



HOV Services Limited

24th Annual Report

2011

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COMPANY INFORMATION

Registered Office & Head office	3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune -411 037 Tel: (91 20) -24231623; Fax: (91 20) -24221470
Registrar & Share Transfer Agent	Karvy Computershare Pvt Ltd., 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 Tel: (91 40) -23420815; Fax: (91 40) – 23420814
Auditors	Lodha & Co., Chartered Accountants, 6 Karim Chambers 40, Ambalal Doshi Marg, Mumbai – 400 023, Maharashtra, India Tel: (91 22)- 2265 1140; Fax: (91 22)-2269 1414
Company Secretary & Compliance Officer	Mr. Bhuvanesh Sharma investor.relations@hovservices.com
Investor Relations, Media & Analyst Contact	Mr. Shekhar Singh Batham shekhar.batham@hovservices.com investor.relations@hovservices.com

THE BOARD OF DIRECTORS

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

THE EXECUTIVE MANAGEMENT

Mr. James Reynolds	Financial Officer & CAO, Global
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Chairman Message:

Dear Members;

This past year has been both challenging and incredibly eventful for your Company.

On April 29, 2011, your Company completed the merger of its indirect subsidiary HOV Services LLC with SOURCECORP, Inc., a portfolio company of Apollo Management V, L.P. The merged entity called SourceHOV LLC, reflecting the union of the two companies and our expanded capabilities. Further, the merger was accredited with the “India M&A Deal of the Year Award ” and “Private Equity Deal of the Year Award” by Global M&A Atlas Award 2011.



We operate as a hybrid between an investment portfolios and a diversified services corporation. We believe this operational structure is the fundamental component of our value proposition. As part of our commitment towards improving the Company’s profitability and its growth in coming years, our key strategy will be to continue exploring emerging opportunities both in global and domestic markets alike. We will continue to explore new avenues and strive to undertake initiatives diversifying the Company’s growth and improving shareholders’ value.

We have recently made entrance into the environmental protection space through a newly created indirect subsidiary, HOV Environment Solutions Private Limited (“HOV ESPL”). HOV ESPL aims to design and develop advanced solutions for solving problems related to erosion control, soil stabilization, environment conservation and construction in infrastructure projects, as well as in the application sectors of roads, railways, rivers, channels, landfills, coastal protection & civil construction. We believe that opportunities in the environment protection space, more specifically in the area of coastal protection, are both prominent and promising.

In understanding the BPO market, we are expecting the industry to experience additional geographic expansion, further consolidation, and the adoption of cloud computing evidenced by an increased thrust on business analytics driven by consumer computing and social media. The emerging technologies will continue to change the face of BPO as well the uncertainty of the economy is compelling companies to review outsourcing options within the United States, South America, India, Philippines and China and possibly seek alternatives.

Finally, on behalf of our Board of Directors, I would like to thank each and every one of our HOVS family members for your continued support, your faith and your confidence. We look forward to sharing our efforts, both small and large, with you as we move along through these exciting new chapters.

Best regards and thank you again.

Sunil Rajadhyaksha
Chairman & Executive Director

Directors' Report

Your Directors are pleased to present the Company's Twenty- Fourth Annual Report on the Business and Operations of HOV Services Limited (the "Company" or "HOVS") together with the Audited Statement of Accounts for the year end December 31, 2011.

During the reported year the Company i) completed merger of its indirect subsidiary HOV Services LLC with SOURCECORP Inc., creating SourceHOV LLC, reflecting the union of our two companies and our expanded capabilities; and ii) entered into environment protection business through its subsidiary HOV Environment Solutions Private Limited ("HOV ESPL").

The financial year was changed to a calendar year ended December 31 therefore the current financial year is comprised of 9 (Nine) months ended on December 31, 2011. Accordingly, the financial statements are prepared for the 9 (Nine) months ended December 31, 2011 and are not comparable to the financial statements of previous year comprising of the 12 (Twelve) month period ended on March 31, 2011.

FINANCIAL RESULTS AND OPERATIONS:

In the financial year 2011, your Company has recorded consolidated revenue of Rs. 105.42 million and loss after tax was Rs. (92.37) million. The brief financial highlights with comparison of previous year are as below:

Rs. In Million

Particulars	Consolidated		Standalone	
	Nine months ended on December 31, 2011	FY 2010-11 ended on March 31, 2011	Nine months ended on December 31, 2011	FY 2010-11 ended on March 31, 2011
INCOME				
Income from Operation	105.42	7,092.53	94.10	247.40
Other Income	9.88	15.65	10.01	2.28
	115.30	7,108.18	104.11	249.68
EXPENDITURE				
Staff Cost	57.58	3,607.22	57.65	56.31
General and Administrative Expenses	35.05	2,374.87	19.75	22.57
	92.63	5,982.09	77.40	78.88
Profit / (Loss) before Interest, Depreciation and Tax	22.67	1,126.09	26.71	170.80
Less: Interest	-	292.75	-	-
Less: Depreciation	2.76	291.64	2.76	3.72
Profit / (Loss) before Tax	19.91	541.70	23.95	167.08
Tax pertaining to earlier years	0.05		0.05	
Less: Provisions for taxes				
Current Tax	8.54	3.88	8.54	0.38
Deferred Tax	(0.64)	0.52	(0.64)	0.52
Profit / (Loss) after Tax	11.96	537.30	16.00	166.18
Less: Share of Profit/(Loss) from an Associate	(104.33)	-	-	-
Profit / (Loss) after Tax & Share of Profit/(Loss) from an Associate	(92.37)	537.30	16.00	166.18

1. RESULTS OF OPERATIONS:

Consolidated Financial Performance for the Fiscal Year ended December 31, 2011

FY 2011 have been the pivoting point and a new beginning for the Company– wherein the merger of SourceHOV LLC occurred and the Company also entered through its subsidiary-HOV Environment Solutions Private Limited (“HOV ESPL”) in the business of environmental protection solutions. The detailed information is provided under the separate section of this Annual Report.

The management is confident that the actions being taken will result in growth and added value in the coming years.

The performance of the nine months period ended December 31, 2011 highlighted as follows:

- Consolidated total Income for the current nine month period ended on December 31, 2011 is Rs. 105.42 million.
- EBIDTA for the current nine month period ended on December 31, 2011 Rs. 12.79 million.
- Net Loss was Rs. 92.37 million.
- The basic and diluted Earnings per share (EPS) were Rs (7.4) for the nine months period ended December 31, 2011.

Standalone Financial Performance for the nine months period ended December 31, 2011:

- Total Income for the current nine month period ended on December 31, 2011 is Rs. 94.10 million.
- EBIDTA for the current nine month period ended on December 31, 2011 Rs 16.70 million.
- Net Profit was Rs. 16.00 million.
- The basic and diluted Earnings per share (EPS) were Rs 1.28 for the Year ended December 31, 2011.

2. HOVS Corporate Strategy

a) Operates Businesses as Investment Portfolios:

- We organize our portfolio companies by industry and by sector with forward-looking goals for combination based on the ultimate benefit to the target customer base and to HOVS. Part of our investment strategy for each deal is to initially, complete a thorough analysis of the industry and its respective segments, prior to making a platform acquisition. Post acquisition, we continue to allow the companies to operate autonomously before building scale. Through inorganic growth, we scale our investments by acquiring products and services in the industry/sector. Our goal is to become a leading, diversified player in every industry we enter increasing the overall benefit to our clients and our shareholders.
- By maintaining our portfolio companies as autonomous entities, we are able to execute strategic combinations or divestitures whenever the opportunity for an advantageous transaction arises.

b) Operates Businesses as a diversified services organization:

- We facilitate appropriate opportunities for each HOVS portfolio company to cross-sell its services to the major clients of each other HOVS portfolio company.
- We manage delivery of services based on best practices and contribution to profits from our global platform to our portfolio companies.
- We identify, in coordination with portfolio company senior management, strategic M&A opportunities, and we make those opportunities happen.

- We help our portfolio companies maintain and improve their cash flow and liquidity, and we identify opportunities for portfolio companies to take advantage of our relationships with lending institutions and other financial partners.
- In this way, our portfolio companies receive support services similar to what they would receive as business units of a diversified services corporation.

3. SIGNIFICANT DEVELOPMENTS:

(a) SourceHOV - Merger

On April 29, 2011, the Company completed the merger of its indirect subsidiary HOV Services LLC with SOURCECORP, Inc., a portfolio company of Apollo Management V, L.P. The merged entity called SourceHOV LLC ("SourceHOV"), reflecting the union of the two companies and our expanded capabilities.

SourceHOV is a provider of end-to-end business process outsourcing solutions with highly customized services as well as specialized knowledge-based processing and consulting solutions. The company offers clients in information-intensive industries, such as healthcare, financial services, legal, public sector, and transportation, the solutions to manage their information and document intensive business processes and the solutions to fulfill certain specialized knowledge-based processing and consulting requirements, enabling these organizations to concentrate on their core competencies. As a global business process solutions and knowledge process outsourcing provider, the company operates approximately 87 operating and sales locations throughout the United States, India, China, Canada, the Philippines and Mexico, with approximately 12,531 employees at December 31, 2011. The Company serves a diverse client base where enterprises can outsource many of their information management, distribution, certain knowledge based processing and specialized consulting needs to us due to the breadth of our capabilities and subject matter expertise.

The combination transaction was accounted for using the equity method in terms of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial statements". The Company has a 27.2% equity interest in SourceHOV LLC., Management believes HOVS has significant influence as they have a 50% vote of the Board of Directors, but not control over the financial and operating policies.

Current year results are not comparable to prior year as in FY 2010-11 HOV Services LLC was a consolidated subsidiary of the Parent, where in current year it is treated as an associate investment accounted for under the equity method due to the combination discussed above.

(b) HOV ESPL

The HOV ESPL is an indirect subsidiary of HOV Services Limited (the "HOVS") through HOVS Holdings Limited, (the "HOVS HK") a Hong Kong based wholly owned subsidiary of the HOVS. HOV ESPL had undertaken business in environment protections.

4. Appropriations:

(i) Dividend:

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

During the Financial year ended as on December 31, 2011 the Company paid on August 22, 2011 Final dividend of FY 2010-11 as approved by the shareholders in their Annual General Meeting held on August 3, 2011.

For the financial year 2011 the Company does not have any unpaid dividend meant to be transferred to the Investor Education Protection Fund under Section 205C of the Companies Act, 1956.

(ii) Transfer to Reserve:

No amount was transferred to Reserve during the financial year ended on December 31, 2011.

5. Subsidiary companies

The Company has the following subsidiary companies:

- i) HOVS LLC incorporated in Delaware under the laws of United States of America;
- ii) HOVS Holdings Limited incorporated under the Companies Ordinance of Hong Kong; and
- iii) HOV Environment Solutions Private Limited incorporated in Maharashtra under Indian Company Law.

6. ADR/GDR

In the earlier proposed 15,000,000 of ADR/GDR issue by the Company none of the underlying equity shares were issued.

7. Class A Preferred Units by HOV Services LLC

By virtue of the merger of its indirect subsidiary HOV Services LLC ("HOV Services") with SOURCECORP, Inc., the 10,467,532 Class A Preferred Units issued by HOV Services have ceased to exist. Effective May 2, 2011 the fully diluted outstanding share capital of the Company on consolidated basis comprise of 12,491,022 equity shares of Rs.10 each only.

8. Employee Stock Option Plan (ESOP)

- a) The Company instituted "HOVS Stock Option Plan 2007" and "HOVS Stock Option Plan 2008" for its employees and for employees of its subsidiary companies as detailed below:

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

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 were granted. The options will vest in a phased manner within five years as 10% in each first to four years and balance 60% at the end of fifth year.

No options have been granted under **Plan 2008**.

- i) The details of options granted and lapsed under **Plan 2007** during the year are as below :

	Plan 2007		
	Employees of the Company	Employees of the subsidiary companies	Total
Approved Options	400,000	700,000	1,100,000
Grant in 2007	141,500	526,000	667,500
Grant in 2008	28,150	217,900	246,050
Grant in 2011	52,500	10,000	62,500
Total Grant	222,150	753,900	976,050
Options Lapsed as of December 2011	155,150	325,400	480,550
Options in force	67,000	428,500	495,500
Balance options available	333,000	271,500	604,500

- ii) Information of grant made to directors and employees:

Options granted date	Directors (A)	Other than Directors (B)	Total (A+B)
July 21, 2007	7,500	640,000	647,500
October 25, 2007	0	20,000	20,000
Junly 30, 2008	7,500	183,550	191,050
October 8, 2008	0	55,000	55,000
May 27, 2011	30,000	32,500	62,500
Total Granted	45,000	931,050	976,050
Options lapsed	10,000	470,550	480,550
Options outstanding	35,000	460,500	495,500

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

As of December 31, 2011

	Plan 2007	Plan 2008
a. Options Granted:	976,050	Nil
b. The Pricing formula:	Closing price of the stock exchange where there is highest trading volume, prior to the date of the meeting of the Compensation & Remuneration Committee in which options are granted.	Nil
c. Options Vested:	Nil	Nil
d. Options Exercised:	Nil	Nil
e. Total number of shares would be arising as a result of exercise of options:	976,050	Nil

As of December 31, 2011

		Plan 2007	Plan 2008
f.	Options lapsed:	480,550	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:	495,500	Nil
j.	Employee wise details of Options granted to:		Nil
	i. Senior Management personnel:	495,500	
	ii. Employee receiving 5% or more of the total number of options granted during the year:	Nil	
	iii. Employee granted 1% or more of the issued capital:	Nil	
k.	Diluted EPS on issue of shares on exercise calculated in accordance with AS 20.	NA	NA

- b) The Compensation and Remuneration Committee and the Board of Directors in their respective meetings held on May 27, 2011 consented, in the best interest of employees of HOV Services LLC which now part of SourceHOV LLC, to continue the options of all such employees whom the options were granted out of the HOVS ESOP Plan 2007 during the year 2007 and 2008.

