Rajadhyaksha (Relative of Mr. Sunil Rajadhyaksha)
6	Mr. Parvinder Chadha (Executive Director)
7	Mr. Surinder Rametra (Executive Director)

Transactions carried out with related parties referred to in “a”, “b, above, in the ordinary course of business are as under:-

Sr.	Name	Nature	Amount (Rs) 31.03.2008	Amount (Rs) 31.03.2007
1	HOF 2, LLC	Redemption of class B units	NIL	222,309,000
2	HOF 3, LLC	Redemption of class B units	NIL	407,566,500
3	HOF 4 Limited	Purchase of Equity	NIL	1,810,042
		Received against excess paid	NIL	106,758
		Repayment of Advance	456,120	1,046,160
4	Rustic Canyon, LLC	Purchase of shares	NIL	75,006,098
		Advance against purchase of shares	NIL	88,243,596
		Sale of shares	377,995,930	NIL
		Advances given	53,695,518	NIL
5	General Pacific, LLC	Service Provided	100,015,070	2,133,789
6	Hands On Venture, LLC	Advances received	NIL	3,923,100
		Advances given	10,983,828	NIL
7	HOV FS, LLC	Receivable	15,254,039	505,644
		Services Rendered	NIL	3,260,570
8	HOV Capital, LLC	Issued Class A preferred units	NIL	719,932,126
9	HOV Re, LLC	Rent	4,657,807	2,898,285
		Renovations	11,318,726	8,119,948
10	HOV Procure, LLC	Receivable	95,254,069	NIL
		Loan received	NIL	318,482
11	Mr. Vikram Negi	Reimbursement of Exp	2,333,364	1,406,121
		Salary	4,543,325	96,000
12	Mr. Sunil Rajadhyaksha	Loan Paid	NIL	1,104,246
		Reimbursement of Exp	5,633,590	NIL
		Director Salary	1,200,000	NIL
13	Mr. Parvinder S Chadha	Loan Taken	NIL	250,000
		Loan Repayment	NIL	250,000
		Director Salary	1,200,000	NIL
14	Mr. Karan Negi	Salary	7,546,516	5,558,585
15	Mr. Ronald Cogburn	Salary	108,000	8,025,496
		Interest Given	NIL	102,464
16	Mr. Surinder Rametra	Repayment of Loan	NIL	12,413,666
		Interest Paid	NIL	751,725
		Director Salary	1,200,000	NIL
17	Mr. Anil Rajadhyaksha	Salary	1,200,000	1,200,000

Balances with the related parties referred in (a) and (b) above in the ordinary course of business are as under for the parent and associates as of March 31, 2008.

Balances As At

Name of the Related party	March 31, 2008	March 31, 2007
	(Rs.)	(Rs.)
HOV Re, LLC	17,679,152	11,018,233
HOV FS, LLC	94,419,778	79,165,739
HOV Procure, LLC	94,935,586	(318,482)
General Pacific, LLC	101,646,388	1,631,318
Hands On Ventures, LLC	7,060,728	(3,923,100)
HOF 4 Limited	5,036,220	5,492,340
Rustic Canyon, LLC*	431,691,448	NIL
Mr. Karan Negi- Salary	NIL	(102,131)
Mr. Ronald Cogburn - Salary	(225,964)	(117,964)
Mr. Anil Rajadhyaksha - Remuneration	(312,798)	(312,798)
Mr. Parvinder S Chadha - Director Salary	(849,008)	NIL
Mr. Sunil Rajadhyaksha - Director Fees	(849,008)	NIL
Mr. Surinder Rametra- Director Fees	(849,008)	NIL

* On April 1st 2008 this amount was settled in the normal course of business.

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.
9. **Deferred Tax Asset/(Liability) comprises timing differences on account of:**

(Amount in Rs.)

Particulars	As on March 31, 2008	As on March 31, 2007
Deferred Tax Liability:		
On account of Depreciation	(1,556,296)	(1,416,217)
Net Deferred Tax Asset / (Liability)	(1,556,296)	(1,416,217)

10. Segment Reporting

The group is engaged only in Finance and accounting segment of the BPO services and accordingly AS-17 Segment Reporting is not applicable.

- The results of the company for the current financial year are not comparable as during the current financial year company has sold two of its subsidiaries viz. Complex Property Advisory Corporation and Tracmail India Pvt. Ltd and has purchased SAM Holding, LLC. Also previous year figures are regrouped or rearranged where ever necessary.

Signatures to Schedule 1 to 14

For and on behalf of the board.

Surinder Rametra
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Place: Mumbai
Date: June 5, 2008

Bhuvanesh Sharma
Company Secretary

James Reynolds
CFO & CAO- Global

STATEMENT PURSUANT TO THE CONDITIONS OF GOVERNMENT OF INDIA APPROVAL FOR EXEMPTION U/S 212 OF THE COMPANIES ACT, 1956.
(Amount in Rs.)

