



TWENTY FIRST ANNUAL REPORT FINANCIAL YEAR 2008-09

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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. Harish Bhasin	<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

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

Registered Office

HOV Services Limited
3rd Floor, Sharda Arcade,
Pune Satara Road, Bibwewadi,
Pune 411-037
Tel: (91 20) 2423 1623
Fax: (91 20) 2422 1460
E-mail: investor.relations@hovservices.com

Head Office

Dowlath Towers,
10th Floor,
59, Taylors Road,
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 - 500 081
Tel: (91 40) 23420815
Fax: (91 40) 23420814

Auditors

Lodha & Co.
Chartered Accountants
6 Karim Chambers
40, Ambalal Doshi Marg
Mumbai - 400 023
Maharashtra, India
Tel: (91 22) 2265 1140
Fax: (91 22) 2269 1414

DIRECTORS' REPORT

The Shareholders,

Your Directors' are pleased to present their Twenty-First Annual Report on the Business and Operations of HOV Services Ltd. (the "Company" or "HOVS") together with Audited Statement of Accounts for the year ended March 31, 2009.

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	
	2009	2008	2009	2008
INCOME				
Income from Operations	8,970.72	8,335.11	43.77	62.28
Other Income	21.72	744.87	2.99	0.29
	8,992.44	9,079.98	46.76	62.57
EXPENDITURE				
Staff Cost	4,518.83	4,220.09	37.27	24.31
General and Administrative Expenses	3,325.84	3,329.45	17.77	25.68
	7,844.67	7,549.54	55.04	49.99
Profit/(Loss) before Interest, Depreciation and Tax	1,144.77	1,530.44	(8.28)	12.58
Less: Interest	444.78	509.26	0.14	0.13
Less: Depreciation	236.53	169.78	3.78	1.65
Profit/(Loss) before Tax	466.46	851.4	(12.20)	10.8
Tax pertaining to earlier years	NIL	(0.08)	(0.01)	-
Less: Provisions for taxes				
Current Tax	13.86	27.77	NIL	1.2
Deferred Tax	(15.85)	0.14	3.30	0.01
Fringe Benefit Tax	4.92	1.56	0.26	0.3
Profit/(Loss) after Tax	463.53	822.01	(15.75)	9.29
Less: Minority Interest	(0.34)	277.59	NIL	-
Profit/(Loss) after Tax After Minority Interest	463.87	544.42	(15.75)	9.29

2. RESULTS OF OPERATIONS

Performance on consolidated basis:

- Consolidated total Income for the current FY increased by 7.6% to Rs. 8,970.7 million from Rs. 8,335.1 million for the corresponding last fiscal year 2007-08.
- EBITDA increased by 7.39% for the FY to Rs.1,176.44 million from Rs.1,095.5 million over the corresponding last fiscal year 2007-08.
- Net Profit decreased by 14.8% for the current FY to Rs. 463.9 million from Rs.544.4 million over the corresponding last fiscal year.
- Rupee depreciation against the USD resulted in decrease of the company's Net Profit to the tune of Rs 80.6 million.
- The basic and diluted Earnings per share (EPS) is Rs 36.96 for the FY.

3. Significant Developments:

i) Highlights of Business Performance:

- Added over \$17.5 million in customer contracts in the 4th Fiscal Quarter with \$12.5 million from existing customers.
- Substantial savings from integration and rationalization of global operations helped defray overall increases in costs in India with 11,419 associates across over 40 delivery centers in India, China, Mexico, U.S. & Canada.
- By right shoring we were able to successfully transition some key business processes from US to our near shore and off shore operations in Mexico, India and China.
- Diversified Client Base with low Customer Concentration with and minimal exposure to financial services companies.
- Top 100 clients represent over 79% of total revenues with the largest customer representing only 16% of total revenues.
- Over 50% of leading FORTUNE 100® companies as reference-able clients in our core Service offerings.

ii) Key Accomplishments and Noteworthy Items:

- Company maintained strong liquidity position with DSO of 51.6 days, Debt to Equity Ratio of 1.33 and Net Bank Debt of \$110.9 million at March 31, 2009;
- Successfully continue to leverage Company's Top Tier BPO Service Provider with established reputation for Reliable, High Quality and Secure services;
- International Association of Outsourcing Professionals (IAOP) ranked the Company:
 - Best 20 Leaders by Industry Focus: Health Care;
 - Best 10 Companies by Service Offered: Document Management;
 - Best 10 Leaders by Service Offered: Financial Management;
 - Best 20 Leaders by Region Served: India;
 - Best 20 Leaders by Region Served: Canada;

iii) *Material transaction proposal:*

The proposal was received by the Company in June 2008 and was reported in Annual Report of 2007-08. The Board of Director's in their meeting held on October 8, 2008 keeping in view the market conditions, proposed to postpone considering the Transaction in the best interest of the shareholders.

iv) *Issue of ADR/GDR*

The Shareholders in their Annual General meeting held on July 21, 2007 approved the issue of up to 15,000,000 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 15,000,000 to be allotted towards the proposed DRs. The Company has not issued any of the aforesaid equity shares post approval.

v) *Buyback of Equity Shares:*

During the year under review the Board of Directors approved buy back of equity shares of the Company through open market stock exchanges route. The details of the same are as follows:

Structural details of the buyback program:	
Date of Board Resolution approving Buy back	January 13, 2009
Date of Public Notice cum Public Announcement	January 13, 2009, Published on January 15, 2009
Maximum Offer size	10,00,000 Equity Shares
Minimum Offer size	2,50,000 Equity Shares
Maximum Offer Price:	Rs. 50/- Per Equity Share (Aggregate Amount Not more than Rs. 5.00 Crore).
Date of Opening of the Buy back:	February 2, 2009
Duration of the program:	Up to January 12, 2010 (12 months from the date of Board resolution)
Number of shares bought back:	
As on March 31, 2009	43,023 Equity Shares
As on June 26, 2009	63,023 Equity Shares
Details of the shares bought back:	
As on March 31, 2009	43,023 Equity Shares were bought back at average rate of Rs. 28.67 per equity share.
As on June 26, 2009	63,023 Equity Shares were bought back at average rate of Rs. 29.65 per equity share.
Execution method:	Open Market Purchases through Stock Exchanges.
Buyback price and the aggregate amount paid on buyback:	
As on March 31, 2009	43,023 Equity Shares bought back @ Rs. 28.67, aggregating amount Rs. 12,33,279/-

As on June 26, 2009	63,023 Equity Shares bought back @ Rs. 29.65, aggregating amount Rs. 18,85,680/-
Sources from which buyback is financed:	Share Capital And Free Reserves Account
Amount by which the share capital and free reserves including share premium are reduced on account of buyback of the shares:	Total share capital and free reserves including share premium are reduced by Rs. 4,30,230/- and Rs. 8,09,572/- respectively.
Un-cancelled shares:	Total equity shares bought back as on March 31, 2009 were 43,023 out of which 35,620 shares were extinguished; remaining equity shares of 7,763 extinguished in April, 2009.
Amount transferred to Capital Redemption Reserve Account	An amount of Rs. 4,30,230/- transferred to Capital Redemption Reserve Account.

4. Appropriations:

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.

Transfer to Reserve

Pursuant to the Section 77AA of the Companies Act, 1956 a sum equal to nominal value of the shares bought back is required to transfer to Capital Redemption Reserve account. The Company as of March 31, 2009 had bought back 43,023 equity shares. Therefore an amount of Rs. 4,30,230/- is transferred to Capital Redemption Reserve Account.

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 implemented the recommendations in a phased manner. This has resulted in reduction of energy consumption during this financial year.

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. The Company has development teams in US, India and Mexico implementing its vision.

Technology Absorption, Adaptation and Innovation: The Company has been focused on providing end-to-end BPO services to Clients. The Company has heavily invested in technology innovation and is leveraging its global footprint to take advantage of shrinking distances and blurry traditional borders bypassed by global, stable, secure network infrastructure all while 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 and go through Six Sigma training as well and many are certified at various levels. 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 Note number 15(c) to the Accounts of the Annual Report.

6. Particulars of Employees

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the directors' report for the year ended March 31, 2009 is set out in the Annexure I to the Director's Report.

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 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

Mr. Rajeev Gupta, Director who retires by rotation prior to the Annual General Meeting notified his inability to continue his directorship due to pre-occupation. His notice was placed before the Board in its meeting held on June 4, 2009 and the same was accepted by the Board. The Board of Directors place on record their appreciation for the support rendered by him during the tenure as Director of the Company.

During the year under review Mr. Harish P Bhasin was inducted as an additional director w.e.f March 24, 2009 and holds office up to the date of ensuing Annual General Meeting. His appointment requires the approval of members at the ensuing Annual General Meeting. The Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Harish P Bhasin for the office of Director, liable to retire by rotation.

Brief resume of the Director proposed to be appointed, as stipulated in Clause 49 of the Listing agreement with the stock exchanges is provided in section of Notice of the Annual General Meeting.

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 statements 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 February 4, 2009. 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 statements 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 (ESOP)

The Company has instituted "HOVS Stock Option Plan 2007" and "HOVS Stock Option Plan 2008" for its employees and for employee's of its subsidiary companies.

The shareholders in its Nineteenth Annual General meeting held on July 21, 2007 approved 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 2007 plan, 4,00,000 options were reserved for employees of the Company and 7,00,000 for employees of subsidiary companies.

The shareholders also, in its Twentieth Annual General meeting held on September 30, 2008 approved additional 7,50,000 equity shares of a face value of Rs.10 each with each such option conferring a right upon the employee to opt for one equity share of the Company, in terms of HOVS ESOP Plan 2008. Under the 2008 plan, 7, 50,000 options were reserved for employees of the subsidiary companies of the Company, working in India or out of India.

Options were granted to employees at an exercise price not less than closing price of the stock exchange having highest trading volume, prior to the date of meeting of the Compensation & Remuneration Committee. Such 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.

i) The details of Plan 2007 and Plan 2008 are as below:

	Plan 2007		
Approved Options	Parent 400,000	Subsidiary 700,000	Total 1,100,000
Grant in 2007	141,500	526,000	667,500
Grant in 2008	28,150	217,900	246,050
Total Grant	169,650	743,900	913,550
Options Lapsed	-	80,000	80,000
Options in force	169,650	663,900	833,550
Balance available	230,350	36,100	266,450

	Plan 2008		
Approved Options	Parent -	Subsidiary 750,000	Total 750,000
Grant in 2008	-	-	-
Total Grant	-	-	-
Options Lapsed	-	-	-
Options in force	-	-	-
Balance available	-	750,000	750,000

ii) Information of grant made to directors and employees:

Options granted date	Directors (A)	Employees (B)	Total (A+B)
July 21, 2007	7,500	640,000	647,500
October 25, 2007	0	20,000	20,000
July 30, 2008	7,500	183,550	191,050
October 8, 2008	0	55,000	55,000
Total Granted	15,000	898,550	913,550
Options lapsed	0	80,000	80,000
Options outstanding	15,000	818,550	833,550

iii) The details of options granted under the two plans are given in the table.