9. 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 strives to conserve energy on continuous basis and conducted energy audit and implemented desired recommendations. 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. However, the Company believes technology is strategic to its growth and has invested heavily in hosted platforms, automation, capture, presentation and analytics.

Technology Absorption, Adaptation and Innovation: The Company has been focused on providing state-of-the-art end-to-end BPO services to Clients. In carrying out this mission, HOVS has invested heavily in technology innovation, while leveraging its global footprint that is no longer confined by traditional borders through the use of a globally stable and secure network infrastructure that conforms to the highest international standards including ISO, HIPAA and SSAE 16. The Company has adopted Six Sigma practices and LEAN techniques in its centers and processes; a number of our team member have gone through Six Sigma training and are certified at higher levels of competency. The Company is constantly developing and adopting modern technologies and standards to grow its competitive advantage, to better serve its clients, retain employees and improve productivity and performance.

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 19 (11) of Notes to the Accounts of the Annual Report.

10. Particulars of Employees:

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

11. Human Resources:

During the year the Company has taken utmost care of its employees deployed in wide-ranging cultures across the globe. The Company has well defined Human Resource Policies, excellent training facilities and a well established, healthy working environment. The Company organizes regular health checkups through recognized medical centers and the relationship of HOVS with its employees remained cordial throughout the year.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. Directors

There is no change in the Board of Directors during the year under review. Mr. Harish Bhasin, Director retires by rotation at ensuing Annual General Meeting and being eligible offers himself for reappointment.

The Central Government approved re-appointment of Mr. Parvinder S Chadha, Mr. Sunil Rajadhyaksha and Mr. Surinder Rametra as whole-time directors of the Company w.e.f April 1, 2011 for a period of five years.

18. Subsidiary companies and consolidation of Accounts

As per Section 212 of the Companies Act, 1956, the Company is required to attach the directors' report, auditors' report, balance sheet, and profit and loss account, schedules to account and notes to the account of subsidiaries of your Company along with the balance sheet of your Company.

In accordance with terms of general Circular No. 2/2011 and No. 5/12/2007-CI-III dated February 8, 2011, the Ministry of Corporate Affairs has issued a direction under section 212(8) of the Companies Act, 1956 granting general exemption to all the companies having subsidiaries and which required exemption from attaching the prescribed documents as mentioned in section 212(1) of the Companies Act, 1956. Such exemption would be available to all the companies after fulfilling certain conditions prescribed in the aforesaid general circular.

Accordingly, the Board of Directors of the Company has consented vide its resolution dated May 2, 2012 for not attaching the balance sheet of the subsidiary companies of the Company.

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

19. Acknowledgement

Your Directors' place on record the co-operation and assistance received from different government authorities, customers, suppliers, bankers and shareholders during the year.

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

For and on behalf of the Board of Directors

Place: Mumbai
Date : May 2, 2012

Sunil Rajadhyaksha
Chairman & Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview:

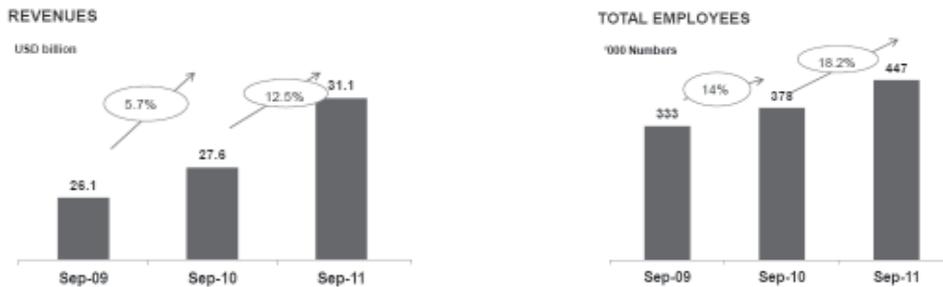
IT-BPO Industry:

It was a bumpy year for IT-BPO Industry, repercussion of European Union debt crisis and US slowdown persisted throughout the year. Global environment remains uncertain leading to delay in decision making impacting overall growth of industry sectors and companies. Recently, World Bank has revised world GDP growth rate downward to 2.5% from 3.6% for the period 2012. USA GDP growth has been revised from 2.9% to 2.2% and European Union GDP from 1.8% to -0.3% in the same period.

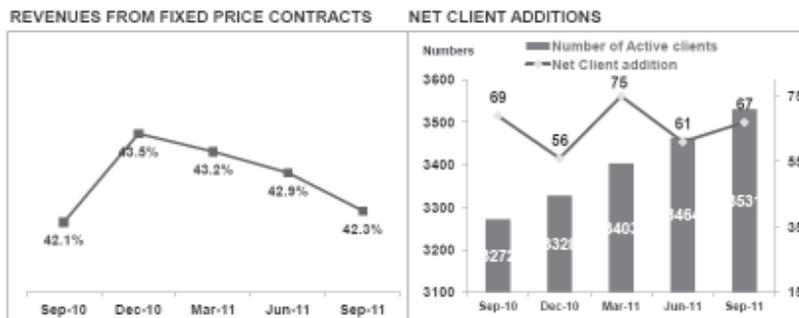
The demand environment of service provider will remain tentative in 2012 given the watchful approach of global clients, and optimization will be a strong focus for organisation looking to extract more value from their sourcing partners. Clients IT budget would remain suppressed due to fears of global uncertainty forcing outsourcing companies to re-invent their engagement model, invest in newer customer-centric solutions and pursue new locations due to talent, cost arbitrage and risk diversification considerations.

However, the NASSCOM IT-BPO Industry insight report released on November 2011, companies within the industry have shown following positive trend despite of looming global economic crisis:

- (a) Companies continue to grow and are hiring more employees as shown in chart below:



- (b) Even though Fixed price contract has fallen, companies has increased new clients



Despite sluggish outlook, we believe prevailing trend would further enforce the importance of outsourcing, as companies will be compelled towards curtailing cost without sacrificing on quality. Outsourcing been a tried and tested model, senior managers would outsource their work to improve productivity by allocating more time in improving their core competencies.

- (c) Despite in rise in several alternative sourcing locations, with a share of 58% in 2011 India retains its number one position as the world's leading sourcing locations. India based resources are estimated to account for about 60-70 percentage of the offshore delivery capacities across leading multinational players.

In the last few years, the BPO segment has been focusing on re-engineering itself in order to deliver transformational impact to customers. A 'Verticalised' (end to end solution) approach has been a key marketing strategy – developing in depth capabilities across the entire value chain in specific verticals. BPO firms are also increasing their onshore and near shore footprint to enable customer entry into local markets; firms have also been actively implementing non-linear growth initiatives that ensure higher realisations for service providers, while controlling costs, facilitating faster time-to-market and improving satisfaction at the clients' end.

Indian Coastal Protection

Through the years, the Indian ministry has passed innumerable laws to help organisation in their task of environmental protection. But the opening up of economy and globalization in India has put a greater pressure on its resources, further vitiating fragile eco-system. A recent trend which is inspiring to note is the role of the Indian Judiciary in environmental protection, which has adopted public interest litigation (PIL) for the cause of environmental protection.

Indian Coastline

Coastal environment plays a vital role in nation's economy by virtue of the resources, productive habitats and rich biodiversity. India has a more than 7,500 km-long coastline, which is being further developed to support trade & tourism. Nearly 250 million people live within a distance of 50 kms from the coast. The coastal areas are assuming greater importance in recent years, owing to increasing human population, urbanization and accelerated developmental activities.

Beaches are not stable entities, but rather are dynamic landforms that are constantly subjected to erosion and/or accretion. The changes on a beach are responses to processes acting from outside the beach. These include waves and currents as well as inland dune systems, which induce the erosion and depositional cycles.

Development and Protection of Indian Beaches

Coastal erosion is responsible for loss of land, houses, infrastructure, and business opportunities; and poses a high risk to human well-being, economic development, and ecological integrity. Every year, 400 hectares of land, 75,000 hectares of crop areas, and 34,000 residential houses and/or industrial establishments are lost or damaged by coastal erosion. The impact will be much more extensive and

widespread in the coming years, as the coastline is increasingly subject to a wide range of economic developments, many of which create conflicts and pressures on the already disturbed natural coastal environments. The rural poor coastal communities are the most vulnerable to the impacts of erosion and poor coastal management. Many of India's rapidly growing urban areas are also vulnerable to coastal erosion; Mumbai, for example, incurs a cost of about \$2.5 million per km on capital works alone to protect some of its prime waterfront property.

Reef building: is an innovative high end technique for effective and unobtrusive shoreline and near shore control as compared to the traditional solution like rock walls, perpendicular stones, to coastal erosion problems. It involves the anchoring of a mat made up of geotextiles material on the sea surface beneath water around 250-350 meters from coastal line. The size of mat is around the size of football pitch. Thereupon, on the mat the specially designed bags filled with refined sand are fastened and positioned in such a way that it creates a wall for the wave to break their force thus preventing the erosion.

When solutions include the construction of artificial reefs, there are benefits for beaches, land and property behind beaches, tourism, and fisheries since reefs provide a beneficial habitat for fish and other marine species.

Company Summary

Headquartered in Pune, Maharashtra HOV Services Limited ("HOVS" or "The Company"), operate as a hybrid between various investment portfolios and a diversified services corporation. We manage numerous such investments portfolios in partnership with some of the world's largest investment banks, private equity groups and global financial institutions. We believe this operational structure is the fundamental to our value propositions.

To achieve this goal, we invest in companies with strong fundamentals and significant performance improvement potential, where we can apply our hands-on approach to managing portfolio companies, as well as our investment discipline and technology to increase the overall value proposition of each portfolio company.

Your Company has strategically positioned by developing and acquiring skills in IT-BPO space, and recently exploring environment protection business, enabling us to continuously innovate our services and win long-lasting relationships with many of the world's largest companies. Our management of each of our business divisions directs our combined group growth strategy, direction and administration.

Since 2001, we completed multiple of acquisitions, integrated them and successfully taken them public. The portfolio companies acquired and controlled by HOVS are spread across the globe that includes US, Canada, India, China, Mexico and the Philippines. Your Company main focus is on acquiring synergetic assets in US and emerging markets, which would yield above-market returns.

Your Company's mission is to deliver significant & identifiable value and improve return-on investment for our clients & investors. We accomplish this primarily by delivering end-to-end business solutions, seamlessly linking our hosted services platforms and portfolio companies with our client's platforms.

Our Strategy and Differentiation

HOVS strategy is to augment many other business opportunities so as to create value proposition to the shareholders of the Company in coming years.

Customers

- ✓ **Delivery:**
 - (a) Provide quality products and services.
 - (b) Delivery reliably and cost effectively.

- ✓ **Value Creation:**
 - (a) Enhances their ability to operate business.

Shareholders

- ✓ **Delivery:**
 - (a) Prudent Investment
 - (b) Professional Business Management
 - (c) Strategy and execution honed by experience

- ✓ **Value Creation:**
 - (a) Higher Shareholders Value
 - (b) Better returns on investments

Employees

- ✓ **Delivery:**
 - (a) Conduct business ethically
 - (b) Equal opportunities and career enhancement
 - (c) Rewards for competence
 - (d) Performance and dedication to our customers
 - (e) Innovation
 - (f) Personal growth

- ✓ **Value Creation:**
 - (a) Innovation
 - (b) Higher retention rate
 - (c) Infusion of high caliber individuals

Technology Innovation

- Technology deployment is strategic to growth and the Company has invested heavily in automation, capture, presentation and analytics to grow its competitive advantages, better serve its clients, retain employees and improve productivity and performance.
- Effective use of technology to improve operations efficiency will continue to lead to better, faster, and cheaper solutions for clients.
- The Company is leveraging its global footprint to take advantage of shrinking distances and blur traditional borders bypassed by global, stable, secure network infrastructure all while conforming to international standards including ISO, HIPAA , HITECH, PCI and SSAE 16.

Financial Performances:**Consolidated Financial Performance for the fiscal ended December 31, 2011:**

Current year results are not comparable to prior year as in FY 2010-11 HOV Services LLC was a consolidated indirect subsidiary of the Parent, where in current year it is treated as an associate investment accounted for under the equity method. In addition, the Company changed its fiscal year end to December 31, so the results below are for 9 months vs. 12 months.

- Consolidated total Income for the current nine month period ended on December 31, 2011 is Rs. 105.42 million.
- EBIDTA for the current nine month period ended on December 31, 2011 is Rs. 12.79 million.
- Net Loss was Rs. 92.37 million.
- The basic and diluted Earnings per share (EPS) were Rs (7.4) for the nine months period ended December 31, 2011.

Standalone Financial Performance for the Fiscal Year Ended December 31, 2011:

- Total Income for the current nine month period ended on December 31, 2011 is Rs. 94.10 million.
- EBIDTA for the current nine month period ended on December 31, 2011 is Rs 16.70 million.
- Net Profit was Rs. 16.00 million.
- The basic and diluted Earnings per share (EPS) were Rs 1.28 for the Year ended December 31, 2011.

Human Resources:

HOVS employee remunerations, rewards and recognition policies are directly linked to performance, incentivizing productivity and efficiency throughout. All exceptional services are duly recognized and awarded through an employee recognition and reward program. Adequate training is provided both in-house and using external faculties and facilities at all levels. Facilities solicit and display employee artwork and employees at all levels are exposed to the benefits.

An employee communication portal pushes for regular corporate and management communication. Once a month all employees are addressed by Senior Management and apprised of the developments taking place during that period. The Company follows open policy to redress the grievances if any.

Career and Career Progress is an open policy 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 remain cordial at all levels 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.