Sr. No.	Name of Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment *	Turnover	Profit Before Tax	Provision for Tax	Profit After Tax	Proposed Dividend
1	HOV AR Management Services (I) Pvt Ltd (Previously Bay Area Credit Service (I) Pvt Ltd)	100,000	132,440,020	134,416,793	134,416,793	-	176,483,766	54,881,914	6,495,959	48,385,955	-
2	Bay Area Credit Service, LLC	220,371,158	(72,031,296)	728,939,285	728,939,285	-	901,283,397	(57,883,537)	-	(57,883,537)	-
3	HOV Enterprise Services, Inc	110,619,893	(1,483,646)	109,136,254	109,136,254	-	83,431,599	(26,020,642)	-	(26,020,642)	-
4	Digital Broadwalk, LLC	-	5,207,252	5,207,252	5,207,252	-	4,659,983	106,967	-	106,967	-
5	Imperial Collection Service Inc.	55,260,044	(55,036,851)	223,192	223,192	-	41,941,282	(32,109,298)	-	(32,109,298)	-
6	Meridian Consulting Group	44,026,675	146,357,949	270,324,624	270,324,624	-	352,635,764	43,095,884	-	43,095,884	-
7	HOV Services, LLC	3,147,671,622	(13,359,160)	818,028,338	818,028,338	-	1,609,650	(13,195,790)	-	(13,195,790)	-
8	Complex Property Advisors Coporation	-	-	-	-	-	95,893,139	21,553,068	-	21,553,068	-
9	Rustic Canyon III, LLC	556,782,100	1,002,891	557,784,991	557,784,991	-	-	104,909	-	104,909	-
10	Trac Holding, LLC	230,411,829	405,374,777	645,971,555	645,971,555	-	54,211,216	411,769,340	-	411,769,340	-
11	Tracmail India Pvt Ltd	-	-	-	-	-	257,307,182	(40,024,914)	392,049	(40,416,963)	-
12	Lason Inc	482,120,178	(15,317,675)	6,699,061,861	6,699,061,861	-	5,373,051,721	98,220,932	-	98,220,932	-
13	Lason India Pvt. Ltd	20,185,310	146,123,417	183,316,202	183,316,202	-	885,956,945	41,221,230	15,315,366	25,905,864	-
14	Vetri Software (I) Pvt.Ltd	100,000	-	100,000	100,000	-	56,247,315	1,390,557	38,184	1,352,373	-
15	Superior Asset Management Holding, Inc	274,647,253	-	278,284,523	278,284,523	-	-	(8,205)	-	(8,205)	-
16	Superior Asset Management, Inc	20,504,610	-	71,381,377	71,381,377	-	225,736,387	(18,596,543)	-	(18,596,543)	-
17	HOVS Holdings Ltd.	5	-	5	5	-	-	-	-	-	-
18	HOV Services (Beijing) Ltd.	-	-	-	-	-	-	-	-	-	-

* Except Investment in Subsidiary

STANDALONE FINANCIAL STATEMENT**AUDITORS' REPORT**

To

The members of

HOV SERVICES LIMITED

1. We have audited the attached Balance Sheet of **HOV SERVICES LIMITED** as at 31st March, 2008, also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 appears from our examination of the books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act, to the extent applicable;
 - e) On the basis of the written representation received from directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008, from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - f) In our opinion and to best of our information and according to the explanations given to us, the said accounts read together with "Significant Accounting Policies and Notes to Accounts" in Schedule 16 and other notes appearing elsewhere in the accounts, 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, 2008;
 - ii) in the case of the Profit & Loss Account, of the profit 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.

For LODHA & COMPANY
Chartered Accountants

Place: Mumbai
Date: June 5, 2008

R. P. Baradiya
Partner
Membership No.44101

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2008 OF 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) As explained to us, all the fixed assets have been physically verified by the management as at the year end, which in our opinion is reasonable considering the size of the Company and nature of its fixed assets. No material discrepancies were noticed on such physical verification.
- c) During the year, 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 / taken any loans, secured or unsecured, to / companies, firms or 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 explanations that purchase of certain items of fixed assets and sale of services are of special nature for which suitable alternative source do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of software and services. The activity 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. a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
- b) According to the information and explanations given to us, in our opinion, the aforesaid contracts or arrangements aggregating during the year to Rs. 5,00,000 or more in respect of each party, have been made at prices which are reasonable considering inter alia the transfer pricing report issued by an expert under the Income Tax Act, 1961 according to which the prices for such transactions are at arms length.
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 there under.
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, 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. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year 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.
10. The Company does not have accumulated losses as at 31st March, 2008 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. In our opinion and according to the information given to us, the Company has not defaulted in repayment of dues to banks.

12. During the year, 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, 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 of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, prima-facie, prejudicial to the interest of the Company.
16. According to the information and explanations given to us, the Company has not taken any term loan during the year.
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. During the year, 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.
19. The Company has not issued any Debentures during the year.
20. The Company has not raised any money by way of public issues during the year.
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 year, nor have we been informed of such case by the management.

For LODHA & COMPANY
Chartered Accountants

R.P. BARADIYA
Partner
Membership No. 44101

Place: Mumbai
Date: June 5, 2008

BALANCE SHEET AS AT MARCH 31, 2008

	Schedule No.	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SOURCES OF FUNDS			
1. Shareholders' Funds :			
(a) Share Capital	1	125,540,450	125,540,450
(b) Reserves and Surplus	2	686,935,785	677,643,134
		812,476,235	803,183,584
2. Loan Funds :			
Secured Loans	3	-	456,780
3. Deferred Tax Liability (Net)		576,115	571,019
TOTAL		813,052,350	804,211,383
APPLICATION OF FUNDS			
1. Fixed Assets :	4		
(a) Gross Block		12,337,002	10,561,168
(b) Less: Depreciation		4,874,345	3,537,009
(c) Net Block		7,462,657	7,024,159
(d) Capital Work-in-Progress		15,385,387	11,440,732
		22,848,044	18,464,891
2. Investments	5	761,999,273	695,381,368
3. Current Assets, Loans and Advances :			
(a) Sundry Debtors	6	25,001,670	14,586,172
(b) Cash and Bank Balances	7	3,267,942	74,542,200
(c) Loans and Advances	8	12,290,907	11,345,451
		40,560,519	100,473,823
Less: Current Liabilities and Provisions:			
(a) Liabilities	9	11,864,805	9,566,147
(b) Provisions	10	490,681	542,552
		12,355,486	10,108,699
Net Current Assets		28,205,033	90,365,124
TOTAL		813,052,350	804,211,383
Significant Accounting Policies and Notes forming part of the Financial Statements	16		

The Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date
 For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