As of March 31, 2009			
		Plan 2007	Plan 2008
a.	Options Granted:	9,13,550	Nil
b.	The Pricing formula:	Closing price of the stock exchange with highest trading volume, prior to the date of the meeting of the compensation & Remuneration Committee in which options are granted.	Closing price of the stock exchange with highest trading volume, prior to the date of the meeting of the compensation & Remuneration Committee in which options are granted

c. Options Vested:	59,550	Nil
d. Options Exercised:	Nil	Nil
e. Total number of shares arising as a result of exercise of options:	9,13,550	Nil
f. Optioned lapse:	80,000	Nil
g. Variation of terms of option:	NA	NA
h. Money realized by exercise of options:	NA	NA
i. Total number of options in force:	8,33,550	Nil
j. Employee wise details of Options granted to:		Nil
i. Senior Management personnel;	8,33,550	
ii. Employee receiving 5% or more of the total number of options granted during the year;	Nil	
iii. Employee granted 1% or more of the issued capital	Nil	
k. Diluted EPS on issue of shares on exercise calculated in accordance with AS 20.	NA	NA

16. Acknowledgement

The Board wishes to convey their appreciation to its employees, shareholders, customers, suppliers, bankers and Government authorities 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 4, 2009

Surinder Rametra
Chairman & Executive Director

Annexure I to the Director's Report**Information in term of the provisions of Section 217(2A) of the Companies Act, 1956**

Name	Title/Role	Qualifications	Age	Experience (Years)	Joining date	Gross Remuneration (Rs)	Previous Employment and Designation
Surinder Rametra	Executive Director & Chairman	B.E. Mechanical Engineering, Master's degree in Industrial Engineering from the Indian Institute of Technology, India and an MBA in Finance from New York University.	69	45	April 1, 2006	24,00,000/-	ATEC Group Inc., NY, US, Chairman & CEO
Sunil Rajadhyaksha	Executive Director	B.S. Telecommunications & Electronics and M.S. degree in Electrical Engineering from Illinois Institute of Technology.	56	33	April 1, 2006	24,00,000/-	Meret Optical Communications, President & COO
Parvinder S Chadha	Executive Director	B.S. Electrical Engineering & Graduate-Level coursework in computer science at the Illinois Institute of Technology.	54	33	April 1, 2006	24,00,000/-	Osicom Technologies Inc. US, Chairman & CEO

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY OVERVIEW

Industry

Business globally has been going through transformation - there are many factors but primary among them are globalization, development and adoption of standards, technology platforms enabled by ample telecom and network capacity at low costs linking dispersed offices of clients and service providers seamlessly. This re-organization happened slowly at first with only the largest companies testing the waters and over several years of steady growth of confidence, the speed of transformation has increased whereby companies large and small either have or are implementing and adopting global strategy to outsource core and non-core functions. The financials are attractive as well - ability to get best of breed technology platform with service level agreements to deliver better products and services externally and internally and replace fixed costs with variable cost structure is part and parcel of strategic shift. The added advantage and benefit of this strategy is enabling large scale adoption of BPO services both for growth as well as to defend one's market position against competitors.

As a recognized industry leader, HOVS maintains its position at the forefront of the marketplace by leveraging its global end-to-end capabilities in Business Process Outsourcing ("BPO") and Knowledge Process Outsourcing ("KPO") enabled by innovative, secure technology platforms linking its facilities worldwide and with its client's facilities.

Understanding the BPO Market

BPO is generally the outsourcing of core and non-core business processes, predominately offshore, initially to save time and cost but more often to benefit from best technologies, economies of scale, manage growth and capacity - all while maintaining compliance with privacy, security and other global standards.

The BPO market is and has been in a steady state of growth for the past ten years. According to market analysis firm, Gartner, the global outsourcing market was approximately \$119 billion in 2000. Whereas, Industry analysts at NelsonHall predicts that the BPO market by 2012 to hit \$450 billion. NelsonHall further indicates that BPO accounted for 49% of TCV (total contract value) for outsourcing deals in 2008, with North America driving the most of the growth.

Understanding the KPO Market

KPO, however requires a higher level of transfer of knowledge and often control, confidentiality and enhanced risk management.

A reliable KPO partner just like BPO to truly be able to become an extension of client organization must have mature process transformation experience and experts with referenceable clients and projects.

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 at USD 1.2 billion in FY 2003 is expected to grow to USD 17 billion by FY 2010, which implies a CAGR of 46 percent.

HOVS operates in the largest BPO and KPO markets organized to meet growing market demands for its services and was recently recognized by the International Association of Outsourcing Professionals for excellence amongst its peers. Most notably, HOVS was awarded the following distinctions:

- Best 10 Companies by Service Offered: Document Management
- Best 10 Leaders by Service Offered: Financial Management
- Best 20 Leaders by Industry Focus: Health Care
- Best 20 Leaders by Region Served: India
- Best 20 Leaders by Region Served: Canada

HOV SERVICES SUMMARY

As a leader in the Global KPO space, 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, manufacturing, financial services, publishing, telecommunications and 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 be 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.

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 uses an end-to-end, fully integrated solution strategy focused on addressing the needs of key vertical markets and business process through technology enabled solutions. 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 40 locations across North America, India, China and Mexico by our dedicated base of 11,419 associates (as of March 31, 2009), strategically located across the globe.

Comprehensive Service Offerings

HOVS offers a comprehensive suite of service offerings, some of which are discussed in brief below:

Accounts Payable (A/P) Services

HOVS performs manual and paper intensive accounts payable functions. Our AP solution consists of an integrated suite of services that streamline, automate and provide web-enable accounts payable solutions - resulting in per invoice processing costs and cycle time reduction while, increasing visibility and control of the entire business process. This is accomplished by tailoring a solution to address individual customer business need and integrating with all leading ERP and enterprise-wide financial systems.

Account Receivable Management (ARM) Services

HOVS ARM Services provides an end-to-end solution that includes invoice generation, lockbox/remittance processing, cash application/ reconciliation, notice presentment, first party collections and delinquency management.

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. 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.

HOVS can support our clients by providing best practices, compliance with rules and regulations, variability of costs to best manage fluctuating volumes using our distributed Global Service centers in the US, Mexico, Canada, China and India.

Healthcare Payer/Provider Services

HOVS provides secure, integrated, technology based solutions for healthcare payers. HOVS solution significantly reduces direct cost in claims processing, adjudication, presentment and indirect cost that include call, print and mail. Thus, delivering business process efficiencies, enabling secure on-line storage and web-based access of documents. Additionally, our customers benefit from higher auto adjudication rates for all claim types including complex claims such as superbills, claims with attachments, split claims and Rx which makes them more competitive in their chosen markets.

HOVS offer a comprehensive Revenue Cycle Management solution (RCM), an end-to-end, technology based solution to 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 Electronic Medical Record (EMR) system partnerships HOVS medical record conversion applications allows 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. It allows customers to meet their growing business needs and also help with the compliance.

Screen 360 is designed to provide flexibility, streamline processes, adopt best practices and on a secure basis that provide the human resource department 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. As a hosted solution, Screen 360 gives organizations real time access to all employee and their customers screening results.

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

<ul style="list-style-type: none"> • Identity Track Search • Global Track Search • County, Criminal and State Search • National Criminal Search • Education Search 	<ul style="list-style-type: none"> • Employment Search • Personal Verification • I-9 Verification • Professional Verification • Drug Screening
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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.

Our proprietary CLIP scoring models enable our customers 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 guarantees success in the complex and highly competitive accounts receivable management industry.

Claim Processing

HOVS claim processing 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 into 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.

Content Transformation and Document Lifecycle Solutions

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 improves 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.

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.

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

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)

Document Lifecycle Solutions

HOVS's Document Lifecycle Services impact the entire life cycle of a typical document-centric process, from inbound 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, HOVS is well positioned to provide the Right Shore delivery for our customers in North America.
- Strong Roots in Quality - HOVS 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.
- Large Market - we operate in a large market with substantial opportunity to increase penetration within existing customers and add new ones. 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.

THREAT AND RISK

- 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 other developing Countries is also a threat. However, HOVS roots in technology, adherence to existing and emerging standards, delivering highest quality and global delivery platform enable HOVS to complete well against some deeply entrenched companies.
- 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 11,419 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 while concentrating on fewer clients and providing end-to-end services to them.

INTERNAL CONTROL SYSTEMS

HOVS 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 both outsourced to a professional firm and team of internal auditors who review all the policies, procedures and also audits most of the transactions. The mandate goes beyond financial transactions to even review all the other functions of various department 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 adoption of best practices is encouraged across the group and good practices and policies followed in any of the group companies is encouraged and often replicated to the other group companies.

FINANCIAL PERFORMANCES

Your Company has achieved consolidated revenue of Rs.8970.7 million during the current financial year as against Rs.8335.1 million achieved during the previous financial year showing an increase of 7.6% while the EBIDTA has improved by 7.39% for the current financial year to 1176.44 million from Rs.1095.5 million achieved during the previous financial year.

The depreciation of Indian Rupee from Rs.39.97 on 31.03.08 to a USD (\$) to Rs.50.95 on 31.03.09 has impacted the net profit by Rs. 80.64 million.

Further, the other income of last year included Rs. 37.8 million on account of profit on sale of investment in a subsidiary company while during the current year there is no such sale / income.

The Earnings per share (EPS) for the consolidated company is at Rs.36.96 for the current financial year.

HUMAN RESOURCES

As a Company that strives to innovate in all sphere of its business and operates in the knowledge intensive industry, its people are the greatest source of strength. 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 emagazine 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. The employee relations with the Company were cordial at all our locations and the Management is actively involved in making sure the Company meets the law of the land and set the high standards for all to achieve.

ANNEXURE TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2008-09

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.

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 more than 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 Plan 2007 of the Company. The stock options were issued at latest available closing price of the stock exchange where there is highest trading volume, prior to the date of the meeting of the Compensation & Remuneration Committee in which options are granted.

Details of Stock Options Granted to Non Executive Directors:

Sr. No.	Name of Director	Stock Options
1	Mr. Ajay Madan	5,000
2	Mr. B R Gupta	5,000
3	Mr. Rajeev Gupta	5,000

(c) Other provisions related to Board and Committees

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

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

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		Directorship	Committee Membership	Committee Chairmanship
Mr. Surinder Rametra	Promoter Executive	9	4	Yes	1	-	-
Mr. Parvinder S Chadha	Promoter Executive	9	3	Yes	-	-	-
Mr. Sunil Rajadhyaksha	Promoter Executive	9	5	Yes	2	-	-
Mr. Ajay Madan	Non-Executive Independent	9	5	No	-	-	-
Mr. B R Gupta	Non-Executive Independent	9	8	Yes	4	1	4
Mr. Rajeev Gupta*	Non-Executive Independent	9	6	Yes	-	-	-
Mr. Harish Bhasin**	Non-Executive Independent	9	0	No	2	-	-

The details of Board Meetings held during the financial year 2008-2009 are as under;

Sr. No.	Date of Board Meetings	Board Strength	No. of Directors Present
1	June 5, 2008	6	4
2	July 30, 2008	6	3
3	August 26, 2008	6	3
4	October 8, 2008	6	4
5	October 30, 2008	6	4
6	December 8, 2008	6	2
7	January 13, 2009	6	4
8	January 31, 2009	6	5
9	March 24, 2009	6	2

*Vacated office w.e.f June 4, 2009

**Appointed as an additional director w.e.f March 24, 2009

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	24,00,000	Nil	Nil	Nil
2	Mr. Parvinder S Chadha	24,00,000	Nil	Nil	Nil
3	Mr. Sunil Rajadhyaksha	24,00,000	Nil	Nil	Nil
4	Mr. Ajay Madan	Nil	Nil	1,00,000	5,000
5	Mr. B R Gupta	Nil	Nil	1,50,000	5,000
6	Mr. Rajeev Gupta	Nil	Nil	1,20,000	5,000
7	Mr. Harish Bhasin	Nil	Nil	Nil	Nil

- Notes: i) The Company has not entered into any pecuniary relationship or transaction with the Non-Executive Directors.
- ii) 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) per month to each of the whole-time Directors.

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 42 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. Harish Bhasin*	Member (Independent Director)
Mr. Surinder Rametra	Member (Chairman & Executive Director)

*Appointed member w.e.f May 25, 2009

The details of Audit Committee Meetings held during the financial year 2008-2009 are as under;

Sr. No.	Date of Committee Meetings	Committee Strength	No. of Members Present
1	June 5, 2008	4	3
2	July 30, 2008	4	3
3	October 30, 2008	4	4
4	January 31, 2009	4	3

3. Compensation & Remuneration Committee

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. Harish Bhasin, all Independent Directors with Mr. Ajay Madan as Chairman of the Compensation & Remuneration Committee. Mr. Harish Bhasin appointed as member w.e.f May 25, 2009.

The details of Compensation & Remuneration Committee Meetings held during the financial year 2008-2009 are as under:

Sr. No.	Date of Committee Meetings	Committee Strength	No. of Members Present
1	June 5, 2008	3	2
2	July 30, 2008	3	3
3	October 8, 2008	3	2

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.

4. Investor Grievances Committee

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 redress of shareholders and investors complaints such as transfer of shares, non-receipt of Annual Reports, non-receipt of dividend declared etc.

The Investor Grievances Committee in its meeting held on July 21, 2007 had authorized Mr. R. VijayaKumar, Chief Financial Officer, India and Mr. Bhuvanesh Sharma, Company Secretary & Compliance Officer to have fortnightly review calls 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. The meeting of the Committee was held on October 8, 2008.