Internal Controls:

- HOVS has a well-defined internal control systems and well documented procedures. There are adequate checks and balances at all levels. The mandate goes beyond financial transactions to even review all other functions of various departments, viz Purchase, Sales and Operations, Payroll, HR and many others.
- The Internal Audit is outsourced to professional firms of auditors who reviews all the policies, procedures and also audits most of the transactions.
- The reports submitted every quarter is reviewed by the Management and Audit Committee and if needed corrective actions are taken.
- Additionally, pursuant to the Clause 49, the Corporate Governance of the listing agreement with stock exchanges, the Company is required to comply with additional standards. These standards include a certification by Company's Chief Executive Officer and Chief Financial Officer upon the effectiveness and deficiencies of internal controls and the certificate is placed before the Audit Committee meeting every quarter.

Threats & Risks:

- HOVS challenge is to leverage its domain experience and success in current markets it serves, to other rapidly growing markets where HOVS have significant presence.
- The appreciation of the Indian Rupee against the US Dollar can affect margins.
- Competition from global companies setting shops in India, China and Mexico as well as domestic BPO companies pose threat by price and margin erosion.
- Competition from other developing Countries is also a threat. However, HOVS' root in technology and adherence to existing and emerging standards, delivering the highest quality, global delivery platform enable HOVS to compete well against some deeply entrenched companies.
- The rising inflation and salaries along with high attrition among associates is a threat. This is planned to be offset with increased productivity and increased use of technology to reduce the dependence on manpower.

ANNEXURE TO THE DIRECTOR'S REPORT

REPORT ON CORPORATE GOVERNANCE

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

1. **HOVS Philosophy of Corporate Governance**

The objective of Corporate Governance is to achieve excellence in business thereby increasing shareholders' worth in the long term which can be achieved keeping the interest of shareholders' and comply with all rules, regulations and laws. The Board of Directors and Senior Management of your Company observed the following;

- Carry out their duties diligently and businesslike manner and within the scope of their authority;
- Responsible for the oversight of the assets and business affairs in an honest, fair, diligent and ethical manner;
- Make and enact informed decisions and policies in the best interests of the Company; and
- Adhere to the standards of care, loyalty, good faith and the avoidance of conflicts of interest that follow.

2. **Board of Directors**

The Board of Directors along with its committees provides direction and vision for the function of the Company. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board is entrusted with the task of managing the Company directly or through delegation of authority to executive management which provides the Board detailed reports on its performance periodically. The Board of Directors consists of eminent professionals with considerable professional expertise and experience in business and industry.

(a) **Size and Composition of Board of Directors**

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

(b) **Non Executive Directors' Compensation and Disclosures**

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

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

Details of Stock Options Granted to Non Executive Directors:

Sr. No.	Name of Director	Stock Options
1	Mr. B R Gupta	15,000
2	Mr. Prakash Shukla	10,000
3	Mr. Harish Bhasin	10,000

(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	4	2	Yes	4	-	-
Mr. Parvinder S Chadha	Promoter Executive	4	3	Yes	4	-	-
Mr. Sunil Rajadhyaksha	Promoter Executive	4	4	Yes	4	-	-
Mr. B R Gupta	Non-Executive Independent	4	4	Yes	4	1	2
Mr. Harish Bhasin	Non-Executive Independent	4	4	Yes	1	-	-
Mr. Prakash Shukla	Non-Executive Independent	4	4	Yes	5	-	-

The details of Board Meetings held during the financial year ended December 31, 2011 are as under;

Sr. No.	Date of Board Meetings	Board Strength	No. of Directors Present
1	May 27, 2011	6	5
2	August 3, 2011	6	6
3	August 11, 2011	6	5
4	November 7, 2011	6	5

Details of Remuneration of all the Directors

Sr. No.	Name of Director	Salary & PerquisitesRs.	Bonus/ Commission	Sitting FeesRs.	Stock Options
1	Mr. Surinder Rametra	3,600,000	Nil	Nil	Nil
2	Mr. Parvinder S Chadha	3,600,000	Nil	Nil	Nil
3	Mr. Sunil Rajadhyaksha	3,600,000	Nil	Nil	Nil
4	Mr. B R Gupta	Nil	Nil	220,000	15,000
5	Mr. Harish Bhasin	Nil	Nil	220,000	10,000
6	Mr. Prakash Shukla	Nil	Nil	180,000	10,000

Notes:

- 1) The Company has not entered into any pecuniary relationship or transaction with the Non-Executive Directors.
- 2) The Central Government approved re-appointment of Mr. Parvinder S Chadha, Mr. Sunil Rajadhyaksha and Mr. Surinder Rametra as whole-time directors of the Company w.e.f April 1, 2011 for a period of five years with a monthly remuneration of Rs. 400,000/- payable to each of the whole-time directors.

3. **Audit Committee**

The Company has set-up an Audit Committee pursuant to requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures.

Majority of the Members of the Audit Committee, including the Chairman of the Committee have accounting and financial management expertise. Mr. B R Gupta, who was the Chairman of the Audit Committee at the time of previous Annual General Meeting, was present at the Annual General Meeting of the Company held on August 3, 2011. Mr. B R Gupta has expertise of 45 years in insurance and financial markets.

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

The composition of Audit Committee is as follows:

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

The details of Audit Committee Meetings held during the financial year ended December 31, 2011 are as under:

Sr. No.	Date of Committee Meetings	Committee Strength	No. of Members Present
1	May 27, 2011	4	3
2	August 11, 2011	4	3
3	November 7, 2011	4	3

4. Compensation & Remuneration Committee

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

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

The scope of work of the Committee includes:

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

The Committee meets as and when required and during the year under review the meetings of the Committee were held on May 27, 2011 and November 7, 2011.

5. Investor Grievances Committee

The Company has set-up an Investor Grievances Committee which was re-constituted w.e.f. July 22, 2010 comprising of Mr. Harish Bhasin, Mr. B R Gupta and Mr. Sunil Rajadhyaksha as member and Mr. B R Gupta being the chairman of the Committee.

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

The Investor Grievances Committee had authorized Mr. Bhuvanesh Sharma, Company Secretary & Compliance Officer to overview the task of investor's servicing and redress their grievances by having fortnightly review calls to take care of requirements related to shareholders queries, re-materialization of shares, issue of duplicate share certificates, issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, split/consolidation of share certificates and any other matter as and when received from the shareholders of the Company and maintained the records thereof. The meetings of the Committee during the year were held on May 27, 2011 and November 7, 2011.

During the year under review the number of investors complaints received were 14. All of them were satisfactorily resolved/ replied, and no complaint/request is pending as on December 31, 2011.

6. Other Committees Constituted by the Board

The Board of Directors has re-constituted the other committees effective July 22, 2010 as detailed below;

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

7. General Body Meetings

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

Year	Location	Date	Time	Special Resolutions passed
2008-09	Le Meridien, Raja Bahadur Mill Road Pune-411001	July 25, 2009	12:00 Noon	Yes
2009-10	Le Meridien, Raja Bahadur Mill Road Pune-411001	July 21, 2010	3:00 PM	Yes
2010-11	Le Meridien, Raja Bahadur Mill Road Pune-411001	August 3, 2011	11:00 AM	Yes

- b) Extra Ordinary General Meeting: No Extra Ordinary General Meeting was held during the year.

8. Subsidiary Companies

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

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

- i) Minutes of all the meetings of the subsidiary companies held between two board meetings; and
- ii) Major dealings of subsidiary companies.

9. Disclosures Requirements

- The detailed Management Discussion and Analysis Report are given separately in the Annual Report.
- SourceHOV LLC., was accounted for using the equity method in terms of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial statements". The Company has a 27.2% equity interest in SourceHOV LLC., Management believes HOVS has significant influence as they have a 50% vote of the Board of Directors, but not control over the financial and operating policies. This is described in the Directors' Report forming part of the Annual Report.

- In November 2011, HOV Environment Solutions Private Limited (the “HOV ESPL”) was set up as an indirect subsidiary of the Company, to design and develop advanced solutions for solving problems related to erosion control, soil stabilization, environment conservations and protection solutions.
- No dividend was declared during the fiscal year ended December 31, 2011.

Dividend history for the last two years is as under:

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

- 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 Compensation & Remuneration Committee.
- Shareholding of Directors as on December 31, 2011 is as below:

Sr. No.	Name of Director	Number of shares held
1	Mr. B R Gupta, Independent Director	Nil
2	Mr. Harish Bhasin, Independent Director	Nil
3	Mr. Prakash Shukla, Independent Director	10,000
4	Mr. Surinder Rametra, Executive Director	15,000
5.	Mr. Sunil Rajadhyaksha, Executive Director	588,720

10. **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 are made available to the institutional investors and analysts and are displayed on the web site of the Company at www.hovsltd.com.

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

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

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

11. Non-Mandatory Requirements

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

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

As per the requirement of Clause 49 of the Listing Agreement, a certificate duly signed by CEO and CFO of the Company was placed at the meeting of Board of Directors of the Company held on May 2, 2012.

13. General Shareholder Information

a) **Details of ensuing AGM:**

Day and Date	Time	Venue
Saturday, June 23, 2012	10:00 AM	Le Meridien, Raja Bahadur Mill Road, Pune, Maharashtra 411001

b) **Financial Year : January 1 to December 31**

c) **Financial Calendar for the Year 2012 :**

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

Quarter End	Date
1 st Quarter Results	Declared on May 2, 2012
2 nd Quarter Results	On or before August 14, 2012
3 rd Quarter Results	On or before October 15, 2012
4 th Quarter Results	On or before February 14, 2013

d) **Date of Book Closure: June 18, 2012 to June 23, 2012 (both days inclusive)**

e) Dividend payment date:

No dividend was declared during the year ended December 31, 2011.

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 ended December 31, 2011.

Month	NSE			BSE			Total
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	Trade Quantity
Apr-11	107.65	90.00	1,227,700	107.85	90.20	678,897	1,906,597
May-11	103.00	82.85	255,394	103.00	84.00	157,989	413,383
Jun-11	97.30	83.50	713,586	97.00	84.00	365,601	1,079,187
Jul-11	97.45	85.90	436,478	97.25	85.70	244,691	681,169
Aug-11	88.20	50.70	413,145	87.00	51.30	219,392	632,537
Sep-11	63.05	50.00	1,168,753	63.10	50.45	393,706	1,562,459
Oct-11	57.75	52.65	145,261	58.40	52.40	47,736	192,997
Nov-11	64.60	37.00	716,220	64.50	36.10	430,967	1,147,187
Dec-11	41.40	33.30	314,165	40.95	33.60	154,206	468,371

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 December 31, 2011**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	9,307	89.85	10,704,040	8.57
5001 to 10000	505	4.88	4,089,370	3.27
10001 to 20000	267	2.58	4,148,060	3.32
20001 to 30000	79	0.76	1,998,380	1.60
30001 to 40000	50	0.48	1,801,260	1.44
40001 to 50000	33	0.32	1,546,490	1.24
50001 to 100000	56	0.54	4,220,560	3.38
100001 to above	61	0.59	96,402,060	77.18
Total	10,358	100.00	124,910,220	100.00

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

Sr. No.	Shareholder Category	No. of Shareholders	Shares Held	Voting Strength
1	CLEARING MEMBERS	49	10,932	0.09
2	FOREIGN INSTITUTIONAL INVESTORS	2	11,243	0.09
3	FOREIGN NATIONALS	3	461,745	3.70
4	H U F	356	141,566	1.13
5	BODIES CORPORATE	1	904,274	7.24
6	BODIES CORPORATES	351	1,044,031	8.36
7	NON RESIDENT INDIANS	113	353,341	2.83
8	PROMOTERS	7	6,084,079	48.71
9	RESIDENT INDIVIDUALS	9,476	3,479,811	27.86
	Total	10,358	12,491,022	100.00

iii) Top Ten Shareholders as of December 31, 2011

Sr. No.	Name(s) of the Shareholders	Category as per depository	Shares	%
1	ADESI 234 LLC	Promoter	3,000,985	24.03
2	HOF 2 LLC	Promoter	1,667,933	13.35
3	CHITALE LLC	Bodies Corporate	904,274	7.24
4	STERN CAPITAL PARTNERS LLC	Promoter	694,246	5.56
5	SUNIL RAJADHYAKSHA	Promoter	588,720	4.71
6	EINDIA VENTURE FUND LIMITED	Bodies Corporate	476,506	3.81
7	ARJUN RAMESH	PUB	407,442	3.26
8	DR. XIN CHENG	PUB	223,950	1.79
9	RICHARD B HUNTER.	Foreign National	148,817	1.19
10	KESHAV BANSAL	PUB	113,900	0.91
	TOTAL		8,226,773	65.86

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. 95.96 % of the Company's shares are held in electronic form as on December 31, 2011.

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

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

n) Plant/Office Locations

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

India Office: 3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune 411037

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) 2423 1623
Fax: (91 20) 2422 1460
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 ("the Company"), for the nine months period ended on December 31, 2011, as stipulated in clause 49 of the Listing Agreements of the said Company with the National Stock Exchange of India Limited and Bombay Stock Exchanges of India Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations given by the management of the Company, we certify that the Company has generally complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

A.M. Hariharan
Partner
M. No. 38323

Place: Mumbai
Date: May 2, 2012

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 on December 31, 2011.