R. P. BARADIYA
 Partner

Surinder Rametra
 Chairman & Executive Director

Parvinder S Chadha
 Executive Director

Place : Mumbai
 Date: June 5, 2008

Bhuvanesh Sharma
 Company Secretary

James Reynolds
 CFO & CAO - Global

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule No.	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
INCOME :			
Income from Operations	11	62,282,928	69,832,297
Other Income	12	288,828	6,055,929
		62,571,756	75,888,226
EXPENDITURE :			
Personnel Expenses	13	24,310,248	19,342,144
Operating Expenses	14	25,566,228	23,903,579
Interest	15	129,339	915,282
Depreciation	4	1,651,401	1,070,377
Foreign Exchange Variation (Net)		112,075	1,548,848
		51,769,291	46,780,230
Profit before Taxation		10,802,465	29,107,996
Provision for Taxation			
Current Tax		1,200,000	764,962
Deferred Tax		5,096	109,408
Fringe Benefit Tax		307,900	320,678
Profit after Taxation		9,289,470	27,912,948
Tax Adjustments for earlier year		(3,181)	(39,561)
Net Profit		9,292,651	27,952,509
Balance of Profit brought forward from previous year		54,061,942	26,109,433
Balance carried to Balance Sheet		63,354,593	54,061,942
Basic Earnings per Share (EPS)		0.74	2.63
(Equity Share, per value Rs.10 each)			
(Refer note no. 4 of notes to Financial Statements in Schedule 16)			
Significant Accounting Policies and Notes forming part of the Financial Statements	16		

The Schedules referred to above form an integral part of the Financial Statements

As per our attached report of even date
 For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

R. P. BARADIYA
 Partner

Surinder Rametra
 Chairman & Executive Director

Parvinder S Chadha
 Executive Director

Place : Mumbai
 Date: June 5, 2008

Bhuvanesh Sharma
 Company Secretary

James Reynolds
 CFO & CAO - Global

Cash Flow Statement for the year ended March 31, 2008

Particulars	For the year ended March 31,2008 Rs.	For the year ended March 31,2007 Rs.
A. Cash flow from Operating Activities:		
Net Profit/(Loss) before tax	10,802,465	29,107,996
Adjustments for:		
Depreciation	1,651,401	1,070,377
Dividend Recd	-	(3,177,409)
Interest Expense	129,339	796,560
Interest Income	(142,834)	(2,239,980)
Loss on sale of fixed Asset	512,340	-
Provisions written back	(116,270)	(638,540)
Foreign Exchange (Gain)/Loss, net	112,075	1,548,848
Operating Profit before Working Capital changes	12,948,517	26,467,852
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	(10,527,574)	6,146,278
(Increase)/Decrease in Other Receivables	3,834,663	23,930,807
Increase/(Decrease) in Trade and Other Payables	2,363,056	2,490,236
Cash generated from Operations	8,618,662	59,035,173
Taxes Paid (including Fringe Benefit Tax)	(1,470,377)	(1,197,757)
Net cash from/(used in) Operating Activities	7,148,285	57,837,416
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(7,338,005)	(5,474,332)
Sale of Fixed Asset	791,111	-
Dividend Recd	-	3,177,409
Investment in Subsidiaries	(66,617,905)	(641,145,782)
Interest Received	142,834	2,115,826
Net Cash from/(used in) Investing Activities	(73,021,965)	(641,326,879)
C. Cash flow from Financing Activities:		
Proceeds from issue of Share Capital	-	664,081,192
Proceeds/(Repayments) from/to loans, (net)	(456,780)	(13,194,344)
Interest Paid	(129,339)	(796,560)
Net cash from/(used in) Financing Activities	(586,119)	650,090,288
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(66,459,798)	66,600,824
Opening Cash and Cash Equivalents	69,451,572	2,850,748
Closing Cash and Cash Equivalents	2,991,774	69,451,572

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Pledged FDRs has been excluded from Cash and Cash equivalents and included in Other Receivables.
- Previous year's figures have been regrouped/rearranged where necessary.

As per our attached report of even date
 For LODHA & CO.
 Chartered Accountants

For and on behalf of the Board

R.P. BARADIYA
 Partner

Surinder Rametra
 Chairman & Executive Director

Parvinder S Chadha
 Executive Director

Place : Mumbai
 Date: June 5, 2008

Bhuvanesh Sharma
 Company Secretary

James Reynolds
 CFO & CAO - Global

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 1	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SHARE CAPITAL		
Authorised : 30,000,000 (Previous year 15,000,000) Equity Shares of Rs.10 each.	300,000,000	150,000,000
Issued, Subscribed & Paidup : 12,554,045 (Previous year 12,554,045) Equity shares of Rs.10 each, fully paid up	125,540,450	125,540,450
Notes: Out of above, 29,87,095 shares were issued as fully paid up Bonus shares by capitalisation of the balance lying in profit and loss account		
Total	125,540,450	125,540,450

SCHEDULE 2	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
RESERVES AND SURPLUS:		
Securities Premium Account		
Opening balance as per last balance sheet	623,581,192	-
Add: Additions during the year on Initial Public Offer.	-	769,500,000
Less: Utilised towards Share issue expenses	-	145,918,808
	623,581,192	623,581,192
Surplus in Profit and Loss Account (As per annexed account)	63,354,593	54,061,942
Total	686,935,785	677,643,134

SCHEDULE 3	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SECURED LOANS		
From a Bank:		
Vehicle loan (Secured by way of hypothecation of vehicle acquired there against)	-	456,780
Total	-	456,780

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008
SCHEDULE 4: FIXED ASSETS

(Amount in Rs.)

Particulars	Gross Block				Depreciation			Net Block		
	As at 01.04.2007	Additions / Adjustments during the year	Deductions/ Adjustments during the year	As at 31.03.2008	Up to 31.03.2007	For the year	Deductions/ Adjustments during the year	Up to 31.03.2008	As at 31.03.2008	As at 31.03.2007
Intangibles:										
Software Product (Meant for sale)	2,065,902	-	-	2,065,902	128,765	258,240	-	387,005	1,678,897	1,937,137
Tangibles:										
Plant & Machinery:										
1) Computer & Computer Equipment	5,382,684	1,211,779	-	6,594,463	2,377,082	1,145,916	-	3,522,999	3,071,464	3,005,602
2) Office Equipment	711,166	2,181,571	-	2,892,737	114,779	208,445	-	323,224	2,569,513	596,387
Furniture & Fixtures	783,900	-	-	783,900	624,631	16,487	-	641,118	142,782	159,269
Vehicles	1,617,516	-	1,617,516	-	291,752	22,313	314,065	-	-	1,325,764
Total	10,561,168	3,393,350	1,617,516	12,337,002	3,537,009	1,651,401	314,065	4,874,346	7,462,656	7,024,159
Previous Year	7,786,215	2,774,953	-	10,561,168	2,466,632	1,070,377	-	3,537,009	7,024,159	
Capital Work-in-Progress to the extent not capitalize	11,440,732	4,089,779	145,124	15,385,387	-	-	-	-	15,385,387	11,440,732