During the year under review the number of investors complaints received was 14. All of them were satisfactorily resolved/ replied, and no complaint/request is pending as on March 31, 2009.

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	Mr. Ajay Madan Mr. Rajeev Gupta Mr. Parvinder S Chadha	March 9, 2006	In terms of Director's Relatives (Officer or Place of Profit) Rules, 2003.

2	IPO Committee	Mr. Parvinder S Chadha Mr. Surinder Rametra Mr. Sunil Rajadhyaksha	March 9, 2006	To administer the process of Initial Public Issue.
3	Investment Committee	Mr. B R Gupta Mr. Surinder Rametra Mr. Sunil Rajadhyaksha	October 25, 2006	To administer the investment of funds.
4	Acquisition Committee	Mr. Ajay Madan Mr. Rajeev Gupta Mr. Sunil Rajadhyaksha Mr. Surinder Rametra	December 21, 2006	To administer the matters of acquisitions.
5	Capital Committee	Mr. Parvinder S Chadha Mr. Surinder Rametra Mr. Sunil Rajadhyaksha	February 26, 2007	To administer capital expansion.
6	Steering Committee	Mr. Ajay Madan Mr. Rajeev Gupta Mr. B R Gupta	October 8, 2008	To review Material Transaction.

6. General Body Meetings

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

Year	Location	Date	Time	Special Resolutions passed
2005-06	3 rd 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
2007-08	Taj Blue Diamond, 11, Koregaon Road, Pune-411001	September 30, 2008	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 2008-09, there were no materially significant transactions occurred, 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.
- The Company received a letter dated April 16, 2008 from the Central Government which was issued during the examination of the application made by the Company to avail exemption under Section 212

of the Companies Act, 1956 from attaching balance sheet, profit & loss account of the subsidiary companies for the FY 2007-08. During this process, the Central Government observed that with respect to a subsidiary company namely “Lason Inc.”, its financial statements for FY ended March 2007, which was ought to be attached and made in Indian rupees was missing in the combined Company’s FY 2007 financial statements and thereby, stated that the same was not in accordance with provision of Section 212 of the Companies Act, 1956.

In response to the aforesaid letter dated April 16, 2008, the Company submitted the compounding application dated April 26, 2008 to the Registrar of Companies, Pune, explaining the following that:

- a) the financials statements of the Company for the FY 2007 were prepared in accordance with India GAAP;
- b) the Lason Inc. was acquired by the Company as of March 1, 2007; and
- c) only one month, March 2007 financials of Lason was considered for the purpose of consolidations of accounts for FY ended March 2007.

On May 4, 2009, the Company Law Board (the “CLB”) after reviewing the documents submitted by the Company, approved the compounding application dated April 26, 2008.

The approval order dated May 4, 2009 received from the CLB was placed before the Board in its meeting held on June 4, 2009.

- Shareholding of Non-Executive Directors as on March 31, 2009 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. Harish Bhasin	Nil
4	Mr. Rajeev Gupta	10,000

8. Means of Communications

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

The Company’s periodic financial results as well as official news releases and presentations made available to the institutional investors and analysts and 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 meeting of Board of Directors of the Company held on June 4, 2009.

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

Day and Date	Time	Venue
Saturday, July 25, 2009	12:00 Noon	Le Meridien, Raja Bahadur Mill Road, Pune-411037

b) Financial Year: April 1 to March 31**c) Financial Calendar for the Year 2009-2010:**

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, 2009
2 nd Quarter Results	On or before October 31, 2009
3 rd Quarter Results	On or before January 31, 2010
4 th Quarter Results	On or before June 30, 2010

d) Date of Book Closure: July 23, 2009 to July 25, 2009 (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 2008-09

Month	NSE			BSE			Total Trade Quantity
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
Apr-08	101.90	80.10	341,850	102.70	82.70	225,924	567,774
May-08	97.00	79.15	101,770	97.00	82.25	53,437	155,207
Jun-08	133.80	72.50	803,820	132.45	81.00	753,950	1,557,770
Jul-08	128.90	91.20	65,331	125.00	91.20	109,905	175,236
Aug-08	118.10	96.25	47,741	117.35	96.25	82,920	130,661
Sep-08	102.75	62.10	40,873	103.75	64.20	42,837	83,710
Oct-08	70.00	26.65	65,997	70.00	27.10	111,921	177,918
Nov-08	33.90	23.45	50,432	33.90	23.15	61,861	112,293
Dec-08	29.40	24.00	45,600	29.55	23.30	46,631	92,231
Jan-09	35.50	23.05	179,296	36.00	23.00	245,377	424,673
Feb-09	31.80	26.00	65,751	31.95	26.50	109,170	174,921
Mar-09	31.00	25.00	66,928	30.45	24.70	71,536	138,464

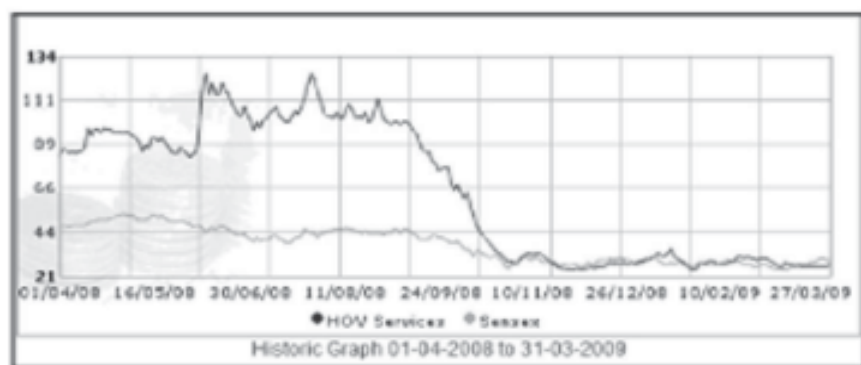
HOV Services Limited's Share prices versus the NSE Nifty

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 as R&T agent has expertise and effective systems for share transfers.

k) Distribution of Shareholding as of March 31, 2009**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	7,089	94.07	6,721,490	5.37
5001 to 10000	211	2.80	1,705,280	1.36
10001 to 20000	111	1.47	1,664,710	1.33
20001 to 30000	30	0.40	773,240	0.62
30001 to 40000	21	0.28	731,830	0.58
40001 to 50000	9	0.12	416,180	0.33
50001 to 100000	25	0.33	1,842,010	1.47
100001 to above	40	0.53	111,333,110	88.93
Total	7,536	100.00	125,187,850	100.00

ii) Distribution of Shares by Shareholders Category:

Sr. No.	Shareholder Category	No. of Shareholders	Shares Held	Voting Strength
1	BANKS	1	1,800	0.01
2	CLEARING MEMBERS	18	3,699	0.03
3	FOREIGN INSTITUTIONAL INVESTORS	2	954,278	7.62
4	FOREIGN NATIONALS	4	487,167	3.89
5	HUF	281	73,049	0.58
6	BODIES CORPORATE	2	714,759	5.71
7	BODIES CORPORATES	247	811,615	6.48
8	MUTUAL FUNDS	3	656,818	5.25
9	NON RESIDENT INDIANS	61	337,997	2.70
10	PROMOTERS	8	6,947,931	55.50
11	RESIDENT INDIVIDUALS	6,909	1,529,672	12.22
Total		7,536	12,518,785	100.00

iii) Top Ten Shareholders as of March 31, 2009:

Sr. No.	Name(s) of the Shareholders	Category as per depository	Shares	%
1	ADESI 234 LLC	Promoter	3,000,985	23.97
2	HOF 2 LLC	Promoter	1,429,680	11.42
3	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. S.V.	FII	923,778	7.38

4	CHITALE LLC	Promoter	878,852	7.02
5	STERN CAPITAL PARTNERS LLC	Promoter	694,246	5.55
6	SUNIL RAJADHYAKSHA	Promoter	588,720	4.70
7	NADATHUR HOLDINGS AND INVESTMENTS PRIVATE LIMITED	Bodies Corporate	532,502	4.25
8	EINDIA VENTURE FUND LIMITED	Bodies Corporate	476,506	3.81
9	ICICI PRUDENTIAL BALANCED FUND	Mutual Fund	256,666	2.05
10	ICICI PRUDENTIAL TECHNOLOGY FUND	Mutual Fund	240,152	1.92
TOTAL			9,022,087	72.07

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. 88.15 % of the Company's shares are held in electronic form as on March 31, 2009.

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

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments and hence there are no other particulars to be given under this head.

n) Plant/Office Locations

As the Company is engaged in Business Process Outsource (BPO) Industry, it does not have Plant. The Company has over 40 facilities worldwide. The Key facilities in India and USA are listed below:

India Offices

Pune

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

Navi Mumbai

3rd Tower, 3rd Floor,
Vashi Railway Station Complex,
Navi Mumbai - 400 705

Chennai

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

Global Office

1305 Stephenson Highway
Troy, MI 48083. USA

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

Bhuvanesh Sharma
Company Secretary & Compliance Officer
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
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

(R.P. Baradiya)
Partner
Membership No. 44101

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, 2009.

Surinder Rametra
Chairman & Executive Director

CONSOLIDATED FINANCIAL STATEMENTS**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, 2009, 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. We have not audited the financial statements of certain subsidiaries included in the consolidated financial statements, whose total assets of Rs. 151,126 lakhs as at 31st March, 2009 and total revenue of Rs. 84,056 lakhs for the year ended 31st March, 2009. 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.
4. 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).
5. 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 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, 2009;
 - (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

Mumbai,

Date: June 4, 2009

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

	Schedule No.	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
I SOURCES OF FUNDS			
Shareholders' Funds :			
Share Capital	1	3,336,389,775	2,872,933,502
Reserves and Surplus	2	1,771,292,026	1,429,031,252
		5,107,681,801	4,301,964,754
Minority Interest		300,324,711	670,827,861
Loan Funds:			
Secured Loans	3	6,767,714,420	5,472,859,595
TOTAL		12,175,720,932	10,445,652,210
II APPLICATION OF FUNDS			
Goodwill arising out of consolidation		9,281,592,294	7,356,284,638
Fixed Assets :	4		
Gross Block		1,202,381,399	990,213,034
Less: Depreciation		515,394,730	494,153,283
Net Block		686,986,669	496,059,751
Capital Work-in-Progress		-	15,385,387
		686,986,669	511,445,138
Deferred Tax Asset (Net)		31,759,400	15,907,080
Current Assets, Loans and Advances :			
Inventories (Consumables)		90,642,598	66,004,658
Sundry Debtors	5	2,489,656,504	2,226,567,769
Cash and Bank Balances	6	643,453,081	355,715,359
Loans and Advances	7	851,221,317	1,315,920,254
		4,074,973,500	3,964,208,040
Less: Current Liabilities and Provisions:			
Current Liabilities	8	1,799,015,945	1,328,763,567
Provisions	9	100,574,986	73,429,119
		1,899,590,931	1,402,192,686
Net Current Assets		2,175,382,569	2,562,015,354
TOTAL		12,175,720,932	10,445,652,210
Significant Accounting Policies and Notes forming part of the Consolidated Financial Statements 14			

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 4, 2009

Bhuvanesh Sharma
 Company Secretary &
 Compliance Officer

James Reynolds
 CFO & CAO- Global

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
INCOME :			
Income from Operations	10	8,970,719,996	8,335,109,820
Other Income	11	21,715,518	434,953,442
Foreign Exchange Variation (Net)		-	309,915,351
		8,992,435,514	9,079,978,613
EXPENDITURE :			
Personnel Expenses	12	4,518,834,114	4,220,094,379
Operating & Other Expenses	13	3,245,202,812	3,329,448,772
Interest & Finance Charges		444,776,936	509,261,602
Depreciation	4	236,527,902	169,776,031
Foreign Exchange Variation (Net)		30,243,384	-
MTM losses of derivative contracts		50,393,000	-
		8,525,978,148	8,228,580,784
Profit before Taxation		466,457,366	851,397,829
Provision for Taxation			
Current Tax		13,303,080	22,223,080
Deferred Tax		(15,852,318)	4,851,076
Fringe Benefit Tax		4,917,855	2,406,202
Profit after Taxation		464,088,749	821,917,471
Tax Adjustments for earlier year		553,627	(87,227)
Net Profit Before Minority Interest		463,535,122	822,004,698
Minority Interest		(336,454)	277,586,216
Net Profit After Minority Interest		463,871,576	544,418,482
Balance of Profit brought forward from previous year		809,722,075	265,303,593
Balance carried to Balance Sheet		1,273,593,651	809,722,075
Basic & Diluted Earning Per Share (EPS) in Rs.		36.96	43.37
(Refer note 6 to Financial Statements in Schedule 14)			
Significant Accounting Policies and Notes forming part of the Financial Statements	14		

