

HOVS LLC

FINANCIAL STATEMENT
FOR THE YEAR ENDED
MARCH 31, 2017

HOVS LLC

BALANCE SHEET AS AT MARCH 31, 2017

		Amount in Rs.	
	Note No.	As at March 31, 2017	As at March 31, 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	954,670,255	976,672,021
Reserves and surplus	2	(22,310,884)	(22,825,070)
Current liabilities			
Trade Payables		9,725,790	11,939,922
Other current liabilities	3	121,864,598	124,310,968
TOTAL		1,063,949,759	1,090,097,841
ASSETS			
Non Current Assets			
Non-Current investments	4	1,055,098,762	1,079,415,050
Current Assets			
Trade Receivables	5	6,159,667	6,301,626
Cash and Bank Balances	6	2,691,330	4,381,165
TOTAL		1,063,949,759	1,090,097,841
Significant accounting policies and Accompanying Notes form an integral part of financial statements			
	8 & 9		


As per our attached Report of even date

For Lodha & Company
Chartered Accountants



R.P. Baradiya
Partner

For HOVS LLC



Manager

Place: Mumbai

Date : May 25, 2017

HOVS LLC

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2017

Amount in Rs.

Particulars	Note No.	For the Year ended March 31, 2017	For the Year ended March 31, 2016
Revenue from operations -IT enabled services		24,152,256	23,565,996
Total Revenue		24,152,256	23,565,996
Expenses			
Other Expenses	7	24,152,256	23,565,996
Total Expenses		24,152,256	23,565,996
Loss before tax		-	-
Tax Expense		-	-
Loss for the year		-	-
Earnings per equity share of the face value of USD 1 each : Basic & Diluted		-	-
Significant accounting policies and Accompanying Notes form an integral part of financial statements			
	8 & 9		

As per our attached Report of even date

For Lodha & Company
Chartered Accountants

For HOVS LLC


R.P.Baradiya
Partner


Manager

Place: Mumbai
Date : May 25, 2017

HOVS LLC

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

	Amount in Rs.	
	For the year ended March 31, 2017	For the year ended March 31, 2016
A Cash flow from Operating Activities:		
Net Profit/ (Loss) before Tax	-	-
Add Adjustments for:		
Foreign Exchange Variation (Gain)/Loss	(98,696)	39,328
Operating Profit before Working Capital changes	(98,696)	39,328
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivables	-	(3,648,310)
Increase/(Decrease) in Trade and Other Payables	(1,591,139)	6,395,136
Cash generated from Operations	(1,689,835)	2,786,154
Taxes Paid	-	-
Net cash from/(used in) Operating Activities - A	(1,689,835)	2,786,154
B Cash flow from Investing Activities:		
Investments in subsidiaries	-	-
Net Cash from/(used in) Investing Activities - B	-	-
C Cash flow from Financing Activities:		
Paid /(Return) of additional paid in capital-net	-	-
Proceeds/(Repayments) from/to loans, Investment , net	-	-
Net cash from/(used in) Financing Activities - C	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(1,689,835)	2,786,154
Opening Cash and Cash Equivalents	4,381,165	1,595,011
Closing Cash and Cash Equivalents	2,691,330	4,381,165

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard III, 'Cash Flow Statements', prescribed by Companies Act, 2013.
2. Previous period's figures have been regrouped/rearranged where necessary to conform to current year's presentation.


As per our attached report of even date

For Lodha & Company
Chartered Accountants



R.P. Baradiya
Partner

For HOVS LLC



Manager

Place: Mumbai
Date : May 25, 2017

HOVS LLC

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

Note 1- Share Capital

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number	Amount in Rs.	Number	Amount in Rs.
Share Capital				
Common Stock	1000	64,839	1000	66,333
Additional Paid in Capital		954,605,416		976,605,688
Total	1000	954,670,255	1000	976,672,021

Details of common stock holders more than 5%

Name of Shareholder	As at March 31, 2017		As at March 31, 2016	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
HOV Services Limited- Holding Company	1000	100%	1000	100%

Details of Additional Paid up Capital held by Holding Company

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016
Opening Balance	976,605,688	921,511,517
Add : Exchange difference during the period	(22,000,272)	55,094,171
Total	954,605,416	976,605,688

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016
Foreign Exchange Translation Reserve		
Opening Balance	-	(2,013,774)
Add : Addition during the year	514,186	(1,340,524)
Less : Transferred to Statement of Profit and Loss	(514,186)	3,354,298
Closing Balance	-	-
Deficit : Statement of Profit & Loss		
Opening Balance	(22,825,070)	(19,470,772)
Add : Transferred from Foreign Exchange Translation Reserve	514,186	(3,354,298)
Profit/(Loss) for the year as per Statement of Profit & Loss	-	-
Closing Balance	(22,310,884)	(22,825,070)
Total	(22,310,884)	(22,825,070)

Note 3 - Other Current Liabilities

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016
Advances received towards reimbursement of expenses	33,708,153	34,156,035
Payable to Fellow Subsidiary- HOV Holdings Limited	86,715,611	88,714,099
Payable to Holding Company- HOV Services Limited	1,440,834	1,440,834
Total	121,864,598	124,310,968