SCHEDULE 5	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
INVESTMENTS		
Long Term and Trade (Unquoted)		
Investment in Subsidiaries:		
10,000 (Previous Year 10,000) Equity shares of Rs.10 each fully paid up of HOV AR Management Services (P) Ltd. (Formerly known as Bay Area Credit Service (I) Pvt. Ltd.)	55,894,881	55,894,881
In HOV Services LLC		
1,000 (Previous year 1,000) Class 'A' Unit of USD 1 each of HOV Services, LLC	43,990	43,990
Add: Amount further invested as additional paid in capital	706,060,397	639,442,497
In HOVS Holdings, Ltd.		
1 Equity share of Hong Kong Dollar 1 (Previous year Nil)	5	-
Total	761,999,273	695,381,368

SCHEDULE 6	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SUNDRY DEBTORS		
(Unsecured, considered good.)		
Outstanding for a period not exceeding six months :		
Dues from subsidiaries	23,203,020	13,476,772
Others	1,798,650	1,109,400
(Also, refer note no.8B of notes to Financial Statements in Schedule 16)		
Total	25,001,670	14,586,172

SCHEDULE 7	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
CASH AND BANK BALANCES		
Cash balance in hand	19,053	28,051
<u>Balances with Scheduled Banks :</u>		
(a) In Current Accounts	2,972,721	69,423,521
(b) Fixed Deposits (including interest accrued of Rs.12,917; previous year Rs.1,37,877)	276,167	5,090,628
[of which FDRs of Rs.2,63,250 (Previous Year Rs.50,90,628) are pledged with banks for guarantees issued]		
Total	3,267,942	74,542,200

SCHEDULE 8	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
LOANS AND ADVANCES		
(Unsecured, considered good)		
Loans to subsidiary companies(maximum outstanding during the year Rs. 1,63,06,256; previous year Rs. 62,836,704)	1,775,932	196,323
Advances recoverable in cash or in kind or for value to be received	1,876,497	515,541
Advance Taxes (Net of provision of Rs.13,86,877; previous year Rs.11,28,140)	71,235	105,577
Security Deposits	5,744,510	10,528,010
Service Tax refundable	2,734,789	-
VAT refundable	87,944	-
Total	12,290,907	11,345,451

SCHEDULE 9	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
CURRENT LIABILITIES		
Sundry Creditors	10,617,039	8,959,303
(Refer Note No. 13 of notes to financial statements in schedule 16)		
Other Liabilities	1,247,766	606,844
Total	11,864,805	9,566,147

SCHEDULE 10	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
PROVISIONS		
Gratuity	385,143	501,278
Leave Encashment	105,538	41,274
Total	490,681	542,552

SCHEDULES FORMING PART OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2008

SCHEDULE 11	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
INCOME FROM OPERATIONS		
Software and IT enabled services	58,982,178	68,445,997
Sale of Software License	3,300,750	1,386,300
Total	62,282,928	69,832,297

SCHEDULE 12	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
OTHER INCOME		
Dividend of Current Investments	-	3,177,409
Interest Received (TDS Rs.28,112; Previous Year Rs.4,99,769)	142,834	2,239,980
Sale of Scrap	29,725	-
Provisions no longer required written-back	116,270	638,540
Total	288,828	6,055,929

SCHEDULE 13	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	26,818,756	18,468,030
Contribution to Provident and Other Funds	815,342	518,253
Staff Welfare	231,271	409,821
Recruitment and Training Expenses	421,336	12,497
Insurance Charges	113,322	80,081
	28,400,027	19,488,682
Less: Transferred to capital work-in-progress		
For software development	4,089,779	146,538
Total	24,310,248	19,342,144

SCHEDULE 14	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
OPERATING EXPENSES		
Auditors' Remuneration	1,987,605	637,507
Communication Costs	3,110,188	2,438,059
Electricity charges	1,278,360	625,102
Insurance charges	57,027	50,149
Legal & professional fees	2,394,690	9,955,307
Public Relation Expenses	1,200,000	561,200
Office, Administration & Other Expenses	2,488,894	2,121,121
Loss on Sale of Fixed Assets	512,340	-
Rates and Taxes	468,922	290,371
Rent	5,245,580	4,778,260
Repairs & Maintenance- Building	150,774	312,137
Repairs & Maintenance-Computers	337,477	68,146
Repairs & Maintenance-Others	339,972	-
Travelling & Conveyance	5,994,402	6,530,513
	25,566,229	28,367,872
Less : Transferred to capital work-in-progress For software development	-	4,464,293
Total	25,566,229	23,903,579

SCHEDULE 15	For the year ended March 31, 2008 Rs.	For the year ended March 31, 2007 Rs.
INTEREST AND FINANCE CHARGES		
Interest on :		
Term Loan	17,169	44,835
Finance Charges	89,886	118,722
Others	22,283	751,725
Total	129,339	915,282

SCHEDULE 16**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008.****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. Overview of the Company:**

The Company was incorporated in 1989 under the Indian 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 primarily involved into Finance and Accounting segment of the BPO sector including software development and support services thereto.

The Company, in the month of September, 2006, came out with an initial public offer of 40,50,000 equity shares of face value of Rs 10 each at a premium of Rs.190 per share. The Equity Shares of the Company are listed on Bombay Stock Exchange and National Stock Exchange.

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) issued by the Institute of Chartered Accountants of India ('ICAI'), 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:

The revenue from Finance and Accounting segment of the BPO sector including software development and support services is recognized as per the work orders/agreements entered with the parties.

License fee is recognized on delivery and as per the terms of the contract.

5. Fixed Assets:

Tangible: Fixed assets are stated at historical cost less accumulated depreciation. Replacements are either capitalized or charged to revenue depending upon their nature and long term utility.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, whether developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products.