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 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
CFO & CAO- Global

Consolidated Cash Flow Statement for the year ended March 31, 2009

	For the year ended March 31, 2009	For the year ended March 31, 2008
<u>A. Cash flow from Operating Activities:</u>		
Net Profit before Tax after Minority Interest	466,793,820	573,811,613
<u>Adjustments for:</u>		
Depreciation	236,527,902	169,776,031
Interest Expenses	444,776,936	509,261,602
Interest Income	(15,345,081)	(8,918,334)
Provisions Written Back	(721,156)	(207,660)
Profit on Sale of Subsidiary	-	(377,656,493)
Foreign Exchange Variation (Gain)/Loss	123,831,349	(309,915,351)
Operating Profit before Working Capital changes	1,255,863,770	556,151,408
<u>Adjustments for changes in Working Capital :</u>		
(Increase)/Decrease in Sundry Debtors	348,562,857	(595,767,789)
(Increase)/Decrease in Other Receivables	134,719,682	(441,455,194)
(Increase)/Decrease in Inventory (consumbale)	(6,506,062)	4,901,843
Increase/(Decrease) in Trade and Other Payables	136,665,281	(486,201,241)
Cash generated from Operations	1,869,305,528	(962,370,973)
Taxes Paid	(24,457,822)	(79,217,152)
Net cash from/(used in) Operating Activities - A	1,844,847,706	(1,041,588,125)
<u>B. Cash flow from Investing Activities:</u>		
Purchase of Fixed Assets (net)	(404,004,682)	(195,923,336)
Sale of Investments	-	377,656,493
Purchase of Investments	-	(141,062,586)
Repayment of Minority Interest	(512,968,829)	483,322,942
Interest Expenses	(444,776,936)	(517,542,945)
Interest Received	15,345,081	8,918,334
Net Cash from/(used in) Investing Activities - B	(1,346,405,366)	15,368,902
<u>C. Cash flow from Financing Activities:</u>		
Buyback of equity shares	(1,239,798)	-
Proceeds/(Repayments) from/to loans, net	(208,567,595)	795,073,217
Net cash from/(used in) Financing Activities - C	(209,807,393)	795,073,217
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	288,634,947	(231,146,006)
Opening Cash and Cash Equivalents	281,109,657	512,255,663
Closing Cash and Cash Equivalents	569,744,604	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 & balance in Trust Cash accounts 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 4, 2009

Bhuvanesh Sharma

Company Secretary &

Compliance Officer

James Reynolds

CFO & CAO- Global

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009
SCHEDULE 1

SHARE CAPITAL	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Authorised : 30,000,000 (Previous year 30,000,000) Equity Shares of Rs.10 each.	300,000,000	300,000,000
Issued, Subscribed & Paidup : 12,511,022 (Previous year 12,554,045) Equity shares of Rs.10 each	125,110,220	125,540,450
Notes: (1) Out of above, 2,987,095 (Previous year 2,987,095) shares were issued as fully paid up Bonus shares, by capitalisation of the balance lying in profit and loss account. (2) 43,023 (Previous year NIL) shares were bought back during the year (Refer note 8 of notes to Financial Statements in Schedule 14) Issued 9,972,794 (Previous year 9,972,794) Class A Preferred Units @ USD \$ 6.32 (Rs. 322 each) by HOV Services, LLC	3,211,279,555	2,747,393,052
Notes: (1) Out of above, 5,226,105 (Previous year 5,226,105) units were issued for consideration other than cash. (2) Class A Preferred unit shareholders are entitled to all rights except attending and voting at the general meeting.		
Total	3,336,389,775	2,872,933,502

SCHEDULE 2

RESERVES AND SURPLUS:	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Securities Premium Account Opening balance as per last balance sheet	623,581,192	623,581,192
Less: Utilised towards buy back of equity shares	809,568	-
Less: Transfer to Capital Redemption Reserve (Refer note 8 of notes to Financial Statements in Schedule 14)	430,230	-
	622,341,394	623,581,192
Profit & Loss Account Opening balance as per last balance sheet	809,722,075	265,303,593
Add: Transferred from Profit and Loss Account	463,871,576	544,418,482
	1,273,593,651	809,722,075
Capital Redemption Reserve Opening balance as per last balance sheet	-	-
Add: Transfer from Securities Premium Account (Refer note 8 of notes to Financial Statements in Schedule 14)	430,230	-
	430,230	-
Foreign Exchange Translation Reserve Opening balance as per last balance sheet	(4,272,015)	(4,272,015)
Addition during the year	(120,801,234)	-
	(125,073,249)	(4,272,015)
Total	1,771,292,026	1,429,031,252

SCHEDULE 3

SECURED LOANS	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
From Banks		
Vehicle loans (Secured by way of hypothecation of vehicles acquired there against)	-	113,435
Working Capital Loans (Secured against fixed & current assets of certain subsidiaries of USA and also corporate guarantee given by parent company)	6,767,714,420	5,472,746,160
Total	6,767,714,420	5,472,859,595

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

SCHEDULE 4: FIXED ASSETS

Amount in Rs.

Description	Gross Block at cost				Depreciation				Net Block	
	As at 1/4/08	Additions during the year	Deletion/ Adj. during the year	As at 31/3/2009	As at 1/4/08	For the year	Deletion/ Adj. during the year	As at 31/3/2009	As at 31/3/2009	As at 31/3/2008
Building	44,626,631	743,106	7,011,031	52,380,768	40,542,449	338,817	(1,312,558)	39,568,708	12,812,060	4,084,182
Computer	601,304,440	197,603,153	(260,775,694)	538,131,899	276,865,848	140,009,965	(196,815,035)	220,060,778	318,071,121	324,438,592
Furniture & Fixtures	122,936,235	35,109,821	58,681,932	216,727,988	68,004,473	39,945,359	(13,851,555)	94,098,277	122,629,711	54,931,762
Office Equipments	208,890,368	36,707,451	6,059,290	251,657,109	105,720,712	41,645,418	(1,176,324)	146,189,806	105,467,303	103,169,656
Vehicles	10,389,458	1,806,585	(2,812,876)	9,383,167	2,632,796	823,712	(2,130,983)	1,325,525	8,057,642	7,756,662
Intangibles										
Software Product*	2,065,902	16,933,421	-	18,999,323	387,005	2,254,526	-	2,641,531	16,357,792	1,678,897
Goodwill	-	115,101,145	-	115,101,145	-	11,510,105	-	11,510,105	103,591,040	-
Total	990,213,034	404,004,682	(191,836,317)	1,202,381,399	494,153,283	236,527,902	(215,286,455)	515,394,730	686,986,669	496,059,751
Previous Year	778,786,528	620,634,933	(409,208,426)	990,213,034	342,763,141	169,776,031	(18,385,889)	494,153,283	496,059,751	-

* Meant for License sale or otherwise

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009
SCHEDULE 5

SUNDRY DEBTORS	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months :		
Considered Good	23,357,926	4,841,152
Considered Doubtful	107,247,128	76,640,676
	130,605,054	81,481,828
Less: Provision for Doubtful Debts	(107,247,128)	(76,640,676)
	23,357,926	4,841,152
Other Debts	2,466,298,578	2,221,726,617
Total	2,489,656,504	2,226,567,769

SCHEDULE 6

CASH AND BANK BALANCES	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Cash in hand	283,741	169,309
<u>Balances with Banks :</u>		
(a) In Operating Accounts	524,271,401	274,840,326
(b) In Trust Accounts	73,388,013	74,257,098
(c) In Fixed Deposits (including interest accrued of Rs.147,731; Previous year Rs. 17,194)	45,509,926	6,448,626
Total	643,453,081	355,715,359

SCHEDULE 7

LOANS AND ADVANCES	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
(Unsecured, Considered Good)		
Other Deposits, Loans & Advances	506,478,690	431,280,968
Security Deposit	168,879,556	125,090,159
Advance tax and Tax deducted at source	5,502,878	7,079,827
Due From Affiliates	170,360,193	752,469,300
Total	851,221,317	1,315,920,254

SCHEDULE 8

CURRENT LIABILITIES	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Sundry Creditors	1,496,903,540	1,196,457,388
Other Liabilities	149,171,968	45,991,004
Deposit/Advance from Customer	131,096,643	86,315,175
Due To Affiliates	21,843,794	-
Total	1,799,015,945	1,328,763,567

SCHEDULE 9

PROVISIONS	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Employee Benefits:		
Leave Entitlement	6,097,029	31,632,751
Gratuity	28,793,232	26,397,702
Provision for MTM losses on derivative contracts	50,393,000	-
Taxes Payable	15,291,725	15,398,666
Total	100,574,986	73,429,119

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED MARCH 31, 2009**

SCHEDULE 10

INCOME FROM OPERATIONS	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
Sale of Software Licences	3,478,950	3,300,750
Income From Services	8,967,241,046	8,331,809,070
Total	8,970,719,996	8,335,109,820

SCHEDULE 11

OTHER INCOME	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
Interest Income	15,345,081	8,918,334
Profit on Sale of Investment in Subsidiaries	-	377,656,493
Other Income	5,649,281	48,170,955
Provisions no longer required written-back	721,156	207,660
Total	21,715,518	434,953,442

SCHEDULE 12

PERSONNEL EXPENSES	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
Salaries, Wages and Bonus	4,236,474,742	3,939,217,541
Staff Welfare	50,925,625	58,574,443
Staff Insurance	231,433,747	226,392,174
	4,518,834,114	4,224,184,158
Less: Transferred to capital work-in-progress	-	4,089,779
Total	4,518,834,114	4,220,094,379

SCHEDULE 13

OPERATING AND OTHER EXPENSES	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
Advertising & Publicity	3,400,504	22,822,510
Business Promotion Expenses	23,128,269	5,815,264
Communication Costs	311,002,287	346,094,522
Electricity charges	123,921,560	105,910,341
Insurance charges	34,546,462	41,948,365
Legal & professional fees	662,818,894	870,678,384
Postage & Delivery expenses	127,646,051	143,989,998
Office Supplies & Forms	564,860,226	408,744,580
Office, Administration & Other Expenses	287,618,509	215,465,501
Rates and Taxes	37,599,925	51,870,497
Rent charges	512,138,950	486,144,884
Repairs & Maintenance- Building	78,188,453	80,786,310
Repairs & Maintenance- Other	220,749,455	258,620,341
Bank Charges & Commission	22,291,366	51,049,217
Travel & Conveyance	235,291,901	239,508,058
Total	3,245,202,812	3,329,448,772

SCHEDULE 14**SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2009.****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. Right Share delivery centers strategically located in India, North America, China and Mexico with over 11,400 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') prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India to the extent applicable.

3. Use of estimates

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

4. Principles of consolidation

The consolidated financial statements include the financial statements of HOV Services Ltd and all 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' prescribed by the Companies (Accounting Standards) Rules, 2006.

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

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

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

5. 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 March 31, 2009
HOV AR Management Services Pvt. Ltd. (Subsidiary of Lason India Pvt. Ltd. w.e.f. January 1, 2009)	India	100
HOVS Holdings Limited	Hong Kong	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
HOV GPM, LLC (Subsidiary of Bay Area Credit Services, LLC)	USA	100
Glen Danial Corporation dba Imperial Collection Service (Subsidiary of HOV Services, LLC)	USA	100
HOV Enterprise Services, 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)	India	30
Superior Asset Management Holding, LLC (Subsidiary of HOV Services, LLC) (a)	USA	30
Superior Asset Management, Inc. (Subsidiary of SAM Holding, LLC) (a)	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

(a) Subsidiary with effect from April 1, 2007 (30% holding with 100% management Control)

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.
- d) License fees are recognized on delivery and as per the terms of the contract.