Mr. Sunil Rajadhyaksha
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') its Subsidiaries and an Associate collectively referred to as 'the HOV Services Group' as at December 31, 2011, the Consolidated Statement of Profit & Loss and also the Consolidated Cash Flow Statement for the nine months period from April 1, 2011 to December 31, 2011 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:
 - a) One subsidiary included in the consolidated financial statements whose financial statements reflect total assets of Rs. 283,701 as at December 31, 2011; as well as the total revenue of Rs. Nil for the nine months period ended December 31, 2011. 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 report of such other auditors.
 - b) We have not audited the financial statements for the nine months period ended December 31, 2011 of an associate whose financial statements reflect net loss after tax of Rs. 38,11,02,628 for the period from May 1, 2011 to December 31, 2011 being consolidated for the first time under the equity method. These financial statements of the associate have been audited by other auditor whose report has been furnished to us and our opinion is based solely on the report 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 Standards (AS) 21 - Consolidated Financial Statements and (AS) 23 –Accounting for Investments in Associates prescribed by Companies (Accounting Standards) Rules, 2006 as amended from time to time.
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 Significant Accounting Policies and Accompanying Notes, 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 December 31, 2011;
- (ii) in the case of Consolidated Statement of Profit and Loss, of the loss of the HOV Services Group for the period from April 1, 2011 to December 31, 2011; and
- (iii) in the case of Consolidated Cash Flow Statement, of the cash flows of the HOV Services Group for the period from April 1, 2011 to December 31, 2011.

For LODHA & CO.

Firm Registration No: 301051E

Chartered Accountants

A.M. Hariharan

Partner

Membership No. 38323

Place: Mumbai

Date: May 2, 2012

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2011

(Amount in Rs.)

	Note No.	As at December 31, 2011	As at March 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	1	124,910,220	2,939,113,010
Reserves and surplus	2	1,996,677,452	1,031,237,452
Money received against share warrants		-	-
2 Share application money pending allotment		-	-
3 Non-current liabilities			
Long-term borrowings		-	-
Deferred Tax Liabilities (net)	3a	2,718,978	-
Other Long Term Liabilities		-	-
Long-term provisions		-	-
4 Current liabilities			
Short-term borrowings	4	-	5,387,511,373
Trade payables		13,360,531	1,035,574,626
Other current liabilities	5	83,676,154	131,447,464
Short-term provisions	6	10,058,840	96,804,664
TOTAL		2,231,402,175	10,621,688,589
II. ASSETS			
1 Non Current Assets			
Fixed Assets	7		
Tangible Assets		2,906,345	898,901,159
Intangible Assets		9,749,770	11,681,358
Capital work-in-progress		-	110,403,582
Intangible assets under development		-	-
Goodwill on consolidation		38,000	7,207,069,420
Non-Current investments	8	1,919,070,283	-
Deferred tax assets (net)	3b	-	41,398,990
Long-term Loans and Advances	9	4,599,470	109,182,142
Other Non-Current Assets	10	25,932,435	35,431,592
2 Current Assets			
Current Investments		-	-
Inventories		-	67,196,419
Trade Receivables	11	18,021,261	1,338,793,637
Cash and Bank Balances	12	237,579,246	495,413,962
Short Term Loans and Advances	13	9,687,918	305,502,464
Other Current Assets	14	3,817,447	713,864
TOTAL		2,231,402,175	10,621,688,589
Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements	19 & 20		

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
PartnerSunil Rajadhyaksha
Chairman & Executive DirectorParvinder S Chadha
Executive DirectorSurinder Rametra
Executive DirectorPlace: Mumbai
Date: May 2, 2012Bhuvanesh Sharma
Company Secretary &
Compliance OfficerJames Reynolds
Chief Financial Officer &
CAO, Global

**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE NINE MONTHS PERIOD ENDED
DECEMBER 31, 2011**

(Amount in Rs.)

Particulars	Note No.	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
I Revenue from operations	15	105,417,579	7,092,537,452
II Other income	16	9,875,476	17,330,722
III Total Revenue (I + II)		115,293,055	7,109,868,174
IV Expenses			
Employee Benefits Expense	17	57,578,734	3,607,221,963
Depreciation and Amortization Expense	7	2,761,518	291,636,233
Other Expenses	18	35,045,805	2,376,551,004
Finance Costs		-	292,754,921
Total Expenses		95,386,057	6,568,164,121
V Profit before exceptional and extraordinary items and tax (III-IV)		19,906,998	541,704,053
VI Exceptional items		-	-
VII Profit before extraordinary items and tax (V-VI)		19,906,998	541,704,053
VIII Extraordinary items		-	-
IX Profit before tax (VII- VIII)		19,906,998	541,704,053
X Tax Expense			
Current Tax		8,589,485	3,883,100
Deferred Tax		(643,391)	521,957
XI Profit for the period/ year from continuing operations (IX-X)		11,960,904	537,298,996
XII Share of Profit/(Loss) from an associate (Refer note no.20.1)		(104,333,062)	-
XIII Profit/(Loss) after tax and Share of profit/(Loss) from an associate(XI-XII)		(92,372,158)	537,298,996
XIV Profit/(Loss) from discontinuing operations		-	-
XV Tax Expense of discontinuing operation		-	-
XVI Profit from Discontinuing operations (after tax) (XII-XIII)		-	-
XVII Profit/(Loss) for the period/ year (XII + XIV)		(92,372,158)	537,298,996
XVIII Earnings per equity share of the face value of Rs.10 each :			
Basic		(7.40)	43.01
Diluted (including Class 'A' Preferred units)		(7.40)	23.40
Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements	19 & 20		

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
PartnerSunil Rajadhyaksha
Chairman & Executive DirectorParvinder S Chadha
Executive DirectorSurinder Rametra
Executive DirectorPlace: Mumbai
Date: May 2, 2012Bhuvanesh Sharma
Company Secretary &
Compliance OfficerJames Reynolds
Chief Financial Officer &
CAO, Global

Consolidated Cash Flow Statement for the nine months period ended December 31, 2011

(Amount in Rs.)

	For the nine months Period ended December 31, 2011	For the year ended March 31, 2011
A Cash flow from Operating Activities:		
Net Profit/ (Loss) before Tax	19,906,998	541,704,053
Add Adjustments for:		
Depreciation	2,761,518	291,636,233
Interest Expenses	-	292,754,921
Interest Income	(4,569,792)	(6,635,151)
Loss on Sale of Investment	-	-
Foreign Exchange Variation (Gain)/Loss	(8,312,219)	(60,754,660)
Operating Profit before Working Capital changes	9,786,505	1,058,705,396
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	25,716,938	37,990,789
(Increase)/Decrease in Other Receivables	23,977,692	(34,746,837)
(Increase)/Decrease in Inventory (consumables)	-	5,350,722
Increase/(Decrease) in Trade and Other Payables	90,383,397	32,420,939
Cash generated from Operations	149,864,533	1,099,721,009
Taxes Paid	(1,803,130)	(50,497,434)
Net cash from/(used in) Operating Activities - A	148,061,403	1,049,223,575
B Cash flow from Investing Activities:		
Purchase of Fixed Assets & CWIP (net)	(1,315,511)	(852,380,494)
Investment in Subsidiaries	(38,000)	-
Interest Expenses	-	(292,754,921)
Interest Received	4,569,792	6,635,151
Net Cash from/(used in) Investing Activities - B	3,216,281	(1,138,500,264)
C Cash flow from Financing Activities:		
Elimination of Class A preferred units	-	-
Dividend paid	(24,982,044)	(181,047,939)
Corporate Dividend Tax paid	(4,052,712)	(16,596,820)
Proceeds/(Repayments) from/to loans, (net)	-	236,102,798
Net cash from/(used in) Financing Activities - C	(29,034,756)	38,458,039
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	122,242,927	(50,818,650)
Opening Cash and Cash Equivalents	494,867,145	545,685,795
Less : Transferred to Combined Entity (Refer Note No.20)	(412,312,969)	-
Adjusted Opening Cash and Cash Equivalents	82,554,176	545,685,795
Closing Cash and Cash Equivalents	204,797,103	494,867,145

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, 'Cash Flow Statements', prescribed by Companies (Accounting Standards) Rules, 2006.
- Pledged FDRs, funds earmarked for dividend & balance in Trust Cash accounts has been excluded from Cash and Cash equivalents and included in Other Receivables.
- Transactions referred in note no. 20 is a non cash transaction and hence, not considered in the above cash flow statement.
- Previous year's figures have been regrouped/rearranged wherever considered necessary.

As per our attached report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A.M. Hariharan
PartnerSunil Rajadhyaksha
Chairman & Executive DirectorParvinder S Chadha
Executive DirectorSurinder Rametra
Executive DirectorPlace: Mumbai
Date: May 2, 2012Bhuvanesh Sharma
Company Secretary &
Compliance OfficerJames Reynolds
Chief Financial Officer &
CAO, Global

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

Note 1- Share Capital

Amount in Rs.

Particulars	As at December 31, 2011		As at March 31, 2011	
	Number	Amount in Rs.	Number	Amount in Rs.
Authorised				
Equity Shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000
Issued, Subscribed & Paid up				
Equity Shares of Rs. 10 each	12,491,022	124,910,220	12,491,022	124,910,220
Class A Preferred units by HOV Services, LLC (a Subsidiary)	-	-	10,467,532	2,814,202,790
Total	12,491,022	124,910,220	22,958,554	2,939,113,010

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
<u>Capital Redemption Reserve</u>		
Opening Balance	630,230	630,230
Closing Balance	630,230	630,230
<u>Securities Premium Account</u>		
Opening Balance	622,845,024	622,845,024
Closing Balance	622,845,024	622,845,024
<u>General Reserve</u>		
Opening Balance	19,541,409	2,923,466
Add: Transferred from Statement of Profit & Loss	-	16,617,943
Closing Balance	19,541,409	19,541,409
<u>Foreign Exchange Translation Reserve</u>		
Opening Balance	(368,234,792)	(333,813,746)
Add :Addition during the period/year	4,292,960	(34,421,046)
Less :Deduction during the period on transfer of subsidiaries (Refer note no 20.1)	366,997,362	-
Closing Balance	3,055,530	(368,234,792)
<u>Capital Reserve</u>		
Opening Balance	-	-
Add : Arising due to Fair value of Investment in the associate on the date of acquisition	1,163,282,971	-
Add : Equity adjustment to carrying value of investment in associate	20,203,345	-
Less: Return of Additional paid in Capital	(50,700,000)	-
Closing Balance	1,132,786,316	-
<u>Surplus : Profit & Loss</u>		
Opening Balance	756,455,581	433,638,950
Profit/(Loss) for the period/ year as per Statement of Profit & Loss	(92,372,158)	537,298,996
Less: Appropriations		
Post acquisition profit of transferred subsidiaries (Refer note no. 20.1)	446,264,480	-
Dividend Paid to Class A Preferred units	-	81,435,919
Interim Dividend on equity shares	-	74,946,132
Proposed Final Dividend on equity shares	-	24,982,044
Corporate Dividend Tax	-	12,447,615
Corporate Dividend Tax on Proposed Final Dividend	-	4,052,712
Transferred to General Reserve	-	16,617,943
Closing Balance	217,818,943	756,455,581
Total	1,996,677,452	1,031,237,452

Note 3a - Deferred Tax Liabilities (Net)		Amount in Rs.	
Particulars	As at December 31, 2011	As at March 31, 2011	
Deferred Tax Liability on account of :			
Depreciation	3,036,123	-	
Deferred Tax Asset on account of			
Provision for Employee Benefits	317,145	-	
Net Deferred Tax Liability	2,718,978	-	

Note 3b - Deferred Tax Assets (Net)		Amount in Rs.	
Particulars	As at December 31, 2011	As at March 31, 2011	
Deferred Tax Assets on account of :			
Depreciation	-	13,255,711	
Expenditure debited to Statement of Profit & Loss but allowed for tax purpose in following year	-	28,143,279	
Net Deferred Tax Asset	-	41,398,990	

Note 4 - Short Term Borrowings		Amount in Rs.	
Particulars	As at December 31, 2011	As at March 31, 2011	
Secured			
Working Capital Loans :			
From a Bank	-	5,387,511,373	
Total	-	5,387,511,373	

Note 5 - Other Current Liabilities		Amount in Rs.	
Particulars	As at December 31, 2011	As at March 31, 2011	
Unclaimed Interim Dividend	359,537	324,338	
Other advances payable towards services to be rendered	81,812,620	-	
Deposit from Customers	-	129,852,291	
Statutory Dues Payable	1,503,997	1,270,835	
Total	83,676,154	131,447,464	

Note 6 - Short-term Provisions		Amount in Rs.	
Particulars	As at December 31, 2011	As at March 31, 2011	
Provision for employee benefits	1,082,398	67,769,908	
Provision for Income Tax (Net of Tax paid Rs. 34,633,271 ;previous year Rs. NIL)	8,976,442	-	
Corporate Dividend Tax	-	4,052,712	
Proposed Final Dividend	-	24,982,044	
Total	10,058,840	96,804,664	

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

Note 7 - Fixed Assets

Sr. Particulars	Gross Block				Accumulated Depreciation / Amortisation				Net Block		
	Balance as at April 1, 2011	Additions	Disposals	Adjustment / Deletion (Refer note No. 20.1)	Balance as at December 31, 2011	Up to March 31, 2011	Depreciation for the Period	On Disposals	Adjustment / Deletion (Refer note No. 20.1)	Balance as at December 31, 2011	Balance as at March 31, 2011
a											
Tangible Assets											
Land (Freehold)	252,601,282	-	-	252,601,282	-	-	-	-	-	-	252,601,282
Building	138,799,609	-	-	138,799,609	-	-	-	-	2,675,919	-	136,123,690
Computers	766,813,607	1,000,480	-	767,814,087	5,655,553	467,446,622	390,947	-	463,622,820	1,440,804	299,366,985
Office Equipments	292,223,301	52,800	-	292,756,101	2,380,856	127,794,334	176,130	-	127,039,252	1,453,644	154,433,167
Furniture & Fixtures	164,625,271	-	-	164,625,271	13,000	127,127,781	622	-	127,127,300	11,897	37,497,490
Vehicle	24,827,142	-	-	24,827,142	-	5,948,597	-	-	5,948,597	-	18,878,545
Total (a)	1,629,890,412	1,053,280	-	1,630,943,692	8,049,409	730,989,253	567,699	-	726,413,888	5,143,065	898,901,159
b											
Intangible Assets											
Software Product*	17,451,289	-	-	17,451,289	17,451,289	6,530,804	1,643,531	-	-	8,174,335	10,920,485
Other Softwares	2,624,483	262,231	-	2,886,714	2,886,714	1,863,610	550,288	-	-	2,413,898	760,873
Total (b)	20,075,772	262,231	-	20,338,003	20,338,003	8,394,414	2,193,819	-	-	10,588,233	11,681,358
Total (a+b)	1,649,966,184	1,315,511	-	1,651,281,695	28,387,412	739,383,667	2,761,518	-	726,413,888	15,731,298	910,582,517
Previous Year	921,407,545	741,976,913	-	1,663,384,458	1,649,966,184	459,289,115	291,636,233	-	(11,541,681)	739,383,667	910,582,517

*Meant for Licence sale or otherwise

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

Note 8 - Non Current Investments (Long Term)

(Amount in Rs.)