Capital Work in Progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

6. Impairment of Assets:

In accordance with AS 28 on 'Impairment of Assets' issued by the Institute Of Chartered Accountants of India, 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 whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account. 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 is provided under Straight Line Method 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.
- b) Intangible Assets – Software product (meant for sale) are amortised over its estimated useful life of 8 years.

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 investment.

9. Employee Benefits:

- a) Gratuity:

Gratuity liability is a defined benefit obligation. The Company has taken an insurance policy under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and the amount paid / payable in respect of the present value of liability of past services is charged to the Profit and loss account every year. The difference between the amount paid / payable to LIC and the actuarial valuation made at the end of each financial year is charged to Profit and Loss account.

- 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 Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

- c) Leave Encashment

Liability towards Leave Encashment Benefit is provided for as at the Balance Sheet date as per the actuarial valuation taken at the end of the year.

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 profit and loss account.

11. 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 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.

Fringe Benefit Tax has been made in respect of employee benefits and other specified expenses in accordance with the provisions as per Income Tax Act, 1961.

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 profit and loss account.

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 Profit and Loss account.

14. Earnings Per Share

The earnings considered in ascertaining Earning 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 year. 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 year, 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

B. NOTES TO FINANCIAL STATEMENTS:
1. Contingent Liabilities not provided for in respect of:

(Amount in Rs.)

	As at March 31, 2008	As at March 31, 2007
Bank Guarantees outstanding		
on behalf of Subsidiaries	1,49,88,75,000	NIL
on behalf of Associates	18,00,00,000	NIL
Others	2,63,250	49,35,500

2. Capital Work in Progress of Rs. 153.85 lacs (Previous Year Rs.112.96 lacs) represents cost incurred on development of OASIS software. The management expects to complete and uses the same in due course of time.
3.
 - a) In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. Provision for all known and determined liabilities and depreciation is adequate and not in excess.
 - b) Balances of sundry debtors, sundry creditors and advances given are, however, subject to confirmations and adjustments, if any. In the opinion of the management, adjustments as may be required on such confirmations would not be significant.

4. Earnings per share (EPS):

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Net Profit as per Profit and Loss Account (Rs.)	92,92,651	2,79,52,509
Weighted Average Number of Equity Shares (Nos.)	1,25,54,045	1,06,45,552
Basic and Diluted Earning per Equity Share (Rs.)	0.74	2.63
Nominal value per Equity Share (Rs.)	10	10

5. Foreign Currency Exposures:

Foreign exchange currency exposure not covered by derivative instruments as at March 31, 2008: -

Particulars	Currency type	As at 31.03.08		As at 31.03.07	
		Amount in Foreign currency (In USD)	Amount (In Rs.)	Amount in Foreign currency (In USD)	Amount (In Rs.)
Current Assets,					
Loans & Advances	US Dollar	647,511	2,58,81,010	25,800	1,109,400
Current Liabilities	US Dollar	37,063	14,81,406	37,063	1,620,021
Guarantee given	US Dollar	3,75,00,000	1,49,88,75,000	NIL	NIL

6. Leases:
a. Operating Lease:

- i) The Company has taken various commercial premises under cancelable operating leases. The lease agreements are usually renewable by mutual consent on mutually agreeable terms. The rental expenses in respect of operating leases are charged as rent under Schedule 15.

b. Financial Lease:

There were no financial leases entered into by the Company.

7. Employee Benefits :

Defined Benefit Plans- As per Actuarial Valuations as on March 31, 2008:

I Assumptions	As on March 31, 2008
Discount Rate	9.0%
Salary Escalation	5%
II Table showing changes in present value of obligations	As on March 31, 2008
Present value of obligations as at beginning of year	5,01,278
Interest cost	41,105
Current Service Cost	1,35,227
Benefits Paid	65,885
Actuarial (gain)/Loss on obligations	(2,26,582)
Present value of obligations as at end of year	3,85,143
III Table showing changes in the fair value of plan assets	As on March 31, 2008
Fair value of plan assets at beginning of year	58,515

Expected return on plan assets	12,028
Contributions	2,86,145
Benefits paid	65,885
Actuarial Gain / (Loss) on Plan assets	NIL
Fair value of plan assets at the end of year	2,90,803
IV Table showing fair value of plan assets	As on March 31,2008
Fair value of plan assets at beginning of year	58,515
Actual return on plan assets	12,028
Contributions	2,86,145
Benefits Paid	65,885
Fair value of plan assets at the end of year	2,90,803
Funded status	(94,340)
Excess of Actual over estimated return on plan assets	NIL
(Actual rate of return = Estimated rate of return as ARD falls on 31st March)	
V Actuarial Gain/Loss recognized	As on March 31,2008
Actuarial gain/(Loss) for the year -Obligation	2,26,582
Actuarial (gain)/Loss for the year - plan assets	NIL
Total (gain)/Loss for the year	(2,26,582)
Actuarial (gain)/Loss recognized in the year	(2,26,582)
VI The amounts to be recognized in the balance sheet and statements of profit and loss	For the year ended March 31, 2008
Present value of obligations as at the end of year	3,85,143
Fair value of plan assets as at the end of the year	2,90,803
Funded status	(94,340)
Net Asset/(liability) recognized in balance sheet	94,340
VII Expenses Recognised in statement of Profit & loss	For the year ended March 31, 2008
Current Service cost	1,35,227
Interest Cost	41,105
Expected return on plan assets	12,028
Net Actuarial (gain)/Loss recognised in the year	(2,26,582)
Expenses recognised in statement of Profit & loss	(62,278)

8. 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

1	HOV Services LLC (also by way of management control)
2	HOV AR Management Services Pvt. Ltd (Formerly known as Bay Area Credit Service (I) Pvt. Ltd.)
3	HOVS Holdings Limited