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' prescribed by Companies (Accounting Standards) Rules, 2006, where there is an indication of impairment of the Group's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the 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 of licenses and otherwise) 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 equipment	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

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

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

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as translation reserve in Balance Sheet in the year in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

A gain or loss on such forward exchange contracts is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier year). The gain or loss so computed is recognised in the statement of profit and loss for the period. The premium or discount on the forward exchange contract is not recognised separately.

(v) Derivatives

As per the Institute of Chartered Accountants of India's ('ICAI') Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

The Company is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into option contracts, where the counterparty is a bank. The options are not used for trading or speculation purposes.

To designate an option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. To the extent, hedges are designated effective, neither gain nor loss is recognised in the profit and loss account. In the absence of a designation as an effective hedge, loss is recognised in the profit and loss account.

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.

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 rewards 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. Effective April 1, 2008, the operations of the foreign subsidiaries are being considered non integral in view of interalia changed circumstances Accordingly, in compliance with AS-11 relating to 'Changes in Foreign Exchange rate', the non monetary items are translated at the closing rates and the resultant exchange difference of Rs. 120.80 million has been included in translation reserve as against hitherto being charged to revenue.

2. Capital Commitment and Contingent liabilities:

A) Capital Commitment:

Particulars	As at March 31, 2009	As at March 31, 2008
Estimated amount of contract remaining to be executed on capital account, not provided for	574,441	13,231,802

B) Contingent Liabilities:

Sr. No.	Particulars	As at March 31, 2009	As at March 31, 2008
1	Corporate Guarantee Outstanding		
	- on behalf of Associates	154,344,886	170,769,522
	- on behalf of Subsidiary	1,910,625,000	1,498,875,000
2	Bank Guarantees outstanding	216,000	263,250
3	Bonds executed by the company to the Custom Department	52,352,000	52,352,000
4	Income Tax (Carry forward of losses of earlier assessment years)	3,680,005	5,311,811
5	Claims against the Company, not acknowledged as debt	7,146,553	7,146,553
6	Provident Fund (Administration Charges for the period from June 2007 to September 2007)	331,047	-
7	Employees State Insurance (Contribution on the payments made to business associates for data conversion charges for the period January 2004 to December 2005)	5,248,891	-
8	Employees State Insurance (Contribution on the payments made to business associates for data conversion charges for the period 2000 to 2003)	9,809,523	-
9	Employees State Insurance (Contribution on the payments made to business associates for data conversion charges for the period July 1994 to December 1999)	3,290,463	-
10	Provident Fund Appeal	1,362,619	-

Based on internal assessment and legal advice, management is confident of a favorable outcome in respect of point number 4 to 10.

3. Employee Benefits:

Defined Benefit Plan in respect of Gratuity payable to Indian employees- As per Actuarial Valuations:

I	Assumptions	As on March 31, 2009	As on March 31, 2008
	Discount Rate (Different rates for different subsidiaries)	6.4% to 8%	7.6% to 9.0%
	Expected Rate of Return on plan asset	9% to 9.15%	9% to 9.25%
	Salary Escalation (Different rates for different subsidiaries)	5% to 10%	5% to 10%
II	Table showing changes in present value of obligations	As on March 31, 2009	As on March 31, 2008
	Present value of obligations as at beginning of year	26,512,107	18,508,093
	Interest cost	1,908,287	1,259,454
	Current Service Cost	4,117,661	3,219,084
	Benefits Paid	(2,927,558)	(3,590,221)
	Actuarial (gain)/loss on obligations	1,209,801	(7,802,344)
	Present value of obligations as at end of year	28,793,232	26,397,702
III	Table showing changes in the fair value of plan assets	As on March 31, 2009	As on March 31, 2008
	Fair value of plan assets at beginning of year	17,106,776	12,609,606
	Expected return on plan assets	1,452,343	1,246,904
	Contributions	1,254,797	5,738,108
	Benefits paid	(2,927,558)	(3,590,221)
	Actuarial gain / (loss) on Plan assets	26,831	1,102,379
	Fair value of plan assets at the end of year	16,913,189	17,106,776
IV	Table showing fair value of plan assets	As on March 31, 2009	As on March 31, 2008
	Fair value of plan assets at beginning of year	17,106,776	12,609,606
	Actual return on plan assets	1,452,343	1,246,904
	Contributions	1,254,797	5,738,108
	Benefits Paid	(2,927,558)	(3,590,221)
	Fair value of plan assets at the end of year	16,886,358	17,106,776
	Funded status	(13,907,109)	9,591,472
	Excess of Actual over estimated return on plan assets	NIL	NIL
	(Actual rate of return = Estimated rate of return as ARD falls on 31 st March)		

V	Actuarial Gain/Loss recognized	As on March 31, 2009	As on March 31, 2008
	Actuarial gain/(loss) for the year -Obligation	(1,208,893)	7,802,344
	Actuarial (gain)/loss for the year - plan assets	26,831	1,102,379
	Total (gain)/loss for the year	1,208,893	(6,699,965)
	Actuarial (gain)/loss recognized in the year	1,208,893	(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, 2009	For the year ended March 31, 2008
	Present value of obligations as at the end of year	30,820,298	26,397,702
	Fair value of plan assets as at the end of the year	16,913,189	17,106,776
	Funded status	(13,907,109)	9,591,472
	Net asset/(liability) recognized in balance sheet	(14,780,473)	(9,591,472)
VII	Expenses recognised in statement of profit & loss	For the year ended March 31, 2009	For the year ended March 31, 2008
	Current Service cost	4,117,661	3,219,084
	Interest Cost	1,908,287	1,259,454
	Expected return on plan assets	(1,452,343)	(1,159,684)
	Net Actuarial (gain)/loss recognised in the year	1,182,970	5,898,913
	Expenses recognised in statement of profit & loss	5,756,575	9,339,268

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

Particulars	As on March 31, 2009	As on March 31, 2008
A) Opening Balance of Goodwill	7,356,284,638	6,943,285,538
B) Add: Additions on account of acquisition/payments	712,753,663	432,322,723
C) Add: Additions on account of exchange gain	1,212,553,993	NIL
D) Less: Deletion on account of Sale of Company	NIL	(85,941,523)
E) Add: Additional Paid in Capital in HOVS,LLC	NIL	66,617,900
F) Closing balance of Goodwill (A+B+C-D+E)	9,281,592,294	7,356,284,638

5. 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.

6. Earnings per Share:

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008
Net Profit as per Profit and Loss Account (Rs.)	463,871,576	544,418,482
Weighted average number of equity shares	12,550,279	12,554,054
Basic and Diluted Earning per share	36.96	43.37
Nominal value per Equity Share (Rs.)	10	10

7. 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	HandsOn Ventures, LLC
6	General Pacific, LLC
7	HOV Capital, LLC
8	Tracmail India Pvt. Ltd.
9	RC GPM, LLC
10	Rustic Canyon, LLC

b) Directors/Key Managerial Personnel and their relatives:

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

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

Sr. No.	Name	Nature	For the year ended March 31,	
			2009	2008
1	HOF 4 Limited	Repayment of Advance	NIL	456,120
2	Rustic Canyon, LLC Advances given	Sale of shares	NIL	377,995,930
		NIL	53,695,518	
3	General Pacific, LLC	Service Provided	116,762,268	100,015,070
4	HandsOn Venture, LLC	Advances given	NIL	10,983,828
5	HOV FS, LLC	Advance given	NIL	15,254,039
6	HOV Re, LLC Advance given	Rent paid	18,708,790	4,657,807
		NIL	11,318,726	
7	Tracmail India Pvt. Ltd.	Rent paid	31,680,000	NIL
8	RC GPM, LLC	Advance given	407,600	NIL
9	HOV Procure, LLC	Advance given	NIL	95,254,069
10	HOV Capital, LLC	Advance Received	11,751,363	NIL
11	Mr. Vikram Negi	Reimbursement of Expenses	NIL	2,333,364
		Salary	5,837,081	4,543,325
12	Mr. Sunil Rajadhyaksha	Reimbursement of Expenses	NIL	5,633,590
		Managerial Remuneration	9,085,072	1,200,000
13	Mr. Parvinder S Chadha	Managerial Remuneration	2,400,000	1,200,000
14	Mr. Karan Negi	Salary	7,181,762	7,546,516
15	Mr. Ronald Cogburn	Salary	13,640,487	108,000
16	Mr. Surinder Rametra	Managerial Remuneration	2,400,000	1,200,000
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, 2009.

Amount in Rs.

Name of the Related party	Nature	Balances as at March 31,	
		2009	2008
HOV Re, LLC	Receivable	1,304,512	17,679,152
HOV FS, LLC	Receivable	456,445	94,419,778
HOV Procure, LLC	Receivable	149,637,474	94,935,586
General Pacific, LLC	Receivable	NIL	101,646,388
HandsOn Ventures, LLC	Receivable	835,784	7,060,728
HOF 4 Limited	Receivable	6,419,700	5,036,220
Rustic Canyon, LLC	Receivable	11,706,279	431,691,448

RC GPM, LLC	Payable	407,600	NIL
HOV Capital, LLC	Payable	11,751,363	NIL
Tracmail India Pvt. Ltd	Payable	9,684,831	NIL
Mr. Ronald Cogburn - Salary	Payable	333,964	225,964
Mr. Anil Rajadhyaksha - Remuneration	Payable	NIL	312,798
Mr. Parvinder S Chadha - Director Salary	Payable	NIL	849,008
Mr. Sunil Rajadhyaksha - Director Fees	Payable	NIL	849,008
Mr. Surinder Rametra- Director Fees	Payable	NIL	849,008

Note:-

- Related party relationship is as identified by management relied upon by the auditors
- No balance in respect of related parties has been provided for/ written back / written off during the year, nor has any provision been made for doubtful debts / receivables except commission payable to Mr. Anil Rajadhyaksha of Rs. 312,798 (Previous year NIL) which has been written back during current financial year.

8. Buy Back of Shares:

Pursuant to the approval of the Board of Directors of the Company, for buy back of Equity Shares under Section 77A of the Companies Act, 1956 upto 10% of the paid up Equity Share Capital and free reserves of the Company subject to maximum of Rs. 5 Crore, at a maximum price of Rs. 50 per share, the Company has bought back 43,023 equity shares upto March 31, 2009 through open market transactions for an aggregate amount of Rs. 12.40 lacs, by utilizing Securities Premium account to the extent of Rs. 8.10 lacs. Further, the Capital Redemption Reserve account has also been created out of Securities Premium account for Rs. 4.30 lacs being the nominal value of shares bought back in terms of Section 77A of the Companies Act, 1956.

The Company has purchased 7763 shares in the last week of March 2009 and the same were extinguished on April 2 & April 9, 2009. However, these were also considered for calculating Earning Per Share as on March 31, 2009.

9. Future lease commitmentsFinance Leases

(Amount in Rs.)

Particulars	As at March 31, 2009	As at March 31, 2008
<u>Not later than one year</u>		
Minimum lease payments	15,475,866	9,486,071
Less: Finance Charges	2,084,840	1,328,641
Present Value of minimum lease payments	13,391,026	8,157,430
<u>Later than one year, but not later than five years</u>		
Minimum lease payments	11,328,964	9,613,834
Less: Finance Charges	755,455	663,789
Present Value of minimum lease payments	10,573,509	8,950,045

<u>Later than five years</u>		
Minimum lease payments	Nil	Nil
Less: Finance Charges	Nil	Nil
Present Value of minimum lease payments	Nil	Nil
<u>Net Carrying amount of assets under finance lease</u>		
Computer Equipment	24,705,292	15,200,065
Vehicles	2,514,466	3,917,680

Operating Leases

	As at March 31, 2009	As at March 31, 2008
Operating lease rent recognized in Profit and Loss Account	82,289,797	90,130,817

Minimum Lease Payments:

Particulars	As at March 31, 2009	As at March 31, 2008
Upto one year	65,320,471	50,634,013
One to five years	154,333,590	103,384,087
Beyond five years	-	637,505

10. Deferred Tax Asset/ (Liability) comprises timing differences on account of:**(A) In case of Indian subsidiary companies:**

(Amount in Rs.)

Particulars	As at March 31, 2009	As at March 31, 2008
<u>Deferred Tax Asset:</u>		
On account of Depreciation	1,306,826	3,184,643
On account of expenditure debited to profit & loss account in current year but allowed for tax purpose in following year	30,452,574	12,722,437
Net Deferred Tax Asset / (Liability)	31,759,400	15,907,080

(B) In case of foreign subsidiaries:

Deferred tax asset in respect of foreign subsidiary companies have not been considered as a matter of prudence.