Sr.	Particulars	As at December 31, 2011	As at March 31, 2011
1	Trade Investments (Refer below)		
	Investment in unquoted equity shares	1,919,070,283	-
	Aggregate amount of unquoted investments	1,919,070,283	-

Details of Non Current Investments (Long Term)

Sr.	Name of the Body Corporate	No. of Shares / Units		Extent of Holding (%)		Amount (Rs.)	
		As at December 31, 2011	As at March 31, 2011	As at December 31, 2011	As at March 31, 2011	As at December 31, 2011	As at March 31, 2011
	Investments in Equity Shares -Trade (Unquoted , fully paid up)						
1	Investment in Associate - SourceHOV LLC						
	Carrying value as on date of investment	8,748,035	-	27.20%	-	890,617,029	
	Add: Fair value of Investment in the associate on the date of Investment					1,163,282,971	
	Total Value of Investment in associate on the date of Investment					2,053,900,000	
	Add: Other equity adjustment to carrying value of an associate					20,203,345	-
	Less: Share of Profit/(Loss) from an associate till December 31, 2011					(104,333,062)	-
	Less: Return of Additional paid in Capital					(50,700,000)	
	Total	8,748,035	-	-	-	1,919,070,283	-

Note 9 - Long term loans and advances

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Unsecured, considered good		
Deposits	4,599,470	109,182,142
Total	4,599,470	109,182,142

Note 10 - Other Non -Current Assets

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
MAT credit Receivable	25,932,435	35,431,592
Total	25,932,435	35,431,592

Note 11 - Trade Receivables

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	18,021,261	1,321,192,786
	18,021,261	1,321,192,786
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	-	17,600,851
Unsecured, considered doubtful	-	35,943,250
Less: Provision for doubtful debts	-	(35,943,250)
	-	17,600,851
Total	18,021,261	1,338,793,637

Note 12 - Cash and Bank Balances

Amount in Rs.

Particulars	As at December 31, 2011		As at March 31, 2011	
Cash and Cash Equivalents :				
a. Balances with banks				
i) In Current Accounts	111,910,495		394,763,653	
ii) Fixed Deposits with maturities less than twelve months	92,850,000		99,316,014	
b. Cash on hand	36,608	204,797,103	787,478	494,867,145
(II) Earmarked Bank balances				-
Fixed Deposits with maturities less than twelve months pledged with banks for guarantees issued	32,416,000		216,000	
Unpaid Dividend Account	359,537		324,338	
In Trusts Account	6,606	32,782,143	6,479	546,817
Total		237,579,246		495,413,962

Note 13 - Short term loans and advances

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Unsecured, considered good :		
Service Tax Receivable	2,296,500	1,926,492
Advance Tax and Tax deducted at source including Fringe benefit tax (Net of provision of Rs. NIL; previous year Rs.32,726,158)	-	2,401,018
MAT Credit Entitlement	7,157,020	5,367,765
Unsecured loan to Associate Companies	-	63,365,448
Other Loans & Advances recoverable in cash or in kind or for value to be received	234,398	232,441,741
Total	9,687,918	305,502,464

Note 14 - Other Current Assets

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Prepaid Expenses	584,013	343,537
Accrued Interest on Fixed Deposits	3,224,947	159,062
Others	8,487	211,265
Total	3,817,447	713,864

Note 15 - Revenue from operations**Amount in Rs.**

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Software and IT enabled services	105,417,579	7,092,537,452
Total	105,417,579	7,092,537,452

Note 16 - Other Income**Amount in Rs.**

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Interest Income	4,569,792	6,635,151
Gain on Variation in Foreign Exchange Rates (Net)	4,589,127	1,683,230
Balances written back	716,557	1,602,757
Other non-operating income	-	7,409,584
Total	9,875,476	17,330,722

Note 17 - Employee Benefits Expense**Amount in Rs.**

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Salaries and wages	53,086,211	3,438,087,263
Contributions to provident and other funds	3,469,511	2,259,153
Staff welfare expenses	1,023,012	166,875,547
Total	57,578,734	3,607,221,963

Note 18 - Other Expenses**Amount in Rs.**

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Rent	7,000,430	373,863,392
Repairs & Maintenance - Building	235,060	71,236,203
Repairs & Maintenance - Others	630,902	198,386,734
Insurance	23,162	28,435,053
Rates and taxes	329,866	13,093,166
Power & Fuel Expenses	4,930,314	125,815,853
Travelling & Conveyance Expenses	8,007,737	208,074,560
Communication Cost	1,119,300	151,268,253
Legal & Professional charges	4,033,389	473,058,463
Director's sitting Fees	620,000	680,000
Printing & Stationery Expenses	477,787	364,172,597
Office, Administrative & Other Expenses	7,637,858	368,466,730
Total	35,045,805	2,376,551,004

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011**NOTE - 19****A. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1. Overview of the Group**

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

2. Basis of preparation of consolidated financial statements

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

3. Use of estimates

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

4. Principles of consolidation

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

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

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

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

5. Equity accounted associate are entities in respect of which, the Company has significant influence, but not control, over the financial and operating policies. Investments in such entities are accounted for using the equity method (equity accounted associate) and are initially recognized at cost.

6. **Members of the Group:**

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

Name	Country of incorporation	Percentage of ownership Interest at December 31, 2011	Percentage of ownership Interest at March 31, 2011
HOVS Holdings Limited	Hong Kong	100	100
HOVS, LLC (formerly known as HOV SPV, LLC) (Subsidiary w.e.f. March 1, 2011)	USA	100	100
HOV Environment Solutions Private Limited (Subsidiary of HOVS Holdings w.e.f. November 7, 2011)	India	100	NIL
SourceHOV LLC (w.e.f. April 29, 2011)	USA	27.20%	NIL

7. **Revenue recognition**

- a) The revenue from Finance and Accounting sector of the BPO sector including software development and support services is recognized as per the work orders/agreements entered with the parties.
- b) License fees are recognized on delivery and as per the terms of the contract.

8. **Inventories**

Consumables 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.

9. **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.

10. **Impairment of assets**

In accordance with AS 28 on 'Impairment of Assets' prescribed by Companies (Accounting Standards) Rules, 2006, where there is an indication of impairment of the Group's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed

impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization / depreciation) had no impairment loss been recognized.

11. Method of depreciation / Amortization:

I) Parent Company

- a) **Tangible Assets** - Depreciation is provided 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 licences and otherwise) are amortized over its estimated useful life of 8 years.

II) Indian and Foreign Subsidiaries

Depreciation is provided on Straight-Line Method at the following rates determined based on management's estimate of useful life of the assets.

Fixed Asset	Useful life in years
Building	30
Computers and office equipment	2 – 5
Leasehold Improvements	2 - 10
Furniture and fixture	2 – 7
Software Product	3 – 8
Vehicle	5 – 7

12. Investments

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

13. Accounting of Employee Benefits

Employee Benefits to employees in India

a) Gratuity:

Gratuity liability is a defined benefit obligation. The parent Company and Indian subsidiaries 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 Statement of Profit and Loss 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 Statement of Profit and Loss.

b) Provident Fund:

Retirement benefits in the form of Provident Fund / Pension Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the 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 statement of profit & loss as incurred and necessary provision has been done as per applicable laws.

14. Accounting for Taxes on Income

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

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

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

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

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

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

(ii) Conversion

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

16. Borrowing Costs

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

17. Lease

Where the Group has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of

the fair value or present value of minimum lease payment and liability is created for equivalent amount. Each lease rent paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

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

18. Provisions, Contingent Liabilities and Contingent Assets

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.

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

NOTE 20

1. Investment in equity accounted associate:

The Board of Directors of the Parent in their meeting held on March 12, 2011 had given approval to combine its wholly owned subsidiary HOV Services LLC with CorpSource Finance Holdings, LLC. On April 29, 2011, the Company completed the merger of its indirect subsidiary HOV Services LLC with SOURCECORP, Inc., a portfolio company of Apollo Management V, L.P. The merged entity called SourceHOV LLC ("SourceHOV").

SourceHOV LLC is a provider of end-to-end business process outsourcing solutions with highly customized services as well as specialized knowledge-based processing and consulting solutions. The company offers clients in information-intensive industries, such as healthcare, financial services, legal, public sector, and transportation, the solutions to manage their information and document intensive business processes and the solutions to fulfill certain specialized knowledge-based processing and consulting requirements, enabling these organizations to concentrate on their core competencies.

The combination transaction was accounted for using the equity method in terms of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial statements". The Group has a 27.2% equity interest in SourceHOV LLC. Management believes the Group has significant influence as they have a 50% vote of the Board of Directors but do not have control over the financial and operating policies.

The initial investment in SourceHOV LLC was recorded on May 1, 2011 at Rs. 890 millions being the carrying amount of HOV Services, LLC, However, the fair value of the investment was Rs. 2053 million, Accordingly, the difference was credited to capital reserve. At December 31, 2011 the investment value was Rs. 1970 millions which represents initial investment carrying amount and the Group's 27.2% share in SourceHOV LLC net loss for the period May 1, 2011 to December 31, 2011 which was Rs. 104 millions and the Group's 27.2% share in other equity adjustments of Rs. 20 millions.

2. In November 2011, the Company has acquired 10,000 equity shares of HOV Environment Solutions Private Limited (Formerly known as Amoeba Multiservice Private Limited) (representing 100% of the paid up equity capital) for a consideration of Rs. 130,000. Excess of consideration paid over net assets acquired is recognized as Goodwill arising on consolidation.

3. Commitment and Contingent liabilities:

a) Capital Commitment:

Amount in Rs.

Sr. No.	Particulars	As at December 31, 2011	As at March 31, 2011
1	Estimated amount of contracts remaining to be executed on capital account, not provided for	NIL	65,563,811

b) Contingent Liabilities not provided for in respect of:

Amount in Rs.

Sr. No.	Particulars	As at December 31, 2011	As at March 31, 2011
1	Bank Guarantees outstanding in respect of loan taken by an Associate	89,850,674	111,019,644
2	Other Bank Guarantees	216,000	216,000
3	Disputed Income Tax Matters (including interest upto the date of demand)	5,352,170	14,981,629
4	Claims not acknowledged as debts	NIL	9,867,000
5	Disputed Employees' State Insurance (excluding interest, if any)	NIL	8,539,354
6	Disputed Excise Matters (Service Tax- excluding interest, if any)	557,079	557,079
7	Disputed Provident Fund (excluding interest, if any)	NIL	11,301,624
8	Fixed Deposit Pledged for issue of bank guarantee on behalf of subsidiary company	32,200,000	NIL

Based on internal assessment and legal advice, management is confident of a favorable outcome in respect of all these matters.

c) Finance Lease commitment

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
<u>Not later than one year</u>		
Minimum lease payments	NIL	38,640,396
Less: Finance Charges	NIL	7,251,768
Present Value of minimum lease payments	NIL	31,388,628
<u>Later than one year, but not later than five years</u>		
Minimum lease payments	NIL	44,006,219
Less: Finance Charges	NIL	3,632,418
Present Value of minimum lease payments	NIL	40,373,701
<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	NIL	42,317,237
Vehicles	NIL	1,915,032

d) Operating lease commitments:

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

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
- within one year	6,565,234	8,828,986
- later than one year and not later than five years	32,396,403	31,240,034
-later than 5 years	NIL	NIL

4. Employee Benefits:

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

Sr.	Particulars	As at December 31, 2011	As at March 31, 2011
I	Assumptions		
	Discount Rate (Different rates for different subsidiaries)	8.50%	6.40% to 8.00%
	Expected Rate of Return on plan asset	9.00%	9.00% to 9.25%
	Salary Escalation (Different rates for different subsidiaries)	6.00%	5.00% to 10.00%
II	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of year*	1,387,844	36,481,194
	Interest cost	88,475	2,250,807
	Current Service Cost	601,483	14,687,258
	Benefits Paid	-	(3,048,648)
	Actuarial (Gain)/Loss on obligations	255,133	4,801,011
	Present value of obligations as at end of year	2,332,935	55,171,622
III	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of year*	1,590,622	15,355,341
	Expected return on plan assets	107,367	1,498,701
	Contributions	-	5,300,498
	Benefits paid	-	(3,092,755)
	Actuarial Gain / (Loss) on Plan assets	NIL	73,568
	Fair value of plan assets at the end of year	1,697,989	19,135,353
IV	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of year *	1,590,622	15,355,341
	Actual return on plan assets	107,367	1,498,701
	Contributions	-	5,300,498
	Benefits Paid	-	(3,092,755)
	Fair value of plan assets at the end of year	1,697,989	73,568
	Funded status	(634,946)	19,135,353
	Excess of Actual over estimated return on plan assets	NIL	NIL
	(Actual rate of return = Estimated rate of return as ARD falls on 31st March)		

Sr.	Particulars	As at	As at
		December 31, 2011	March 31, 2011
V	Actuarial Gain/Loss recognized		
	Actuarial Ggain/(Loss) for the year –Obligation	(255,133)	3,611,943
	Actuarial (Gain)/Loss for the year - plan assets	NIL	73,568
	Total (Gain)/Loss for the year	(255,133)	4,727,443
	Actuarial (Gain)/Loss recognized in the year	(255,133)	4,727,443
VI	The amounts to be recognized in the Balance Sheet		
	Present value of obligations as at the end of year	2,332,935	55,171,622
	Fair value of plan assets as at the end of the year	1,697,989	19,135,353
	Funded status	(634,946)	(36,036,269)
	Net Asset/(Liability) recognized in balance sheet	(634,946)	(36,036,269)
VII	Expenses recognized in statement of Profit & Loss		
	Current Service cost	601,483	14,687,258
	Interest Cost	88,475	2,250,807
	Expected return on plan assets	107,367	(1,498,701)
	Net Actuarial (Gain)/Loss recognised in the year	(255,133)	4,771,550
	Expenses recognised in statement of Profit & Loss	634,946	20,210,914

*Previous year's closing balances pertaining to the erstwhile subsidiaries has not been considered as opening balances for the current period in view of what is stated in note no. 20.1.