(ii) Subsidiaries of Subsidiary's

1	Bay Area Credit Service, LLC
2	Complex Property Advisors Corporation (till September 2007)
3	HOV Enterprise Services Inc (Formerly Savant Consulting Group, Inc.)
4	Meridian Consulting Group, LLC
5	Glen Denial Corporation dba Imperial Collection Service
6	Digital Boardwalk LLC
7	Rustic Canyon III, LLC.
8	Trac Holding LLC
9	Lason Inc.
10	Lason India Pvt. Ltd
11	Vetri Software (I) Pvt. Ltd
12	SAM Holding, Inc
13	SAM, Inc
14	HOV Services (Beijing) Limited (w.e.f. September 18,2007)
15	Tracmail AR Services Pvt. Ltd (w.e.f. March 31,2008)

b) Associates:

Sr. No	Name
1	HOV GPM, LLC
2	HOF 4, Mauritius
3	Hands on Venture, LLC
4	Tracmail India Private Limited

c) Directors/Key Managerial Personnel and their relatives:

Sr. No.	Name
1	Mr. Ron Cogburn (President)
2	Mr. Sunil Rajadhyaksha (Executive Director)
3	Mr. Karan Negi (President ARM Bussiness)
4	Mr. Vikram Negi (Executive Vice President)
5	Mr. Anil Rajadhyaksha (Relative of Mr. Sunil Rajadhyaksha)
6	Mr. Parvinder S Chadha (Executive Director)
7	Mr. Surinder Rametra (Chairman and Executive Director)

B. During the year, 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	Transactions entered during the year ended	
		31.03 2008	31.03. 2007
HOV AR Management Services Pvt Ltd. (Formerly known as Bay Area Credit Service (India) Private Ltd) Unsecured Loans GivenLoan Repaid	Subsidiary	3,34,90,106 7,27,56,998	3,27,89,837 10,89,83,968
HOV Services LLC Investment in Shares	Subsidiary	6,66,17,900	63,90,71,824
Bay Area Credit Service, LLC Services Provided Services Aailed	Subsidiary	4,61,55,757 NIL	3,51,69,465 10,88,665
Complex Property Advisors Corporation Services Provided	Subsidiary	37,90,926	1,19,85,201
Meridian Consulting Group, LLC Services Provided Services Aailed	Subsidiary	19,03,360 NIL	35,20,963 601,128
Imperial Collection Service (Services Provided)	Subsidiary	13,13,460	1,141,450
HOV Enterprise Services, Inc (Formerly Savant Consulting Group Inc) Services provided	Subsidiary	28,50,954	3,057,388
Digital Boardwalk LLC (Services Provided)	Subsidiary	3,32,851	81,600
HOV Services, LLC (Services Provided)	Subsidiary	15,80,300	NIL
HOV Services, LLC (Receivables)	Subsidiary	39,16,824	NIL
HOV Services, LLC (Guarantee Given)	Subsidiary	1,49,88,75,000	NIL
Tracmail India Private Limited (Guarantee Given)	Associates	18,00,00,000	NIL
HOV GPM, LLC (Advance taken and Repaid)	Associates	NIL	38,925,699
Hands on Venture, LLC (Reimbursable Expenses Incurred)	Associates	86,739	NIL
HOF 4, Limited Acquisition of equity shares of HOV AR Management Services (P) Ltd. (Bay Area Credit Service (India) Private Ltd) Received against excess paid	Associates	NIL NIL	18,10,042 106,758
Mr. Sunil Rajadhyaksha Loan Paid	Key Managerial Personnel	NIL	1,104,246
Mr. Parvinder Chadha Loan Recieved Loan Repayment	Key Managerial Personnel	NIL NIL	250,000 250,000
Mr. Karan Negi – Salary	Key Managerial Personnel	96,000	96,000
Mr. Vikram Negi – Salary	Key Managerial Personnel	96,000	96,000
Mr. Ronald Cogburn – Salary	Key Managerial Personnel	1,08,000	1,08,000
Mr. Surinder Rametra - Repayment of Loan Interest Paid	Key Managerial Personnel	NIL NIL	12,413,666 751,725
Mr. Anil Rajadhyaksha Salary	Relative of Key Managerial Personnel	12,00,000	12,00,000

Balances with the related parties referred above, in the ordinary courses of business are as follows:

(Amount in Rs.)

Name of the Party	Nature of Relationship	Balance as on	
		31.03. 2008	31.03. 2007
HOV Services LLC Investment in Shares	Subsidiary	70,57,33,714	639,071,824
HOV AR Management Services Pvt Ltd (Formerly known as Bay Area Credit Service (I) Pvt. Ltd). Unsecured Loan given	Subsidiary	8,96,592	196,323
Bay Area Credit Service, LLC Debtors	Subsidiary	20,423,107	8,417,595
Creditors		9,59,742	1,049,544
Meridian Consulting Group, LLC Debtors	Subsidiary	3,39,745	408,000
Creditors		5,21,665	570,477
Digital Boardwalk LLC Debtors	Subsidiary	55,958	81,600
HOV Enterprise Services, Inc (Savant Consulting Group, Inc). Debtors	Subsidiary	4,55,658	816,000
Imperial Collection Services Debtors	Subsidiary	3,29,753	326,400
HOV Services, LLC (Debtor)	Subsidiary	15,98,800	NIL
HOV Services, LLC (Receivables)	Subsidiary	879,340	NIL
HOV Services, LLC (Guarantee Given)	Subsidiary	1,49,88,75,000	NIL
Tracmail India Private Limited Guarantee Given	Associates	18,00,00,000	NIL
Hands on Venture, LLC	Associates	86,739	NIL
Mr. Anil Rajadhyaksha Commission	Relative of Key Managerial Personnel	3,12,798	312,798
Mr. Karan Negi – Salary	Key Managerial Personnel	NIL	102,131
Mr. Ronald Cogburn – Salary	Key Managerial Personnel	2,25,964	117,964

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

9. Employees Stock Option Plan (Plan 2007) :

The shareholders in its Nineteenth Annual General meeting held on July 21, 2007 has approved to issue 11,00,000 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, 4,00,000 options were reserved for employees of the Company and 7,00,000 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:

Particulars	Directors	Other than Directors
Options Granted on July 21,2007	7, 500	6, 40, 000
Options Granted on October 25, 2007	NIL	20, 000
Options lapsed	NIL	57, 000
Options outstanding	7, 500	6, 03, 000

10. Managerial Remuneration:

(Amount in Rs.)