11. Derivative Instruments and unhedged foreign currency exposure:

Option contract outstanding as at balance sheet date:

The company is exposed to foreign exchange risk and hence to mitigate that risk, it has entered into three zero cost option derivative contracts. The tenure of these option contracts extend up to three years from the trade date with monthly expiry. The amount (USD 150,000 per month per contract) of written call option is two times the amount (USD 75,000 per month per contract) of purchased put option, in order to ensure that no net premium is paid. Aggregate value of written call option and purchased put option outstanding as at the balance sheet date aggregate to USD 9,600,000 and USD 4,800,000 respectively.

12. Impact of ICAI announcement on derivatives

Pursuant to ICAI announcement dated March 29, 2008 on "Accounting for Derivatives", the Company has, based on the principles of prudence enunciated in Accounting Standard-1 on "Disclosure of Accounting Policies", recognised mark to market ('MTM') losses on derivative contracts outstanding as at March 31, 2009 to the extent the losses are not offset by the fair value gain on the underlying hedge items. In determining the 'MTM' losses, any compensating gains on underlying transactions (including firm commitments and highly probable forecast transactions) have been netted off and accordingly, the Company has recognized 'MTM' losses of approximately Rs 50.39 million during the year ended March 31, 2009.

13. Foreign Currency Exposure:

Foreign exchange currency exposure not covered by derivative instruments: -

Particulars	Currency type	As at March 31, 2009		As at March 31, 2008	
		Amount in Foreign currency (In USD)	Amount (In Rs.)	Amount in Foreign currency (In USD)	Amount (In Rs.)
Current Assets, Loans & Advances	US Dollar	27,000	1,375,650	45,000	1,798,650
Bank Guarantee Given	US Dollar	37,500,000	1,910,625,000	37,500,000	1,498,875,000

14. Segment Reporting:

The group is engaged BPO business of Finance and Accounting sector. Accordingly there are no separate reportable segments as per Accounting Standard-17 on "Segment Reporting" issued by The Institute of Chartered Accountants of India.

- 15.** Previous year's figures are regrouped or rearranged wherever considered necessary to conform to the current year presentation.

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 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
CFO & CAO- Global

Information regarding Subsidiary Companies For the Year 2008-2009

Sr. No.	Name of Company	Amount in Rupees									
		Capital	Reserves	Total Assets	Total Liabilities	Details of Investment *	Turnover	Profit Before Tax	Provision for Tax	Profit After Tax	Proposed Dividend
						(* Except Investment in subsidiary)					
1	HOV AR Management Services (I) Pvt Ltd	100,000	169,850,302	171,055,356	171,055,356	-	140,400,397	43,491,380	6,081,098	37,410,282	-
2	Bay Area Credit Service, LLC	280,894,993	(301,350,653)	88,732,630	88,732,630	-	781,771,962	(174,453,392)	525,345	(174,978,737)	-
3	HOV Enterprise Services, Inc	141,007,823	(9,499,573)	213,420,294	213,420,294	-	72,431,830	(6,856,343)	-	(6,856,343)	-
4	Digital Broadwalk, LLC	-	6,881,584	6,881,584	6,881,584	-	322,276	219,745	-	219,745	-
5	Glen Daniel Corporation	70,481,787	(80,687,830)	(10,200,039)	(10,200,039)	-	42,968,268	(8,909,823)	134,811	(9,044,634)	-
6	Meridian Consulting Group, LLC	56,121,068	221,701,435	334,886,509	334,886,509	-	261,201,714	(10,729,412)	-	(10,729,412)	-
7	HOV Services, LLC	4,012,355,995	(8,202,531)	4,004,153,464	4,004,153,464	-	4,124,095	(42,267,502)	-	(42,267,502)	-
8	HOV GPM, LLC	-	-	269,548,933	269,548,933	-	150,300,519	31,719,739	-	31,719,739	-
9	Rustic Canyon III, LLC	709,733,500	1,278,386	711,011,886	711,011,886	-	-	-	-	-	-
10	Lason Inc	644,118,562	627,384,493	6,959,297,694	6,959,297,694	-	6,031,677,546	541,944,076	(126,760,105)	668,704,181	-
11	Lason India Pvt. Ltd.	20,185,310	135,978,513	180,128,358	180,128,358	-	978,163,186	(15,464,858)	(5,319,953)	(10,144,905)	-
12	Vetri Software (I) Pvt Ltd.	100,000	(12,242,175)	28,411,975	28,411,975	-	85,583,359	(11,402,794)	68,170	(11,470,964)	-
13	HOVS Holdings Ltd.	5	39,756,359	39,756,364	39,756,364	-	26,183,065	35,826,683	-	35,826,683	-
14	HOV Services(Beijing) Ltd.	17,832,500	(33,906,065)	(16,073,565)	(16,073,565)	-	46,720,378	(31,726,938)	-	(31,726,938)	-
15	Trac Holding, LLC	146,807,850	52,282,645	238,208,028	238,208,028	-	30,160,775	20,832,248	-	20,832,248	-
16	Tracmail AR Services Pvt. Ltd.	100,000	-	100,000	100,000	-	319,018,253	(29,587,043)	625,000	(30,212,043)	-
17	Superior Asset Management Holding, Inc	350,084,079	-	361,913,400	361,913,400	-	104,821	(274,970)	-	(274,970)	-
18	Superior Asset Management, Inc	26,137,350	-	91,126,404	91,126,404	-	339,655,975	10,956,261	-	10,956,261	-

STANDALONE FINANCIAL STATEMENTS AUDITORS' REPORT

To

The Members

HOV SERVICES LIMITED

1. We have audited the attached Balance Sheet of **HOV SERVICES LIMITED** as at 31st March, 2009, 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 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 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 prescribed by Companies (Accounting Standards) Rules, 2006, to the extent applicable;
 - e) On the basis of the written representation received from directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 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 15 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, 2009;
 - ii) in the case of the Profit & Loss Account, of the loss 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

R. P. Baradiya
Partner

Membership No.44101

Place: Mumbai
Date: June 4, 2009

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, 2009 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 discrepancies have been 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 or taken any loans, secured or unsecured, to /from 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 explanation that purchase of certain items of fixed assets and sale of services are of a special nature for which suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. 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 thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Act for the services rendered by the Company.
9. a) The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company with appropriate authorities. As explained to us, no undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial 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 has no accumulated losses as at March 31, 2009 and has incurred cash loss in the financial year under review. It has, however, not incurred any cash loss in the immediately preceding financial year.
11. In our opinion and according to the information given to us, the Company has not taken any loan from the bank. Therefore, the provisions of clause 4(xi) of the Order are not applicable to the Company.
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, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the terms and conditions 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 loans 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 or in the recent past.
19. The Company has not issued any debentures during the year or in the recent past.
20. The Company has not raised any money by public issue during the year or in the recent past.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the 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 4, 2009

BALANCE SHEET AS AT MARCH 31, 2009

	Schedule No.	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS			
1. Shareholders' Funds :			
(a) Share Capital	1	125,110,220	125,540,450
(b) Reserves and Surplus	2	670,381,149	686,935,785
		795,491,369	812,476,235
2. Deferred Tax Liability (Net)		3,864,730	576,115
TOTAL		799,356,099	813,052,350
APPLICATION OF FUNDS			
1. Fixed Assets :	3		
(a) Gross Block		27,815,266	12,337,002
(b) Less: Depreciation		7,333,936	4,874,345
(c) Net Block		20,481,330	7,462,657
(d) Capital Work-in-Progress		-	15,385,387
		20,481,330	22,848,044
2. Investments	4	706,104,392	761,999,273
3. Current Assets, Loans and Advances :			
(a) Sundry Debtors	5	8,083,846	25,001,670
(b) Cash and Bank Balances	6	57,777,163	3,267,942
(c) Loans and Advances	7	18,598,152	12,417,795
		84,459,161	40,687,407
Less: Current Liabilities and Provisions:			
(a) Liabilities	8	10,743,860	11,991,693
(b) Provisions	9	944,924	490,681
		11,688,784	12,482,374
Net Current Assets		72,770,377	28,205,033
TOTAL		799,356,099	813,052,350
Significant Accounting Policies and Notes forming part of these Financial Statements	15		

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 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
CFO & CAO- Global

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	For the year ended	
		March 31, 2009 Rs.	March 31, 2008 Rs.
INCOME :			
Income from Operations	10	43,773,517	62,282,928
Other Income	11	287,938	288,828
Foreign Exchange Variation (Net)		2,696,077	-
		46,757,532	62,571,756
EXPENDITURE :			
Personnel Expenses	12	37,268,359	24,310,248
Operating Expenses	13	24,846,164	25,566,228
Interest	14	135,821	129,339
Depreciation	3	3,784,788	1,651,401
Foreign Exchange Variation (Net)		-	112,075
		66,035,132	51,769,291
Less: Corporate Charges recoverable from a Subsidiary Company		(7,070,551)	-
		58,964,581	51,769,291
Profit / (Loss) before Taxation		(12,207,049)	10,802,465
Provision for Taxation			
Current Tax		-	1,200,000
Deferred Tax		3,288,617	5,096
Fringe Benefit Tax		261,000	307,900
Profit / (Loss) after Taxation		(15,756,666)	9,289,469
Tax Adjustments for earlier year		(11,598)	(3,182)
Net Profit/ (Loss)		(15,745,068)	9,292,651
Balance of Profit brought forward from previous year		63,354,593	54,061,942
Balance carried to Balance Sheet		47,609,525	63,354,593
Basic Earnings per Share (EPS) (Equity Share, per value Rs.10 each) (Refer note no. 3 of notes to Financial Statements in Schedule 15)		(1.25)	0.74
Significant Accounting Policies and Notes forming part of these Financial Statements	15		

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 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
CFO & CAO- Global

Cash Flow Statement for the year ended March 31, 2009

Particulars	For the year ended March 31, 2009 Rs.	For the year ended March 31, 2008 Rs.
A. Cash flow from Operating Activities:		
Net Profit/(Loss) before tax	(12,207,049)	10,802,465
Adjustments for:		
Depreciation	3,784,788	1,651,401
Interest Expense	135,821	129,339
Interest Income	(287,938)	(142,834)
Loss on sale of fixed Asset	-	512,340
Provisions written back	-	(116,270)
Foreign Exchange (Gain)/Loss, net	(2,696,078)	112,075
Operating Profit before Working Capital changes	(11,270,456)	12,948,516
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	19,613,900	(10,527,574)
(Increase)/Decrease in Other Receivables	(5,874,019)	3,847,582
Increase/(Decrease) in Trade and Other Payables	(793,591)	2,363,056
Cash generated from Operations	1,675,834	8,631,580
Taxes Paid (including Fringe Benefit Tax)	(508,491)	(1,470,377)
Net cash from/(used in) Operating Activities	1,167,343	7,161,203
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(1,418,073)	(7,338,005)
Sale of Fixed Asset	-	791,111
Investment in Subsidiaries	55,894,881	(66,617,905)
Interest Received	287,938	142,834
Net Cash from/(used in) Investing Activities	54,764,746	(73,021,965)
C. Cash flow from Financing Activities:		
Buyback of equity shares	(1,239,798)	-
Proceeds/(Repayments) from/to loans, (net)	-	(456,779)
Interest Paid	(135,821)	(129,339)
Net cash from/(used in) Financing Activities	(1,375,619)	(586,118)
Net Increase/(Decrease) in Cash and Cash Equivalents	54,556,470	(66,446,879)
Opening Cash and Cash Equivalents	3,004,693	69,451,572
Closing Cash and Cash Equivalents	57,561,163	3,004,693

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, Cash Flow Statement prescribed by Companies (Accounting Standards) Rules, 2006.
- 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 4, 2009