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

Particulars	For the period	For the year
	ended December 31, 2011	ended March 31, 2011
Net Profit/(Loss) before exceptional items as per Statement of Profit and Loss (Rs.)	(92,372,158)	537,298,996
Weighted average number of equity shares	12,491,022	12,491,022
Basic Earnings per share	(7.40)	43.01
Weighted average number of equity shares including Class A Preferred units	-	22,958,554
Diluted Earnings per share	(7.40)	23.40
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 with whom transactions have been entered during the period:

Sr. No.	Name
1	HOV Re, LLC
2	HandsOn Ventures, LLC
3	Tracmail India Private Limited
4	Bay Area Credit Services, LLC
5	HOV Services, Inc.*

* from April 29, 2011

b) Directors/Key Managerial Personnel and their relatives:

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

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

Sr.No.	Name	Nature	For the period ended December 31, 2011	For the year ended March 31, 2011
1	HOV Re, LLC	Rent paid	NIL	7,819,106
		Advances paid	NIL	2,292,435
2	Bay Area Credit Services, LLC	Services Rendered	16,150,595	14,348,296
		Advances paid	NIL	28,254,354
		Balances written back	NIL	1,118,936
3	Tracmail India Private Limited	Advance given	285,000	1,478,311
		Advances Received	285,000	5,752,431
4	HOV Services, Inc	Services Rendered	55,383,805	NIL
5	Mr. Sunil Rajadhyaksha	Managerial Remuneration	3,600,000	2,400,000
		Advance given	92,000	NIL
		Advance Received	100,000	NIL
6	Mr. Parvinder S Chadha	Managerial Remuneration	3,600,000	2,400,000
7	Mr. Surinder Rametra	Managerial Remuneration	3,600,000	2,400,000

Balances with the related parties referred in (a) and (b) above are as under as of December 31, 2011:

Amount in Rs.

Name of the Related party	Nature	Balances As at December 31, 2011	Balances As at March 31 2011
Bay Area Credit Services, LLC	Receivable	11,685,760	61,800,398
Tracmail India Private Limited	Receivable	NIL	1,478,311
Tracmail India Private Limited	Corporate Guarantees	89,850,674	111,019,644
HOV Services, Inc	Receivable	6,335,501	20,989,519
HandsOn Ventures, LLC	Receivable	NIL	86,739
Mr. Parvinder Chadha	Payable	586,262	290,159
Mr. Sunil Rajadhyaksha	Payable	679,280	451,688
Mr. Surinder Rametra	Payable	866,904	451,688

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 period, nor has any provision been made for doubtful debts / receivables except disclosed above.

8. Foreign Currency Exposure:

Foreign exchange currency exposure not covered by derivative instruments are as under: -

Particulars	As at December 31, 2011		As at March 31, 2011	
	Amount in Foreign currency (In USD)	Amount (In Rs.)	Amount in Foreign currency (In USD)	Amount (In Rs.)
Current Assets, Loans & Advances	338,326	18,021,261	130,858	5,842,810
Balance in EEFC Account	NIL	NIL	8,104	361,828

9. Segment Reporting:

The group is a diversified services corporation including software development and support services. Accordingly there are no separate reportable segments as per Accounting Standard-17 on "Segment Reporting as prescribed by Companies (Accounting Standards) Rules, 2006.

10. Current year results are not comparable to prior year as in FY 2010-11 HOV Services LLC was a consolidated subsidiary of the Parent, where in current period it is treated as an associate investment accounted for under the equity method due to the combination discussed in Note 20.1.
11. a) In view of change in financial year end to calendar year resulting in current year's figures being for nine months and are therefore, not comparable with that of previous year comprising of twelve months.
b) In view of what is stated in paragraph 20.1 above
12. Loss of Rs. 104,333,062 of the associate is the group's share in the aforesaid combined entity and is for the period from May 1, 2011 to December 31, 2011. Consequently, current year's figures are not comparable with those of previous year.
13. Previous year's figures are regrouped or rearranged wherever considered necessary to conform to the current period's presentation.

Signatures to Notes 1 to 20

For and on the behalf of the

Board of Directors of HOV Services Limited

Sunil Rajadhyaksha
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Surinder Rametra
Executive Director

Place: Mumbai
Date: May 2, 2012

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
Chief Financial Officer &
CAO, Global

Information regarding Subsidiary Companies For the Nine Months Period ended December 31, 2011
In terms of General Exemption provided by Central Government

(Rs in Lacs)

Sr. No.	Name of the subsidiary company	HOVS LLC Limited	HOVS Holdings Limited	HOV Environment Solutions Private Limited
	Currency	US\$	US\$	INR
	Exchange rate on last day of financial year*			
	Financial year ending on	December 31, 2011	December 31, 2011	December 31, 2011
1	Share Capital	7,842.78	0.07	1.00
2	Reserves	15,246.10	830.19	(4.65)
3	Total Assets	23,088.87	831.56	2.36
4	Total Liabilities	23,088.87	831.56	2.36
5	Details of Investment** (**Except Investment in subsidiary)	23,661.06	-	-
6	Turnover	113.16	-	-
7	Profit before taxation	(1,078.79)	(0.31)	(4.64)
8	Provision for taxation	-	-	-
9	Profit after taxation	(1,078.79)	(0.31)	(4.64)
10	Proposed dividend	-	-	0

(*Exchange rate on December 31, 2011 was Rs. 53.266 per US\$ and average 9 months rate Rs. 47.152 per US\$)

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 December 31, 2011, the Statement of Profit & Loss and the Cash Flow Statement for the nine months period from April 1, 2011 to December 31, 2011 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act, to the extent applicable;
 - e) On the basis of the written representation received from directors as on December 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on December 31, 2011 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 the best of our information and according to the explanations given to us the said financial statements read together with Significant Accounting Policies and accompanying notes 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 December 31, 2011;
 - ii) in the case of the Statement of Profit & Loss, of the profit of the Company for the period from April 1, 2011 to December 31, 2011; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the period from April 1, 2011 to December 31, 2011.

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

Place: Mumbai
Date: May 2, 2012

A. M. Hariharan
Partner
Membership No.38323

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011 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) No physical verification has been carried out during the current nine months, however all the fixed assets were physically verified by the management at the previous 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 period, no substantial part of fixed assets has been disposed off by the Company.
2. The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) of the Order are not applicable to the Company.
3. The Company has not granted or taken any loans, secured or unsecured, to / from companies, firms of other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that purchase of certain items of fixed assets and sale of services are of a special nature for which suitable alternative source do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register required to be maintained under Section 301 of the Act.
6. The Company has not accepted any public deposits within the meaning of Section 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Act for the services rendered by the Company.
9. a) The Company is 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 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 except the following :

NAME OF THE STATUTES	NATURE OF DUES	PERIOD TO WHICH IT RELATES	AMOUNT (IN RS.)	FORUM WHERE DISPUTED
Central Excise Act, 1944	Service tax	2008-09	557,079	Customs Excise Service Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	Assessment Year 2009-10	5,352,170	Commissioner of Income Tax (Appeals)-1,Pune

10. The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the current nine months period and 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 banks/financial institutions. Therefore, the provisions of clause 4(xi) of the Order are not applicable to the Company.
12. During the period, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks and financial institutions, are not, prima facie prejudicial to the interest of the Company.
16. According to the information and explanations given to us, the Company has not taken any term loans during the period. Therefore, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
17. The Company has not raised any funds on short term basis. Therefore, the provisions of clause 4(xvii) of the Order are not applicable to the Company.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act or in the recent past.
19. The Company has not issued any debentures during the period or in the recent past.
20. The Company has not raised any money by public issue during the period or in the recent past.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

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

A. M. Hariharan
Partner
Membership No.38323

Place: Mumbai
Date: May 2, 2012

BALANCE SHEET AS AT DECEMBER 31, 2011

(Amount in Rs.)

	Note No.	As at December 31, 2011	As at March 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	1	124,910,220	124,910,220
Reserves and surplus	2	707,713,523	691,711,365
Money received against share warrants		-	-
2 Share application money pending allotment		-	-
3 Non-current liabilities			
Long-term borrowings		-	-
Deferred Tax Liabilities (net)	3	2,718,977	3,362,368
Other Long-Term Liabilities		-	-
Long-term provisions		-	-
4 Current liabilities			
Short-term borrowings		-	-
Trade payables	19.6	9,298,573	5,114,590
Other current liabilities	4	1,863,534	2,177,917
Short-term provisions	5	10,058,840	31,715,325
TOTAL		856,563,667	858,991,785
II. ASSETS			
1 Non Current Assets			
Fixed Assets			
Tangible Assets	6	2,906,344	2,420,763
Intangible Assets		9,749,770	11,681,358
Capital work-in-progress		-	-
Intangible assets under development		-	-
Non-Current investments	7	655,456,024	706,156,024
Deferred tax assets (net)		-	-
Long-term Loans and Advances	8	4,599,470	4,574,470
Other Non-Current Assets	9	25,932,435	27,721,690
2 Current Assets			
Current Investments		-	-
Inventories		-	-
Trade Receivables	10	18,021,261	39,149,073
Cash and Bank Balances	11	126,138,586	56,860,648
Short Term Loans and Advances	12	9,942,329	9,713,896
Other Current Assets	13	3,817,448	713,863
TOTAL		856,563,667	858,991,785
Significant accounting policies and Accompanying Notes form an integral part of financial statements	18 & 19		

As per our attached Report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A. M. Hariharan
PartnerSunil Rajadhyaksha
Chairman & Executive DirectorParvinder S Chadha
Executive DirectorSurinder Rametra
Executive DirectorPlace: Mumbai
Date : May 2, 2012Bhuvanesh Sharma
Company Secretary &
Compliance OfficerJames Reynolds
Chief Financial Officer &
CAO, Global

STATEMENT OF PROFIT & LOSS FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011 (Amount in Rs.)

Particulars	Note No.	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
I Revenue from operations	14	94,101,097	247,401,392
II Other income	15	10,014,675	2,281,825
III Total Revenue (I + II)		104,115,772	249,683,217
IV Expenses			
Employee Benefits Expense	16	57,650,925	56,307,124
Depreciation and Amortization Expense	6	2,761,518	3,722,790
Other Expenses	17	32,290,249	32,400,145
Less: Corporate Charges recovered from a Subsidiary Company		(12,535,172)	(9,828,060)
Total Expenses		80,167,520	82,601,999
V Profit before exceptional and extraordinary items and tax (III-IV)		23,948,252	167,081,218
VI Exceptional items		-	-
VII Profit before extraordinary items and tax (V-VI)		23,948,252	167,081,218
VIII Extraordinary items		-	-
IX Profit before tax (VII-VIII)		23,948,252	167,081,218
X Tax Expense			
Current Tax		8,589,485	379,832
Deferred Tax		(643,391)	521,957
XI Profit for the period from continuing operations (IX-X)		16,002,158	166,179,429
XII Profit/(loss) from discontinuing operations		-	-
XIII Tax Expense of discontinuing operation		-	-
XIV Profit from Discontinuing operations (after tax) (XII-XIII)		-	-
XV Profit for the period/year (XII+XIV)		16,002,158	166,179,429
XVI Earnings per equity share of the face value of Rs.10 each :			
Basic & Diluted		1.28	13.30
Significant accounting policies and Accompanying Notes form an integral part of financial statements	18 & 19		

As per our attached Report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A. M. Hariharan
Partner

Sunil Rajadhyaksha
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Surinder Rametra
Executive Director

Place: Mumbai
Date : May 2, 2012

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
Chief Financial Officer &
CAO- Global

CASH FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011 (Amount in Rs.)