Particulars	For the year ended March 31	
	2008	2007
a) To Executive Directors Salaries and Allowances	36,00,000	NIL
b) To Other Directors Sitting Fees	2,80,000	2,10,000

11. Deferred Tax Asset/(Liability) comprises timing differences on account of:

(Amount in Rs.)

Particulars	As on March 31, 2008	As on March 31, 2007
Deferred Tax Liability: On account of Depreciation	(576,115)	(571,019)
Net Deferred Tax Asset / (Liability)	(576,115)	(571,019)

12. Auditors' Remuneration:

(Amount in Rs.)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Payment to Statutory Auditor :		
Audit Fees	9,03,394	412,085
Limited Review Fees	9,48,341	89,792
Certification Fees	96,070	3,40,956
Reimbursement of out of Pocket Expenses (Including service tax)	285,470	77,784
Total	22,33,275	920,617

13. The Company has not received any intimation from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

14. a) Other Information:

The Company is engaged in the Service Sector providing IT Enabled Services and Software development. The production and sale of such software can not be expressed in any generic unit. Hence, it is not possible to give quantitative details of sale and information as required under paragraph 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

b) C.I.F value of imports: Capital goods Rs.17, 44, 920 (Previous year Rs. NIL).

c) Earnings / Expenditures in foreign Currency:

(Amount in Rs.)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Earnings in Foreign Exchange		
Income from Operations	6,22,98,928	6,98,32,297
Expenditures in Foreign Currency		
Legal & Professional Fees (Public issue expenses)	-	11,357,068
Consultancy Fees	-	1,620,021
Travelling Expenses	40,000	-

15. Figures of the previous year have been regrouped / rearranged, wherever considered necessary to conform to the current year's presentation.

Signatures to Schedules 1 to 16

For and on behalf of the board.

Surinder Rametra
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Place: Mumbai
Date: June 5, 2008

Bhuvanesh Sharma
Company Secretary

James Reynolds
CFO & CAO- Global

Information as required under part IV of Schedule VI of the Companies Act, 1956
I. Registration Details

Registration No.	014448
State Code	11
Balance Sheet Date	31-Mar-2008

II Capital Raised During the year (Amt Rs. 000)

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of Mobilization and Deployment of Funds (Amt Rs. 000)

Total Liabilities	
Total Assets	
Sources of Funds	
Paid Up Capital	1,25,540
Reserve and Surplus	6,86,936
Secured Loans	NIL
Unsecured Loans	NIL
Deferred Tax	576
Application of the Funds	
Net Fixed Assets	7,462
Capital WIP	15,385
Investments	7,61,999
Net Current Assets	28,205
Miscellaneous Exp	NIL
Accumulated Loss	NIL

IV. Performance Of Company

Income	62,572
Total Expenditure	51,769
Profit before Tax	10,802
Profit after Tax	9,293
Earnings Per Share in Rs.	0.74
Dividend (%)	NIL

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.	8524
Product Description	Software Services & Development

NOTICE**NOTICE OF TWENTIETH ANNUAL GENERAL MEETING**

Notice is hereby given that the Twentieth Annual General Meeting of the Members of HOV Services Limited will be held on Tuesday, the 30th day of September, 2008 at 10:30 A.M at Taj Blue Diamond, 11 Koregaon Road, Pune, Maharashtra 411001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2008 and Profit and Loss Account of the Company together with Schedules and Notes annexed thereto and the Cash Flow Statement for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B R Gupta, who retires by rotation, and being eligible, offers his candidature for re appointment.
3. To appoint M/s Lodha & Co., Chartered Accountants as auditors, who shall hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution for 7,50,000 stock option for employees of the subsidiary companies:**

RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") or any statutory modification(s) or re-enactment of the Act or the Guidelines and Listing Agreements entered into by the Company with the Stock Exchange(s) where the shares of the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) as may be necessary of any authorities and subject to such condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s), and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation and Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) the consent of the Company be and is hereby accorded to the Board of Directors of the Company to grant, create, offer, issue and allot in one or more tranches, at any time to or to the benefit of such person(s) who are in permanent employment of the Subsidiaries of the Company, whether working in India or out of India from time to time, including any Director of the Subsidiary(ies) Company, whether whole time or otherwise, (hereinafter referred as "Employees"), as may be decided by the Board, Options exercisable by the Employees under the Plan titled "**HOVS Stock Option Plan 2008**" (The Plan) to subscribe to such number of equity shares of the Company which may give rise to the issue of equity shares of the Company not exceeding in aggregate 7,50,000 equity shares of the Company and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs. 10 each fully paid-up on payment of the requisite exercise price to the Company.

RESOLVED FURTHER THAT in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 7,50,000 equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity shares upon exercise of options from time to time in accordance with the Employee Stock Option Scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the Plan and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the said Plan as it may deem fit, from time to time in its sole and absolute discretion, including but not limited to amendment(s) with respect to vesting period and schedule, exercise price, exercise period, eligibility criteria, or to suspend, withdraw, terminate or revise the Plan in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the SEBI Guidelines and any other applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all necessary steps for listing of the securities allotted under the Plan on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchange(s) concerned, the Guidelines and other applicable laws and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and to settle any question, difficulty or doubt that may arise in this regard, the Chief Financial Officer and Company Secretary of the Company, be and are hereby authorized severally to do all such acts, deeds, matters and things and execute all such documents, instruments and writings as may be in their sole and absolute discretion deem necessary or expedient.

By Order of the Board
HOV Services Limited

Place: Pune
Date: July 30, 2008

Bhuvanesh Sharma
Company Secretary

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.***
2. The following Explanatory Statement sets out all the material facts as required pursuant to Section 173(2) of the Companies Act, 1956 in respect of the above Special Business;

Item No. 4

The Members, at the Annual General Meeting held on July 21, 2007, had approved the issue of employees stock options, not exceeding 11,00,000 (Eleven Lakh) equity shares of the Company to the employees and directors of the Company and its subsidiary companies under the HOVS Stock Option Plan 2007.