HOVS LLC

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

Note 4 - Non Current Investments

Name of the Body Corporate	As at March 31, 2017		As at March 31, 2016	
	No. of Shares / Extent of Holding (%)	Amount in Rs.	No. of Shares / Extent of Holding (%)	Amount in Rs.
Investments in Equity Shares -Long Term Trade (Unquoted , fully paid up and at cost)				
Investment in Associate - SourceHOV Holdings Inc, USA (Refer Note No. 9.4)	64715		64715	
Cost as on date of Investments	44.8%	1,019,444,016	44.8%	1,042,938,588
Investment in Subsidiary - HOV Environment LLC, USA	6110		6110	
	100%	35,654,746	100%	36,476,462
Total		1,055,098,762		1,079,415,050

Note 5 - Trade Receivable

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured, considered good		
Trade receivable outstanding for a period less than six months from the due date of payment	6,159,667	6,301,626
Total	6,159,667	6,301,626

Note 6 - Cash and Bank Balances

Amount in Rs.

Particulars	As at March 31, 2017	As at March 31, 2016
Balances with banks :		
In Current Accounts	2,691,330	4,381,165
Total	2,691,330	4,381,165

Note 7 - Other Expenses

Amount in Rs.

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Consultancy Charges	24,152,256	23,565,996
Total	24,152,256	23,565,996

HOVS LLC

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2017

NOTE 8: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Overview of the Company

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

2. Basis for Preparation of Financial Statements

The Financial Statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India under the historical cost convention on the accrual basis and in compliance with the Accounting Standards (AS) prescribed by the Companies Act, 2013 to the extent applicable and on the principles of going concern. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

3. Use of Estimates

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

4. Revenue recognition

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

5. Investments

Investments are classified into long term and current investments as per AS 13. Long-term investments are carried at cost and provision is made to recognize any decline in the value other than temporary in the value of such investments. Current investments are carried at the lower of the cost or fair value and provision is made to recognize any decline in the carrying value of the investment.

6. Foreign Exchange Transactions

As per the provisions of AS – 11 “Effects of changes in foreign exchange rates”, the operations have been classified as ‘Non integral operations’ and therefore all assets and liabilities, both monetary and non-monetary, are translated at the closing rate while the income and expenses are translated at the average rate for the year. The resulting exchange differences are accumulated in the foreign currency translation reserve until the disposal of net investment.

7. Provisions, Contingent Liability and Contingent Assets

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

8. Currency

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

NOTE -9: NOTES TO THE FINANCIAL STATEMENTS

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

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

9.2 Related Party Transactions:

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

A) Name of the related parties:

(i) Where control exists:

Name	Relationship
HOV Services Limited- India	Holding Company
HOV Environment LLC- USA	Subsidiary
HOVS Holdings Limited- Hongkong	Subsidiary of Holding Company
HOV Environment Solutions Private Limited- India	Step down Subsidiary

(ii) Associates with whom transactions have been entered during the year in the ordinary course of business:

Source HOV LLC- USA	Associate
Rule 14, LLC- USA	Associate
HandsOn Venture LLC- USA	Associate

(iii) Other Related Parties

Mr. James Reynolds- Chief Financial Officer, Global

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

(Amount in Rs.)

Name and Description of transactions	For the year ended March 31, 2017	For the year ended March 31, 2016
HOV Services Limited		
Expenses for software support & maintenance	24,152,256	23,565,996
Reimbursement of Transaction related Expenses	Nil	2,465,602
Rule 14, LLC-		
Services provided for software support & maintenance	24,152,256	23,565,996

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

Name of Related Party	Nature of balances	As on March 31, 2017	As on March 31, 2016
HOVS Holdings Limited	Payable	86,715,611	88,714,099
HOV Services Limited	Payable		
	- Trade	9,725,790	11,939,922
	- Other	1,440,834	1,440,834
Rule 14, LLC	Receivable	6,159,667	6,301,626

Note:-

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

9.3 Earnings Per Share (EPS):

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	Nil	Nil
Weighted Average Number of Equity Shares (Nos.)	1,000	1,000
Basic and Diluted Earnings per Equity Share (Rs.)	Nil	Nil
Nominal value per Equity Share (in USD)	1	1

9.4 The Company holds an investment in Source Holding INC (Investee Company) which had completed the merger with BancTec Group LLC. Post-merger the Company's equity ownership in Source Holding INC had increased from 26.1% to 44.8%.

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

9.6 Previous period figures

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

Signatures to Notes 1 to 9

For HOVS LLC


Manager

Place : Mumbai

Date : May 25, 2017

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
HOVS LLC, USA**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HOVS LLC Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

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

Auditor's Responsibility

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

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2017;
- (ii) in the case of the Statement of Profit and Loss, profit/loss of the operations of the Company for the year ended on that date, and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

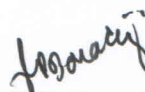
OTHER MATTER:

The audit report has been prepared for the purpose of enabling Ultimate Parent Company's financial reporting requirement under the Act and should not be used for purposes other than that which it is meant for.

Place: Mumbai
Date : May 25, 2017



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


R.P. Baradiya
Partner
Membership No. 44101