Particulars	For the Nine Months period ended December 31, 2011	For the year ended March 31, 2011
A Cash flow from Operating Activities:		
Net Profit/(Loss) before tax	23,948,252	167,081,218
Add: Adjustments for :		
Depreciation	2,761,518	3,722,790
Interest Income	(4,708,991)	(679,068)
Foreign Exchange (Gain)/Loss, (net)	(4,589,127)	1,821,171
Operating Profit before Working Capital changes	17,411,652	171,946,111
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivable	25,716,940	4,751,606
(Increase)/Decrease in Other Receivables	(33,803,090)	2,691,468
Increase/(Decrease) in Trade and Other Payable	4,461,516	944,538
Cash generated from Operations	13,787,018	180,333,723
Taxes Paid	(1,803,130)	(36,334,003)
Net cash from/(used in) Operating Activities - A	11,983,888	143,999,720
B Cash flow from Investing Activities:		
Purchase of Fixed Assets	(1,315,511)	(1,481,412)
Return of Additional paid in capital	50,700,000	-
Investment in Subsidiaries	-	(45,180)
Interest Received	4,708,991	679,068
Net Cash from/(used in) Investing Activities - B	54,093,480	(847,524)
C Cash flow from Financing Activities:		
Dividend paid	(24,982,044)	(99,928,176)
Corporate Dividend Tax	(4,052,712)	(16,596,820)
Net cash from/(used in) Financing Activities - C	(29,034,756)	(116,524,996)
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	37,042,612	26,627,200
Opening Cash and Cash Equivalents	56,313,831	29,686,631
Closing Cash and Cash Equivalents	93,356,443	56,313,831
Notes:		
1 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.		
2 Pledged FDRs & funds earmarked for dividend & balance in trust account have been excluded from Cash and Cash equivalents and included in Other Receivables.		
3 Previous year's figures have been regrouped/rearranged where necessary to conform to current period's presentation.		

As per our attached Report of even date

For LODHA & CO.
Chartered Accountants

For and on behalf of the Board

A. M. Hariharan
PartnerSunil Rajadhyaksha
Chairman & Executive DirectorParvinder S Chadha
Executive DirectorSurinder Rametra
Executive DirectorPlace: Mumbai
Date : May 2, 2012Bhuvanesh Sharma
Company Secretary &
Compliance OfficerJames Reynolds
Chief Financial Officer &
CAO- Global

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

Note 1- Share Capital

a)

Particulars	As at December 31, 2011		As at March 31, 2011	
	Number	Amount in Rs.	Number	Amount in Rs.
<u>Authorised</u>				
Equity Shares of Rs. 10 each	30,000,000	300,000,000	30,000,000	300,000,000
<u>Issued, Subscribed & Paid up</u>				
Equity Shares of Rs. 10 each	12,491,022	124,910,220	12,491,022	124,910,220
Total	12,491,022	124,910,220	12,491,022	124,910,220

b) **Rights of Equity Shareholders**

The Company has only one class of Equity Shares having par value of Rs.10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive any of the remaining assets of the Company.

c) **Reconciliation of numbers of equity shares**

Particulars	As at December 31, 2011		As at March 31, 2011	
	Number	Amount in Rs.	Number	Amount in Rs.
Shares outstanding at the beginning of the year	12,491,022	124,910,220	12,491,022	124,910,220
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	12,491,022	124,910,220	12,491,022	124,910,220

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

Name of Shareholder	As at December 31, 2011		As at March 31, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
ADESI 234, LLC	3,000,985	24.03%	3,000,985	24.03%
HOF 2 LLC	1,667,933	13.35%	1,667,933	13.35%
Chitale LLC	904,274	7.24%	904,274	7.24%
STERN CAPITAL PARTNERS LLC	694,246	5.56%	694,246	5.56%

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

Particulars	As at December 31, 2011 No. of Shares	As at March 31, 2011 No. of Shares
Equity shares bought back by the Company	63,023	63,023

- f) Shares reserved for issue under options:

a. **Employees Stock Option Plan (Plan 2007):**

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

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

(In No.)

Particulars	As at December 31, 2011		As at March 31, 2011	
	Directors	Other than Directors	Directors	Other than Directors
Options outstanding at the beginning of the year	5,000	535,500	10,000	757,950
Options Granted during the year	30,000	32,500	NIL	NIL
Options Lapsed	NIL	107,500	5,000	222,450
Options outstanding at the end of the year	35,000	460,500	5,000	535,500

During the period, no employees has exercised the options, hence no further details has been given

b. **Employees Stock Option Plan (Plan 2008):**

The shareholders in its Twentieth Annual General meeting held on September 30, 2008 approved additional 750,000 equity shares of a face value of Rs.10 each with each such option conferring a right upon the employee to opt for one equity share of the Company, in terms of HOVS ESOP Plan 2008. Under the 2008 plan, 750,000 options were reserved for employees of the subsidiary companies of the Company, working in India or out of India.

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

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
<u>Capital Redemption Reserve</u>		
Opening Balance	630,230	630,230
Closing Balance	630,230	630,230
<u>Securities Premium Reserve</u>		
Opening Balance	622,845,020	622,845,020
Closing Balance	622,845,020	622,845,020
<u>General Reserve</u>		
Opening Balance	19,541,409	2,923,466
Add: Transferred from Statement of Profit & Loss	-	16,617,943
Closing Balance	19,541,409	19,541,409
<u>Surplus</u>		
Opening Balance	48,694,706	15,561,723
Profit for the period/year	16,002,158	166,179,429
Less: Appropriations		
Interim Dividend on equity shares	-	74,946,132
Proposed Final Dividend on equity shares	-	24,982,044
Corporate Dividend Tax	-	12,447,615
Corporate Dividend Tax on Proposed Final Dividend	-	4,052,712
Transferred to General Reserve	-	16,617,943
Closing Balance	64,696,864	48,694,706
Total Reserves & Surplus	707,713,523	691,711,365

Note 3 - Deferred Tax Liabilities (Net)

Amount in Rs.

Particulars	As at	As at
	December 31, 2011	March 31, 2011
Deferred Tax Liability on account of :		
Depreciation	3,036,122	3,362,368
Deferred Tax Asset on account of		
Provision for Employee Benefits	317,145	-
Net Deferred Tax Liability	2,718,977	3,362,368

Note 4 - Other Current Liabilities

Amount in Rs.

Particulars	As at	As at
	December 31, 2011	March 31, 2011
Unclaimed Dividend	359,537	324,338
Due to Subsidiary Company: Meridian Consulting Group, LLC	-	582,744
Statutory Dues Payable	1,503,997	1,270,835
	1,863,534	2,177,917

Note 5- Short-term Provisions

Amount in Rs.

Particulars	As at	As at
	December 31, 2011	March 31, 2011
Provision for employee benefits	1,082,398	336,920
Provision for Income Tax (Net of Tax paid Rs. 34,633,271; previous year Rs. 32,726,158)	8,976,442	2,343,649
Corporate Dividend Tax	-	4,052,712
Proposed Final Dividend	-	24,982,044
	10,058,840	31,715,325

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011
Note 6 - Fixed Assets

(Amount in Rs.)

Particulars	Gross Block			Accumulated Depreciation/Amortisation				Net Block	
	Balance as at April 1, 2011	Additions	Disposals	Balance as at December 31, 2011	Up to March 31, 2011	Depreciation for the Period	On Disposals	Balance as at December 31, 2011	Balance as at March 31, 2011
a									
Tangible Assets									
Computer	4,655,073	1,000,480	-	5,655,553	3,823,803	390,947	-	1,440,803	831,270
Office Equipments	2,328,056	52,800	-	2,380,856	751,082	176,130	-	1,453,644	1,576,974
Furniture & Fixtures	13,000	-	-	13,000	481	622	-	11,897	12,519
Total (a)	6,996,129	1,053,280	-	8,049,409	4,575,366	567,699	-	2,906,344	2,420,763
b									
Intangible Assets									
Software Product*	17,451,289	-	-	17,451,289	6,530,804	1,643,531	-	9,276,954	10,920,485
Other Softwares	2,624,483	262,231	-	2,886,714	1,863,610	550,288	-	472,816	760,873
Total (b)	20,075,772	262,231	-	20,338,003	8,394,414	2,193,819	-	9,749,770	11,681,358
Total (a+b)	27,071,901	1,315,511	-	28,387,412	12,969,780	2,761,518	-	12,656,114	14,102,121
Previous Year	25,590,489	1,481,412	-	27,071,901	9,246,990	3,722,790	-	14,102,121	14,102,121

*Meant for License sale or otherwise

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

Note 7 - Non Current Investments (Long-Term)

Amount in Rs.

Particulars	Amount in Rs.	
	As at December 31, 2011	As at March 31, 2011
Trade Investments (Refer below) at Cost		
Investment in unquoted equity shares	655,456,024	706,156,024
Total	655,456,024	706,156,024
Aggregate amount of unquoted investments	655,456,024	706,156,024

Details of Non Current Investments (Long-Term)

Sr.	Name of the Body Corporate	Subsidiary	No. of Shares / Units		Face Value	Extent of Holding (%)		Amount in Rs.	
			As at December 31, 2011	As at March 31, 2011		As at December 31, 2011	As at March 31, 2011	As at December 31, 2011	As at March 31, 2011
	Investments in Equity Shares/Units -Trade (Unquoted , fully paid up and valued at cost)								
1	HOV Services, LLC	Subsidiary	N.A	1,000	USD 1	N.A	100%	-	43,990
	Add: Additional paid in capital		N.A	N.A	N.A	N.A	100%	-	706,060,397
2	HOVS LLC	Subsidiary	1,000	1,000	USD 1	100%	100%	45,180	45,180
	Add: Amount further invested as additional paid in capital		N.A	N.A	N.A	100%	N.A	706,104,387	-
	Less: Return of additional paid in Capital							(50,700,000)	
3	HOVS Holdings Limited	Subsidiary	1,001	1,001	Hongkong Dollar 1	100%	100%	6,457	6,457
	Total							655,456,024	706,156,024

Note 8 - Long term loans and advances

Amount in Rs.

Particulars	Amount in Rs.	
	As at December 31, 2011	As at March 31, 2011
Unsecured, considered good		
Deposits	4,599,470	4,574,470
Total	4,599,470	4,574,470

Note 9 - Other Non -Current Assets

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
MAT credit Receivable	25,932,435	27,721,690
Total	25,932,435	27,721,690

Note 10 - Trade Receivables

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Trade receivables outstanding for a period less than six months from the date they are due for payment Unsecured, considered good	18,021,261	39,149,073
Less: Provision for doubtful debts	-	-
Total	18,021,261	39,149,073

Note 11 - Cash and Bank Balance

Amount in Rs.

Particulars	As at December 31, 2011		As at March 31, 2011	
(I) Cash and Cash Equivalents				
a. Balances with banks				
i) In Current Accounts	486,949		5,882,635	
ii) Fixed Deposits with maturities less than twelve months	92,850,000		50,400,000	
b. Cash on hand	19,494	93,356,443	31,196	56,313,831
(II) Earmarked Bank balances				
Fixed Deposits with maturities less than twelve months (pledged with banks againsts guarantees issued)	32,416,000		216,000	
Unpaid Dividend Account	359,537		324,338	
In Trusts Account	6,606	32,782,143	6,479	546,817
Total	126,138,586		56,860,648	

Note 12 - Short-term loans and advances

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Unsecured, considered good		
a) Balances with Service Tax	2,296,500	1,926,492
b) MAT Credit Entitlement	7,157,020	5,367,765
c) Others:		
Unsecured loan to a Subsidiary Company -		
HOV Environment Solutions Private Limited	455,642	-
HOV Services, LLC	-	2,274,505
Hands on Venture, LLC	-	86,739
Other Loans & Advances	33,167	58,395
Total	9,942,329	9,713,896

Note 13 - Other Current Assets

Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Prepaid Expenses	584,013	343,537
Accrued Interest on Fixed Deposits	3,224,947	159,062
Others	8,488	211,264
Total	3,817,448	713,863

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011

Note 14 - Revenue from operations

Amount in Rs.

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Software and IT enabled services	94,101,097	247,401,392
Total	94,101,097	247,401,392

Note 15 - Other Income

Amount in Rs.

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Interest Income	4,708,991	679,068
Gain on Variation in Foreign Exchange Rates (Net)	4,589,127	-
Provisions written back	716,557	1,602,757
Total	10,014,675	2,281,825

Note 16 - Employee Benefits Expense

Amount in Rs.

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Salaries and wages	53,019,203	51,890,292
Contributions to provident and other funds	3,608,710	2,259,153
Staff welfare expenses	1,023,012	2,157,679
Total	57,650,925	56,307,124

Note 17 - Other Expenses**Amount in Rs.**

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Rent	7,000,430	9,124,750
Repairs & Maintenance - Building	235,060	296,448
Repairs & Maintenance - Computer	321,656	376,028
Repairs & Maintenance - Others	309,246	320,003
Insurance	23,162	54,872
Rates and taxes	329,866	302,450
Power & Fuel Expenses	4,930,314	5,620,035
Membership & Subscription Fees	3,036,912	841,000
Travelling & Conveyance Expenses	7,801,202	5,423,177
Communication Cost	1,119,300	1,046,999
Legal & Professional charges	3,877,150	3,051,947
Director's sitting Fees	620,000	680,000
Loss on Variation in Foreign Exchange Rates (Net)	-	1,821,171
Office, Administrative & Other Expenses	2,685,951	3,441,265
Total	32,290,249	32,400,145

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2011**NOTE 18****SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1. Company Information:**

The Company was incorporated in 1989 under the Companies Act, 1956 as Codec Communication Pvt. Ltd with registration number 25-14448. The Company commenced its operations on January 10, 1989. In March, 2006 the Company changed its name to HOV Services Limited as a part of its plans to create brand recognition among its customers. The Company operates as a hybrid between various investment portfolios and a diversified services corporation.

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 of India Limited.

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 sector 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' prescribed by the Companies (Accounting

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

7. Depreciation / Amortization:

- a) **Tangible Assets** - Depreciation 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 Statement of Profit and Loss 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 Statement of Profit and Loss.

b) **Provident Fund:**

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

11. Accounting for Taxes on Income:

Provision for current income tax is made on the basis of the estimated taxable income for the 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.

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

12. Borrowing Costs:

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

13. Leases:

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

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

14. Earnings Per Share:

The earnings considered in ascertaining Earnings Per Share comprise the net profit after tax. The number of shares used in computing Basic EPS is weighted average number of shares outstanding during the 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.

NOTE - 19 NOTES TO THE FINANCIAL STATEMENTS

1. Contingent Liabilities and Commitment:

a) Contingent Liabilities not provided for in respect of: Amount in Rs.