To motivate more employees and to participate in the long term growth of the Company, it is proposed to introduce, in addition to the existing Scheme, a new employee stock option plan, HOVS Stock Option Plan 2008 for the benefits of employees.

The main features of the employee stock option schemes are as under:

a) Total number of options to be granted:

A total of 7,50,000 options for the employees of the Company and of the subsidiaries would be available for being granted under the Plan. Each option when exercised would be converted into one Equity share of Rs. 10/- (Rupees ten only) each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI guidelines require that in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 7,50,000 equity shares for the employees of its subsidiaries as stated above shall be deemed to be increased to the extent of such additional equity shares issued.

b) Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees of its subsidiaries, excluding any director who directly or indirectly holds more than 10% of the outstanding equity shares of the company and excluding the promoters of the Company, as may be decided by the Compensation and Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOP Plan.

c) Transferability of employee stock options:

The stock options granted to an employee shall not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

d) Requirements of vesting and period of vesting:

The Options granted shall vest so long as the employee continues to be in the employment of the Company and its subsidiaries, as the case may be. The Compensation and Remuneration Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than six years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation and Remuneration Committee, subject to the minimum vesting period of one year from the date of grant of options.

e) Exercise Price:

The options would be granted at an exercise price equal to the latest available closing market price (at a stock exchange as determined by the Compensation Committee) on the date prior to the date on which the Compensation Committee finalizes the specific number of options to be granted to the employees.

f) Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation and Remuneration Committee from time to time. The options will lapse if not exercised within the specified exercise period.

g) Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation and Remuneration Committee, and will be based on criteria such as role / designation of the employee, length of service with the Company and its subsidiaries, as the case may be, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

h) Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

i) Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines and other concerned Authorities.

j) Method of option valuation

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and the SEBI Guidelines.

The resolution set out in Item No. 4 of the Notice will be placed before the meeting for approval of the shareholders. Your Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the scheme.

3. 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, Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081:
 - a. Change, if any in their address;
 - b. Request for nominations form as per the provisions of the Companies Act, 1956.
4. Members holding share in dematerialized form are requested to contact their Depository Participant for any change in their particulars.

5. Members are requested to send their queries, if any, at least 10 days in advance to the Company Secretary of Company to facilitate the reply.
6. The certificate from the Auditors of the Company certifying that the Company's HOVS ESOP Plan 2007 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.
7. An Explanatory Statements sets out all the material facts as required pursuant to Section 173(2) of the Companies Act, 1956.

By Order of the Board
HOV Services Limited

Place: Pune
Date: July 30, 2008

Bhuvanesh Sharma
Company Secretary

Additional Information on directors recommended for re-appointment at the Annual General Meeting.

Mr. B R Gupta
Profile

Mr. Gupta is the former Executive Director of the LIC OF INDIA. He was working as Consultant (Investment) to GIC of India till December 2000. Mr. Gupta has worked with LIC for over 35 years in various capacities and has experience in the operations of the Life Insurance Industry, specifically in the areas of investment, marketing, underwriting and administration. Mr. Gupta also worked in the investment department of the LIC for 10 years and headed the department as Executive Director. He was responsible for managing LIC's portfolio comprising a variety of investments. Subsequently to his retirement, till May 1999, he functioned as the Investment Advisor to LIC of India.

Mr. Gupta is on the Board of other companies also. He had been a Director of National Stock Exchange, IDBI Capital Markets, ICICI Prudential Assets Management Co., Member of "The Administrative Committee of Insurance Institute of India", "The Committee of NSE on Development of the Debt Market in India", "The Executive Committee of the NSE" and "The Advisory Committee on Secondary Market operations of SEBI". At present Mr. Gupta is an Advisor to IL&FS Academy for Insurance & Finance Ltd., an initiative of IL&FS Group. Mr. Gupta is M.A in English and has a LL.B degree besides being a Fellow of Insurance Institute of India.



PROXY FORM

I/We.....

of being a member(s) of HOV Services Ltd hereby appoint Mr./ Mrs./ Ms.
.....of.....

in the district of or failing him / her Mr/ Mrs./ Ms.

ofin the district ofas my/our Proxy to attend and to vote for me/us
on my/our behalf at the Twentieth Annual General Meeting of the Members of HOV Services Limited to be held on
Tuesday, the 30th day of September, 2008 at 10:30 A.M at Taj Blue Diamond, 11 Koregaon Road, Pune, Maharashtra
411001 and at any adjournment thereof.

Signed thisday of.....2008.

Folio No.:..... No. of Shares held :

Client Id : DP Id :

Signature.....

Affix
15 paise
revenue
stamp

NOTES:

1. Proxy Form to be valid shall be duly signed, stamped and dated and shall be deposited at the Registered Office of the Company at least 48 hours before the Meeting.
2. The members who hold shares in dematerialized form shall quote their Client ID and DP Id.
3. A shareholder may vote either for or against each resolution.



ATTENDANCE SLIP

I hereby record my presence at the Twentieth Annual General Meeting held on Tuesday, the 30th day of September, 2008 at 10:30 A.M at Taj Blue Diamond, 11 Koregaon Road, Pune, Maharashtra 411001.

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

Folio No.:

No. of Shares held :

Client Id:

DP Id :

Name of Member / Proxy
(in BLOCK letters)

Signature of Member / Proxy

Notes:

1. Please fill up this Attendance Slip and hand it over at the entrance of the meeting hall.
2. Members are requested to bring their copies of the Annual Report to the meeting.



HOV Services Limited

Registered Office :

HOV Services Limited,
3rd Floor, Sharda Arcade,
Pune Satara Road, Bibwewadi,
Pune - 411037

Day & Date : Tuesday, September 30, 2008

Time : 10.30 A.M.

Venue : Taj Blue Diamond,
11 Koregaon Road, Pune,
Maharashtra 411001

If undelivered, please return to :



Karvy Computershare Private Limited

Karvy Computershare Private Limited

(Unit : HOV Services Limited)

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

Tel No. (040) 23420815

Fax No. (040) 23420814

Email : mailmanager@karvy.com