Bhuvanesh Sharma
 Company Secretary &
 Compliance Officer

James Reynolds
 CFO & CAO- Global

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 1	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SHARE CAPITAL		
Authorised:		
3,00,00,000 (Previous year 3,00,00,000) Equity Shares of Rs.10 each.	30,00,00,000	30,00,00,000
Issued, Subscribed & Paidup :		
1,25,11,022 (Previous year 1,25,54,045) Equity shares of Rs.10 each, fully paid up	125,110,220	125,540,450
<u>Out of the above Equity Shares</u>		
a) 29,87,095 (Previous year 29,87,095) shares were issued as fully paid up Bonus shares by capitalisation of the balance lying in profit and loss account		
b) 43,023 (Previous year NIL) shares were bought back during the year (Refer note 10 of notes to Financial Statements in Schedule 15)		
Total	125,110,220	125,540,450

SCHEDULE 2	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
RESERVES AND SURPLUS:		
a) Securities Premium Account		
Opening balance as per last balance sheet	623,581,192	623,581,192
Less: Utilised towards buy back of equity shares	809,568	-
Less: Transfer to Capital Redemption Reserve (Refer note 10 of notes to Financial Statements in Schedule 15)	430,230	-
	622,341,394	623,581,192
b) Profit and Loss Account		
(As per annexed account)	47,609,525	63,354,593
c) Capital Redemption Reserve		
Opening balance as per last balance sheet	-	-
Add: Transfer from Securities Premium Account (Refer note 10 of notes to Financial Statements in Schedule 15)	430,230	-
	430,230	-
Total	670,381,149	686,935,785

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2009
SCHEDULE 3: FIXED ASSETS

Particulars	Gross Block (at cost)				Depreciation				(Amount in Rs.) Net Block	
	As at 01.04.2008	Additions / Adjustments during the year	Deductions/ Adjustments during the year	As at 31.03.2009	Up to 01.04.2008	For the year	Deductions/ Adjustments during the year	Up to 31.03.2009	As at 31.03.2009	As at 31.03.2008
Intangibles:										
Software Product*	2,065,902	15,385,387	-	17,451,289	387,005	1,780,971	-	2,167,976	15,283,313	1,678,897
Tangibles:										
Plant & Machinery:										
1) Computer including Computer Software	6,594,463	1,412,872	1,119,327	6,888,008	3,522,999	1,718,702	1,119,327	4,122,374	2,765,634	3,071,464
2) Office Equipment	2,892,737	5,200	7,691	2,890,246	323,224	142,330	7,691	457,863	2,432,383	2,569,513
Furniture & Fixtures	783,900	-	198,177	585,723	641,118	142,785	198,180	585,723	-	142,782
Total	12,337,002	16,803,459	1,325,195	27,815,266	4,874,346	3,784,788	1,325,198	7,333,936	20,481,330	7,462,656
Previous Year	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	
Capital Work-in-Progress to the extent not capitalised	-	15,385,387	15,385,387	-	-	-	-	-	-	15,385,387

* Meant for License sale or otherwise

SCHEDULE 4	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
INVESTMENTS		
Long Term and Trade (Unquoted)		
Investment in Subsidiaries:		
NIL (Previous Year 10,000) Equity shares of Rs.10 each fully paid up of HOV AR Management Services Pvt. Ltd.	-	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	706,060,397
In HOVS Holdings Ltd. 1 (Previous year 1) Equity share of Honkong Dollar 1	5	5
Total	706,104,392	761,999,273

SCHEDULE 5	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SUNDRY DEBTORS		
(Unsecured, considered good)		
Outstanding for a period not exceeding six months :		
Dues from subsidiaries	6,708,196	23,203,020
Others	1,375,650	1,798,650
(Also, refer note no.7B of notes to Financial Statements in Schedule 15)		
Total	8,083,846	25,001,670

SCHEDULE 6	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
CASH AND BANK BALANCES		
Cash balance in hand	9,281	19,053
<u>Balances with Scheduled Banks :</u>		
(a) In Current Accounts	47,410,501	2,972,721
(b) Fixed Deposits (including interest accrued of Rs.1,41,381; previous year Rs.12,917)	10,357,381	276,168
[of which FDRs of Rs. 2,16,000 (Previous Year Rs.2,63,250) are pledged with banks for guarantees issued]		
Total	57,777,163	3,267,942

SCHEDULE 7	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
LOANS AND ADVANCES		
(Unsecured, considered good)		
<u>Amount due from subsidiary company</u>		
Loans to a subsidiary company (maximum outstanding during the year Rs.94,63,156 ; previous year Rs. 1,63,06,256)	-	896,592
Expenses Recoverable from a Subsidiary Company	7,642,500	879,340
Advances recoverable in cash or in kind or for value to be received	1,616,987	1,876,497
Advance Tax (Net of provision of Rs. NIL; previous year Rs. NIL)	71,390	-
Advance Fringe Benefit Tax (Net of provision of Rs.2,61,000; previous year Rs.3,07,900)	238,769	198,123
Security Deposits	5,719,510	5,744,510
Balances with Service Tax Authorities	3,308,996	2,734,789
Balances with Sales Tax Authorities	-	87,944
Total	18,598,152	12,417,795

SCHEDULE 8	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
CURRENT LIABILITIES		
<u>Sundry Creditors:</u>		
Micro, Small & Medium Enterprises	-	-
(Refer Note No.14 of notes to financial statements in schedule 15)		
Due to Subsidiary Companies	1,888,357	1,481,406
Other Creditors	7,912,114	9,036,834
Other Liabilities	943,389	1,326,400
Provision for Taxes (Net of Advance Tax of Rs.NIL; previous year Rs.12,00,000)	-	147,053
Total	10,743,860	11,991,693

SCHEDULE 9	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
PROVISIONS		
Employee Benefits:		
Gratuity	638,594	385,143
Leave Entitlement	306,330	105,538
Total	944,924	490,681

SCHEDULES FORMING PART OF PROFIT AND LOSS FOR THE YEAR ENDED

SCHEDULE 10	For the year ended March 31, 2009	For the year ended March 31, 2008
INCOME FROM OPERATIONS		
Software and IT enabled services	40,294,567	58,982,178
Sale of Software License	3,478,950	3,300,750
Total	43,773,517	62,282,928

SCHEDULE 11	For the year ended March 31, 2009	For the year ended March 31, 2008
OTHER INCOME		
Interest Received (TDS Rs.30,680; Previous Year Rs.28,112)	287,938	142,834
Miscellaneous Income	-	29,725
Provisions no longer required written-back	-	116,270
Total	287,938	288,829

SCHEDULE 12	For the year ended March 31, 2009	For the year ended March 31, 2008
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	35,763,313	26,818,756
Contribution to Provident and Other Funds	977,355	815,342
Staff Welfare	200,435	231,271
Recruitment and Training Expenses	192,215	421,336
Insurance Charges	135,041	113,322
	37,268,359	28,400,027
Less: Transferred to capital work-in-progress For software development	-	4,089,779
Total	37,268,359	24,310,248

SCHEDULE 13	For the year ended March 31, 2009	For the year ended March 31, 2008
OPERATING EXPENSES		
Rent	4,288,620	5,245,580
Repairs & Maintenance- Building	164,403	150,774
Repairs & Maintenance-Computers	33,140	337,477
Repairs & Maintenance-Others	370,632	339,972
Advertisement Expenses	859,165	384,923
Insurance charges	81,622	57,027
Legal & Professional fees	6,255,998	2,336,690
Public Relation Expenses	1,040,000	1,200,000
Auditors' Remuneration	2,822,860	1,987,605
Communication Costs	1,149,370	3,110,188
Office Upkeep & Maintenance.	458,985	501,205
Sundry Balances Written off	525,237	-
Power & Fuel Expenses	1,276,527	1,278,360
Office, Administration & Other Expenses	1,399,032	1,660,766
Loss on Sale of Fixed Assets	-	512,340
Rates and Taxes	264,620	468,922
Travelling & Conveyance Expenses	3,855,953	5,994,402
Total	24,846,164	25,566,231

SCHEDULE 14	For the year ended March 31, 2009	For the year ended March 31, 2008
INTEREST AND FINANCE CHARGES		
Interest on :		
Term Loan	-	17,169
Others	-	22,283
Finance Charges	135,821	89,886
Total	135,821	129,338

SCHEDULE 15**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009.****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 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) prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and on the principles of a going concern.

3. Use of Estimates:

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

4. Revenue Recognition:

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 as 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. Other Software products are amortized over its period of license.

8. Investments:

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

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 Entitlement

Liability towards Leave Entitlement 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 rewards 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, 2009	As at March 31, 2008
Bank Guarantees outstanding		
on behalf of Subsidiaries	1,910,625,000	1,498,875,000
on behalf of Associates	154,344,886	170,769,522
Others	216,000	263,250

2. 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.

3. Earnings Per Share (EPS):

Particulars	For the year ended March 31,	
	2009	2008
Net Profit/ (Loss) as per Profit and Loss Account (Rs.)	(15,745,068)	9,292,651
Weighted Average Number of Equity Shares (Nos.)	12,550,279	12,554,045
Basic and Diluted Earning per Equity Share (Rs.)	(1.25)	0.74
Nominal value per Equity Share (Rs.)	10	10

4. Foreign Currency Exposures:

Foreign exchange currency exposure not covered by derivative instruments:-

Particulars	As at March 31, 2009			As at March 31, 2008	
	Currency type	Amount in Foreign currency (In USD)	Amount (In Rs.)	Amount in Foreign currency (In USD)	Amount (In Rs.)
Current Assets, Loans & Advances	US Dollar	308,662	15,726,346	647,511	25,881,010
Current Liabilities	US Dollar	37,063	1,888,357	37,063	1,481,406
Bank Guarantee given	US Dollar	37,500,000	1,910,625,000	37,500,000	1,498,875,000

5. Leases:

a. Operating Lease:

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 13.

b. Financial Lease:

There were no financial leases entered into by the Company.

6. Employee Benefits:

Defined Benefit Plans- As per Actuarial Valuations:

I Assumptions	As on March 31, 2009	As on March 31, 2008
Discount Rate	8.0%	9.0%
Expected Rate of Return on plan asset	9.0%	9.0%
Salary Escalation	5%	5%
II Table showing changes in present value of obligations	As on March 31, 2009	As on March 31, 2008
Present value of obligations as at beginning of year	423,639	501,278

	Interest cost	33,891	41,105
	Current Service Cost	180,610	135,227
	Benefits Paid	NIL	65,885
	Actuarial (gain)/Loss on obligations	454	(226,582)
	Present value of obligations as at end of year	638,594	385,143
III	Table showing changes in the fair value of plan assets	As on March 31, 2009	As on March 31, 2008
	Fair value of plan assets at beginning of year	290,803	58,515
	Expected return on plan assets	26,915	12,028
	Contributions	376,732	286,145
	Benefits paid	NIL	65,885
	Actuarial Gain / (Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of year	694,450	290,803
IV	Table showing fair value of plan assets	As on March 31, 2009	As on March 31, 2008
	Fair value of plan assets at beginning of year	290,803	58,515
	Actual return on plan assets	26,915	12,028
	Contributions	376,732	286,145
	Benefits Paid	NIL	65,885
	Fair value of plan assets at the end of year	694,450	290,803
	Extra Funding	55,856	(94,340)
	Excess of Actual over estimated return on plan assets	NIL	NIL
	(Actual rate of return = Estimated rate of return as ARD falls on 31 st March)		
V	Actuarial Gain/Loss recognized	As on March 31, 2009	As on March 31, 2008
	Actuarial gain/(Loss) for the year -Obligation	454	226,582
	Actuarial (gain)/Loss for the year - plan assets	NIL	NIL
	Total (gain)/Loss for the year	(454)	(226,582)
	Actuarial (gain)/Loss recognized in the year	(454)	(226,582)
VI	The amounts to be recognized in the balance sheet and statements of profit and loss	For the year ended March 31, 2009	For the year ended March 31, 2008
	Present value of obligations as at the end of year	638,594	385,143
	Fair value of plan assets as at the end of the year	694,450	290,803
	Funded status	55,856	(94,340)
	Net Asset/(liability) recognized in balance sheet	(55,856)	94,340

VII	Expenses Recognised in statement of Profit & loss	For the year ended March 31, 2009	For the year ended March 31, 2008
	Current Service cost	180,610	135,227
	Interest Cost	33,891	41,105
	Expected return on plan assets	(26,915)	12,028
	Net Actuarial (gain)/Loss recognised in the year	454	(226,582)
	Expenses recognised in statement of Profit & loss	188,040	(62,278)

7. 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. (up to December 31, 2008)
3	HOVS Holdings Limited