Particulars	As at December 31, 2011	As at March 31, 2011
Bank Guarantees outstanding in respect of loans taken by		
—Subsidiaries	NIL	1,674,375,000
—Associates	89,850,674	111,019,644
Others	216,000	216,000
Fixed Deposit Pledged for issue of bank guarantee on behalf of subsidiary company	32,200,000	NIL
Disputed Excise Matter (Service Tax), excluding interest, if any	557,079	557,079
Disputed Income Tax Matter (including interest up to date of demand)	5,352,170	NIL

b) Commitment

Operating Lease

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

Amount in Rs.

Particulars	As at Dec 31, 2011	As at March 31, 2011
- within one year	6,565,234	8,828,986
- later than one year and not later than five years	32,396,403	31,240,034
-later than 5 years	NIL	NIL

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

3. Earnings Per Share (EPS):

Particulars	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	16,002,158	166,179,428
Weighted Average Number of Equity Shares (Nos.)	12,491,022	12,491,022
Basic and Diluted Earning per Equity Share (Rs.)	1.28	13.30
Nominal value per Equity Share (Rs.)	10	10

4. Foreign Currency Exposures:

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

Particulars	As at December 31, 2011		As at March 31, 2011	
	Amount in Foreign currency (In USD)	Amount (In Rs.)	Amount in Foreign currency (In USD)	Amount (In Rs.)
Current Assets, Loans & Advances	338,326	18,021,261	927,740	41,423,578
Current Liabilities	NIL	NIL	13,051	582,744
Bank Guarantee given	NIL	NIL	37,500,000	1,674,375,000

5. Employee Benefits:

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

(Amount in Rs.)

Particulars	As at December 31 , 2011	As at March 31, 2011
I Assumptions		
Discount Rate	8.50%	8.00%
Expected Rate of Return on plan asset	9.00%	9.00%
Salary Escalation	6.00%	5.00%
II Table showing changes in present value of obligations		
Present value of obligations as at beginning of year	1,387,844	687,701
Interest cost	88,475	55,016
Current Service Cost	601,483	174,827
Benefits Paid	-	(124,234)
Actuarial (Gain)/Loss on obligations	255,133	594,534
Present value of obligations as at end of year	2,332,935	1,387,844

Particulars	As on December 31, 2011	As on March 31, 2011
III Table showing changes in the fair value of plan assets		
Fair value of plan assets at beginning of year	1,590,622	886,761
Expected return on plan assets	107,367	86,789
Contributions	-	741,306
Benefits paid	-	(124,234)
Actuarial Gain / (Loss) on Plan assets	NIL	NIL
Fair value of plan assets at the end of year	1,697,989	1,590,622
IV Table showing fair value of plan assets		
Fair value of plan assets at beginning of year	1,590,622	886,761
Actual return on plan assets	107,367	86,789
Contributions	-	741,306
Benefits Paid	-	(124,234)
Fair value of plan assets at the end of year	1,697,989	1,590,622
Funding Status - Surplus/(deficit)	(634,946)	202,778
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	NIL	NIL
V Actuarial Gain/Loss recognized		
Actuarial Gain/(Loss) for the year -Obligation	(255,133)	(594,534)
Actuarial (Gain)/Loss for the year - plan assets	NIL	NIL
Total (Gain)/Loss for the year	(255,133)	594,534
Actuarial (Gain)/Loss recognized in the year	(255,133)	594,534
VI The amounts to be recognized in the Balance Sheet and Statements of Profit and Loss		
Present value of obligations as at the end of year	2,332,935	1,387,844
Fair value of plan assets as at the end of the year	1,697,989	1,590,622
Funded status	(634,946)	202,778
Net Asset/(Liability) recognized in balance sheet	(634,946)	202,778
VII Expenses Recognised in Statement of Profit & Loss		
Current Service cost	601,483	174,827
Interest Cost	88,475	55,016
Expected return on plan assets	107,367	(86,789)
Net Actuarial (Gain)/Loss recognised in the year	(255,133)	(594,534)
Expenses recognised in statement of Profit & Loss	634,946	737,588

6. Related Party Transactions

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

A) Name of the related parties:**a) The Parties where Control exists:****(i) Subsidiaries**

Sr. No	Name
1	HOV Services, LLC*
2	HOVS Holdings Limited
3	HOVS LLC (formerly known as HOV SPV, LLC)

**Upto April 29, 2011*

ii) Step down Subsidiaries

Sr. No	Name
1	HOV Environment Solutions Private Limited**
2	HOV Services (Beijing) Limited*
3	HOV Enterprise Services, Inc*
4	Meridian Consulting Group, LLC*
5	Rustic Canyon III, LLC*
6	HOV Services, Inc*
7	Lason India Private Limited*
8	Vetri Software (I) Private Limited*

**Upto April 29, 2011*

*** from November 9, 2011*

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

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

**from April 29, 2011*

c) Directors/Key Managerial Personnel and their relatives:

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

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

(Amount in Rs.)

Name of the Party	Nature of Relationship	Transactions entered during	
		the period ended December 31, 2011	the year ended March 31, 2011
Tracmail India Private Limited	Associate		
Advance Given		285,000	598,862
Advance Repaid		285,000	598,862
HOV Services, Inc	Associate / Subsidiary		
Services Provided		73,446,820	180,643,593
Bay Area Credit Service, LLC	Associate		
Services Provided		16,150,595	14,348,296
Balances written back		NIL	1,118,936
HOV Services, LLC	Subsidiary		
Services Provided		4,503,682	52,409,503
Reimbursement of Expenses		798,840	9,828,060
Meridian Consulting Group, LLC	Associate / Subsidiary		
Balances written back		680,825	NIL
HOV Environment Solutions Private Limited	Subsidiary		
Advances Given		455,642	NIL
HOVS, LLC	Subsidiary		
Investment		NIL	45,180
Reimbursement of Expenses		11,736,332	NIL
Return of Additional paid in Capital		50,700,000	NIL
Transfer of Investment in HOV Services, LLC (Refer note no.19.12)		706,104,387	NIL
Mr. Surinder Rametra	Key Managerial Personnel		
Managerial Remuneration		3,600,000	2,400,000
Mr. Parvinder S Chadha	Key Managerial Personnel		
Managerial Remuneration		3,600,000	2,400,000
Mr. Sunil Rajadhyaksha	Key Managerial Personnel		
Managerial Remuneration		3,600,000	2,400,000

Balances with the related parties referred above :

Amount in Rs.

Name of the Party	Nature of Relationship	Balance as at	
		December 31, 2011	March 31, 2011
HOV Services, LLC Investment in Shares	Subsidiary	NIL	706,104,387
HOVS ,LLC Investment in Shares	Subsidiary	655,449,567	45,180
HOVS Holdings Limited Investment in Shares	Subsidiary	6,457	6,457
Meridian Consulting Group, LLC Payable	Subsidiary	NIL	582,744
HOV Services, LLC (Receivables)	Subsidiary	NIL	14,591,252
HOV Services, Inc (Receivables)	Associate / Subsidiary	6,335,501	20,989,519
HOV Environment Solutions Private Limited Receivable	Subsidiary	455,642	NIL
Guarantee Given		32,200,000	NIL
HOV Services, LLC Guarantee Given	Subsidiary	NIL	1,674,375,000
Bay Area Credit Service, LLC (Receivables)	Associate	11,685,760	5,842,807
Tracmail (India) Private Limited Guarantee Given	Associate	89,850,674	111,019,644
Hands On Venture, LLC Receivable	Associate	NIL	86,739
Mr. Surinder Rametra Remuneration payable	Key Managerial Personnel	866,904	451,688
Mr. Parvinder S Chadha Remuneration payable	Key Managerial Personnel	586,262	290,159
Mr. Sunil Rajadhyaksha Remuneration payable	Key Managerial Personnel	679,280	451,688
Mr. Anil Rajadhyaksha Salary Payable	Relative to Key Managerial Personnel	NIL	74,427
Karan Negi Payable	Key Managerial Personnel	NIL	39,536

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

7. Auditors' Remuneration:

(Amount in Rs.)

Particulars	For the nine months	For the year
	period ended	ended
	December 31, 2011	March 31, 2011
Payment to Statutory Auditors:		
Audit Fees	1,125,000	1,100,000
Limited Review Fees	225,000	990,000
Certification Fees	92,500	177,500
Reimbursement of Out of Pocket Expenses	171,517	285,431
(Included service tax of Rs. 139,047; previous year Rs.231,861)		
Total	1,614,017	2,552,931

8. 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.
9. The Company is engaged in the BPO business of Finance and Accounting Sector. Accordingly there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" prescribed by the Companies (Accounting Standards) Rules, 2006.
10. **Remittance in foreign currencies for dividends:**

The Company has remitted Rs. 15,462,694 (Previous Year Rs. 61,850,776) in foreign currency on account of dividends paid during the period. The particulars of dividend paid to non resident shareholders during the period are as under:

Particulars	Number of Non-Resident Shareholders		Number of Equity Shares held		Gross amount of dividend remitted (INR)	
	December	March	December	March	December	March
	2011	2011	2011	2011	2011	2011
Dividend for the year 2010-11 & 2009-10	13	13	7,731,347	7,731,347	15,462,694	61,850,776

11. Earnings / Expenditure in foreign Currency:

Particulars	Amount in Rs.	
	For the nine months period ended December 31, 2011	For the year ended March 31, 2011
<u>Earnings in Foreign Exchange</u>		
Income from Operations	94,101,097	247,401,392
Reimbursement of Expenses	12,535,172	9,828,060
<u>Expenditures in Foreign Currency</u>		
Travelling Expenses	NIL	65,275

12. Merger of Indirect Subsidiary:

The Board of Directors of the Company in their meeting held on March 12, 2011 had given approval to combine its wholly owned subsidiary HOV Services LLC with CorpSource Finance Holdings, LLC. On April 29, 2011, the combination between CorpSource Finance Holdings LLC (its direct subsidiary) (now known as SourceHOV LLC), together with its subsidiary SOURCECORP, Incorporated ("SRCP"), a Delaware corporation, and HOV Services, LLC ("HOVS"), a Nevada limited liability company was completed.

Pursuant to service agreements entered into with the aforesaid combined entity, the rates for the services rendered by the Company have been revised impacting Profit of the Company.

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

**Signatures to Notes 1 to 19
For and on the behalf of the
Board of Directors of HOV Services Limited**

Sunil Rajadhyaksha
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Surinder Rametra
Executive Director

Place: Mumbai
Date: May 2, 2012

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

James Reynolds
Chief Financial Officer &
CAO, Global

Notice of 24th Annual General Meeting

Notice is hereby given that the Twenty-Fourth Annual General Meeting of the Members of HOV Services Limited will be held on Saturday, the 23 day of June, 2012 at 10: AM 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 December 31 2011 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 re-appoint Mr. Harish Bhasin as Director of the Company, who retires by rotation and has given his consent for re-appointment.
3. To appoint M/s Lodha & Co., Chartered Accountants as auditors, who shall hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

By Order of the Board
HOV Services Limited

Place: Mumbai
Date: May 2, 2012

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 Explanatory Statement as required pursuant to Section 173(2) of the Companies Act, 1956 is not required to be given as there is no Special Business.
3. Pursuant to provision of Section 256 of the Companies Act, 1956 and Article 168 of Article of Association of the Company Mr. Harish Bhasin, Director being liable to retire by rotation.
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 2007 & HOVS ESOP Plan 2008 is being implemented in accordance with the SEBI(Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 will be available for inspection by members at the AGM.

By Order of the Board
HOV Services Limited

Place: Mumbai
Date: May 2, 2012

Bhuvanesh Sharma
Company Secretary &
Compliance Officer

BREIF RESUME OF DIRECTOR SEEKING RE-APPOINTMENT

Harish Bhasin

Mr. Harish P. Bhasin, 68, is a Director of the Company and one of the Founder Member of Klassic Construction (P) Ltd. (KCPL), a privately held Company registered in Mumbai, Maharashtra, providing construction and engineering services for Government sector, commercial and residential buildings since 1993. KCPL is a member of "Builders Association of India" and is in good standings.

Mr. Bhasin is a visionary and goal oriented senior executive with over 36 years of experience in the United States and India in various industries including information technologies, construction and pharmaceuticals. He managed multiple organizational initiatives at the strategic, tactical and operational levels. He has a Master's degree in Engineering Sciences from University of Mississippi, in 1968. He earned a United States Patent (# 3762466) "Static Stirrer Apparatus and Process" dated Oct 2, 1973 in his name.

HOVS
HOV Services Limited
 PROXY FORM

I/We.....
 of being a member(s) of HOV Services Ltd hereby appoint
 Mr./ Mrs./Ms.....Of.....
 in the district of.....or failing him / her Mr./ Mrs./
 Ms..... ofin the district of
 as my/our Proxy to attend and to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Members
 of HOV Services Limited to be held on **Saturday**, the **23rd** day of **June**, 2012 at **10:00 AM** at **Le Meridien, Raja Bahadur
 Mill Road, Pune, Maharashtra-411001** and at any adjournment thereof.

Signed thisday of.....2012.

Folio No. : No. of Shares held :

Client Id : DP Id :

Signature :

Affix 15 paise stamp revenue

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.

HOVS
HOV Services Limited
 ATTENDANCE SLIP

I hereby record my presence at the 24th Annual General Meeting held on **Saturday**, the **23rd** day of **June**, 2012 at **10:00 AM** 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:

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

Day and Date : Saturday, June 23, 2012

Time : 10:00 AM

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

If undelivered, please return to :



Karvy Computershare Private Limited

(Unit : HOV Services Limited)

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

Tel No. (040) 44655000

Fax No. (040) 23420814

Email : einward.ris@karvy.com