(ii) Subsidiaries of Subsidiary's

1	Bay Area Credit Service, LLC
2	HOV Enterprise Services Inc.
3	Meridian Consulting Group, LLC
4	Glen Denial Corporation dba Imperial Collection Service
5	Digital Boardwalk LLC
6	Rustic Canyon III, LLC
7	Trac Holding, LLC
8	Lason Inc.
9	Lason India Pvt. Ltd.
10	Vetri Software (I) Pvt. Ltd.
11	HOV AR Management Services Pvt. Ltd. (w.e.f. January 1, 2009)
12	Superior Asset Management Holding, LLC
13	Superior Asset Management, Inc.
14	HOV Services (Beijing) Ltd.
15	Tracmail AR Services Pvt. Ltd.
16	HOV GPM, LLC

b) Associates:

Sr. No.	Name
1	HOF 4, Mauritius
2	HandsOn Ventures, LLC
3	Tracmail India Pvt. Ltd.

c) Directors/Key Managerial Personnel and their relatives:

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

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 March 31,	
		2009	2008
HOV AR Management Services Pvt. Ltd.	Subsidiary		
Unsecured Loans Given		14,440,210	33,490,106
Loan Repaid	Subsidiary	15,336,802	32,789,837
HOV Services, LLC	Subsidiary		
Investment in Shares		NIL	66,617,900
Bay Area Credit Service, LLC	Subsidiary		
Services Provided		34,067,316	46,155,757
Meridian Consulting Group, LLC	Subsidiary		
Services Provided		567,000	1,903,360
Imperial Collection Service	Subsidiary		
Services Provided		346,501	1,313,460
HOV Enterprise Services, Inc	Subsidiary		
Services provided		478,800	2,850,954
Digital Boardwalk LLC	Subsidiary		
Services Provided		88,200	332,851
HOV Services, LLC	Subsidiary		
Services Provided		3,290,280	1,580,880
Reimbursement of Expenses		7,070,551	3,916,824
Guarantee Given		1,910,625,000	1,498,875,000
Lason India Pvt. Ltd.	Subsidiary		
Sale of Investments		55,894,881	NIL

Tracmail India Pvt. Ltd. Guarantee Given	Associates	154,344,886	170,769,522
Hands on Venture, LLC Reimbursable Expenses Incurred	Associates	86,739	86,739
Mr. Surinder Rametra Managerial Remuneration	Key Managerial Personnel	2,400,000	1,200,000
Mr. Parvinder S Chadha Managerial Remuneration	Key Managerial Personnel	2,400,000	1,200,000
Mr. Sunil Rajadhyaksha Managerial Remuneration	Key Managerial Personnel	2,400,000	1,200,000
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	108,000	108,000
Mr. Anil Rajadhyaksha Salary Commission (Provision written back Rs. 3,12,798, previous year NIL)	Relative of Key Managerial Personnel	1,200,000 (312,798)	1,200,000 312,798

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 2009	31.03 2008
HOV Services, LLC	Subsidiary	705,733,714	705,733,714
Investment in Shares HOVS Holdings Ltd.	Subsidiary	5	5
HOV AR Management Services Pvt. Ltd. Unsecured Loan given	Subsidiary	NIL	896,592
Bay Area Credit Service, LLC	Subsidiary	5,791,096	20,423,107
Debtors Creditors		1,223,388	959,742

Meridian Consulting Group, LLC			
Debtors	Subsidiary	NIL	339,745
Creditors		664,969	521,665
Digital Boardwalk LLC			
Debtors	Subsidiary	NIL	55,958
HOV Enterprise Services, Inc			
Debtors	Subsidiary	NIL	455,658
Imperial Collection Service			
Debtors	Subsidiary	NIL	329,753
HOV Services, LLC (Debtor)	Subsidiary	917,100	1,598,800
HOV Services, LLC (Receivables)	Subsidiary	7,642,500	879,340
HOV Services, LLC			
Guarantee Given	Subsidiary	1,910,625,000	1,498,875,000
Tracmail India Pvt. Ltd.			
Guarantee Given	Associates	154,344,886	170,769,522
HandsOn Ventures, LLC	Associates	86,739	86,739
Mr. Anil Rajadhyaksha			
Commission	Relative of Key Managerial Personnel	NIL	312,798
Mr. Ronald Cogburn - Salary	Key Managerial Personnel	333,964	225,964

- 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 has any provision been made for doubtful debts / receivables except commission payable to Mr. Anil Rajadhyaksha of Rs. 3,12,798 (Previous year NIL) which has been written back during current financial year.

8. 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	2008-09		2007-08	
	Directors	Other than Directors	Directors	Other than Directors
Options outstanding at the beginning of the year	7,500	6,03,000	NIL	NIL
Options Granted during the year	7, 500	2,38,550	7,500	6, 60,000
Options Lapsed	NIL	23,000	NIL	57,000
Options outstanding at the end of the year	15, 000	8,18,550	7,500	6,03,000

9. Employees Stock Option Plan (Plan 2008):

The shareholders in its Twentieth Annual General meeting held on September 30, 2008 approved additional 7,50,000 equity shares of a face value of Rs.10 each with each such option conferring a right upon the employee to opt for one equity share of the Company, in terms of HOVS ESOP Plan 2008. Under the 2008 plan, 7,50,000 options were reserved for employees of the subsidiary companies of the Company, working in India or out of India.

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

10. Buy Back of Shares:

Pursuant to the approval of the Board of Directors of the Company, for buy back of Equity Shares under Section 77A of the Companies Act, 1956 upto 10% of the paid up Equity Share Capital and free reserves of the Company subject to maximum of Rs.5 Crore, at a maximum price of Rs. 50 per share, the Company has bought back 43,023 equity shares upto March 31, 2009 through open market transactions for an aggregate amount of Rs. 12.40 lacs, by utilizing Securities Premium account to the extent of Rs. 8.10 lacs. Further, the Capital Redemption Reserve account has also been created out of Securities Premium account for Rs. 4.30 lacs being the nominal value of shares bought back in terms of Section 77A of the Companies Act, 1956.

The Company has purchased 7,763 shares in the last week of March 2009 and the same were extinguished on April 2 & April 9, 2009. However, these were also considered for calculating Earning Per Share as on March 31, 2009.

11. Managerial Remuneration:

(Amount in Rs.)

Particulars	For the year ended March 31,	
	2009	2008
a) To Executive Directors Salaries and Allowances	3,600,000	3,600,000
b) To Other Directors Sitting Fees	370,000	280,000

12. Deferred Tax Asset/ (Liability) comprise timing differences on account of:

(Amount in Rs.)

Particulars	As on March 31,	
	2009	2008
Deferred Tax Liability:		
On account of Depreciation	(3,864,730)	(576,115)
Net Deferred Tax Asset / (Liability)	(3,864,730)	(576,115)

13. Auditors' Remuneration:

(Amount in Rs.)

Particulars	For the year ended March 31,	
	2009	2008
Payment to Statutory Auditors:		
Audit Fees	1,100,000	903,394
Limited Review Fees	1,320,000	948,341
Certification Fees	277,500	96,070
Advisory Services	85,000	NIL
Reimbursement of Out of Pocket Expenses	364,545	285,470
(Included service tax of Rs. 3,24,185, previous year Rs. 2,45,670)		
Total	3,147,045	2,233,275

14. 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.

15. 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 cannot 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. NIL (Previous year Rs. 17, 44, 920).

- c) **Earnings / Expenditures in foreign Currency:**

(Amount in Rs.)

Particulars	For the year ended March 31,	
	2009	2008
<u>Earnings in Foreign Exchange</u>		
Income from Operations	43,773,517	62,282,928
<u>Expenditures in Foreign Currency</u>		
Travelling Expenses	97,002	40,000

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

Signatures to Schedule 1 to 15

For and on behalf of the

Board of Directors of HOV Services Limited

Surinder Rametra
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Place: Mumbai
Date : June 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

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-2009

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	7,99,356
Total Assets	7,99,356

Sources of Funds

Paid Up Capital	1,25,110
Reserve and Surplus	6,70,381
Secured Loans	NIL
Unsecured Loans	NIL
Deferred Tax	3,865

Application of the Funds

Net Fixed Assets	20,481
Capital WIP	NIL
Investments	7,06,104
Net Current Assets	72,771
Miscellaneous Exp	NIL
Accumulated Loss	NIL

IV Performance Of Company

Income	46,758
Total Expenditure	58,965
Profit before Tax	(12,207)
Profit after Tax	(15,745)
Earnings Per Share in Rs.	(1.25)
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 TWENTYFIRST ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty-First Annual General Meeting of the Members of HOV Services Limited will be held on Saturday, the 25th day of July, 2009 at 12:00 Noon at Le Meridien, Raja Bahadur Mill Road, Pune, Maharashtra - 411001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2009 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 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

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

“**RESOLVED THAT** Mr. Harish P Bhasin, holding office up to this Annual General Meeting, having appointed as an Additional Director, being eligible for appointment and in respect of whom the Company having received notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

By Order of the Board
HOV Services Limited

Place: Mumbai
Date: June 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

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. 3

The Board of Directors of the Company at its meeting held on March 24, 2009 had appointed Mr. Harish P Bhasin as an Additional Director under Section 262 of the Companies Act, 1956 read with Articles of Association of the Company. Mr. Harish P Bhasin holds office only till the date of this Annual General Meeting.

Notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Harish P Bhasin for the office of Director, liable to retire by rotation.

None of the Directors of the Company, other than Mr. Bhasin, is deemed to be concerned or interested in the resolution at Item No. 3 of the accompanying notice. He does not hold any shares in the Company.

The Board recommends the resolution set forth in Item no. 3 for the approval of members.

3. Mr. Rajeev Gupta, retire by rotation and has tendered his notice of vacating his office of director. The resignation was accepted by the Board of Directors in its meeting held on June 4, 2009.
4. Members holding shares in physical form are requested to quote their folio number in all correspondence with the Company and to intimate the following directly to the Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited, Karvy House, 46 Avenue 4, Banjara Hills, Hyderabad-500 034:
 - a. Change, if any in their address;
 - b. Request for nominations form as per the provisions of the Companies Act, 1956.
5. Members holding share in dematerialized form are requested to contact their Depository Participant for any change in their particulars.
6. 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.
7. The certificate from the Auditors of the Company certifying that the Company's HOVS ESOP Plan 2008 is being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 will be available for inspection by members at the AGM.

By Order of the Board
HOV Services Limited

Place: Mumbai
Date: June 4, 2009

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

BRIEF RESUME OF DIRECTOR SEEKING APPOINTMENT

Mr. Harish P Bhasin

Mr. Harish P. Bhasin, age 64 is a visionary and goal oriented with over 40 years of experience in the United States and India in various industries including information technologies, manufacturing construction and pharmaceuticals having core competence in Revenue and Profit Growth, Partnership and Alliances, Management Systems, Strategic Business Planning, and Construction Management.

Mr. Bhasin has managed multiple organizational initiatives at the strategic, tactical and operational levels. He has a Master's degree in Engineering Sciences from University of Mississippi, in 1968. He earned a United States Patent (# 3762466) "Static Stirrer Apparatus and Process" dated Oct. 2, 1973.

He is a Director in two private companies and one of the Founder Member of Klassic Construction (P) Ltd. (KCPL), a privately held Company registered in Mumbai, Maharashtra, providing construction and engineering services for Government sector, commercial and residential buildings since 1986. KCPL is ISO 9001 Company and also a member of "Builders Association 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.....
 of.....in the district of.....as my/our Proxy to attend and to vote for me/
 us on my/our behalf at the Twenty-First Annual General Meeting of the Members of HOV Services Limited
 to be held on Saturday, the 25th day of July, 2009 at 12:00 Noon at Le Meridien, Raja Bahadur Mill Road,
 Pune, Maharashtra - 411 001 and at any adjournment thereof.

Signed this day of 2009.

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.

-----Tear Here-----

**ATTENDANCE SLIP**

I hereby record my presence at the Twenty-First Annual General Meeting held on Saturday, the 25th day of July, 2009 at 12:00 Noon at Le Meridien, Raja Bahadur Mill 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 - 411 037

Day & Date : Saturday, July 25th, 2009

Time : 12.00 A.M.

Venue : Le Meridien,

Raja Bahadur Mill Road,
Pune - 411 001, Maharashtra.

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