

HOV Services Limited



25th ANNUAL REPORT 2012

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CORPORATE 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

VP-Corporate Affairs
& Company Secretary

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

Independent Director

Mr. Harish Bhasin

Independent Director

Mr. Prakash Shukla

Independent Director

THE EXECUTIVE MANAGEMENT

Mr. James Reynolds

Chief Financial Officer & CAO, Global

Mr. Bhuvanesh Sharma

VP-Corporate Affairs & Company Secretary

Chairman Message:

Dear Members,

Over the journey of 25 years, we have experienced many changes in the industry. The coming and going of different technologies and all the ups and downs of the economy - but the one thing that has remained sustainable over the years, and is core to our success, is our commitment to our customers and partners and listening to meet their needs and help them be successful.



The journey started way back in 1989 when Company was incorporated as Codec Communications Private Limited, providing software services. During January 2002, it joined hands with a division of HandsOn group. Subsequent to this the Company acquired assets in F&A segment of BPO sector and developed and managed those acquired assets to grow.

In September 2006, it entered into public market by IPO and became a public company and currently its equity is listed both at National Stock Exchange and Bombay Stock Exchange.

In February 2007, the Company acquired Lason Inc, a global Business Process Outsourcing provider in the Transaction Management, Insurance and Tax and Enterprise Service Industries. With that acquisition, HOVS and its global workforce constituted more than 11,000 employees who served more than 50% of the FORTUNE 100® companies—including more than 4,000 active customers in the North American marketplace.

In April 2011, the Company took another leap step by merging its indirect subsidiary HOV Services LLC ("HOV Services") with SOURCECORP, Inc. ("SOURCECORP"), a portfolio company of Apollo Management V, L.P. The combined company emerged as SourceHOV Inc., reflecting the union of our two companies and our expanded capabilities. SourceHOV with over \$525 million in revenue, is one of the largest pure play BPO and specialty consulting companies in the industry, serving customers in more than half of the Fortune 100® with deep domain expertise, including document centric applications, in Healthcare Player and Provider, Finance and Banking, Public Sector, Publishing, Legal, Insurance, Manufacturing and Commercial industries, including specialized consulting services for construction management, tax benefits, legal claims settlements and economic consultancy. With the combination, the company's global workforce is now more than 14,200 employees operating from approximately 80 delivery centers in 13 countries including the U.S., Mexico, Canada, India, China, Philippines and others.

I am pleased to inform that today Your Company has no Debt, no Goodwill in Financial statements and enjoys the highest equity investment value through our one of the key portfolio company "SourceHOV". By doing that our India base is still better and strengthened than ever before.

We have long history of industry-leading performance and of sustained value-creation for all our stakeholders and confident to keep on doing.

Our second portfolio company HOVESPL had entered into environmental protection business and initiated its first project of building artificial reef at Mirya beach, Ratnagiri. Post completion of this

project HOVESPL would be a player in providing solutions in coastal protection management. With this new portfolio the HOVS had entered into another new business segment of environment solutions.

I am thankful to each one of you for showing trust and confidence in the management of the Company. By & large your Company's management is completely geared towards accomplishing new milestone, diversifying Company's growth and enhancing shareholders value.

Lastly, on behalf of Company's board of directors I would like to acknowledge efforts made by each and every employee of our HOVS family for their dedication towards work and for overcoming challenges encountered while executing new projects.

Best regards and thank you all,

Sunil Rajadhyaksha

Chairman & Executive Director

Directors' Report

Your Directors are pleased to present the Company's Twenty- Fifth 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, 2012.

The financial statements are prepared for the year comprising of the 12 (Twelve) months period ended on December 31, 2012 and are not comparable to the financial statements of previous year comprising of 9 (Nine) months ended December 31, 2011, as the financial year was changed to the calendar year ended December 31 in 2011.

FINANICAL RESULTS AND OPERATIONS:

Rs. In Million

Particulars	Consolidated		Standalone	
	Twelve months ended on December 31, 2012	Nine months ended on December 31, 2011	Twelve months ended on December 31, 2012	Nine months ended on December 31, 2011
INCOME				
Income from Operation	140.20	105.42	113.60	94.10
Other Income	15.58	9.88	14.73	10.01
	155.78	115.30	128.33	104.11
EXPENDITURE				
Purchase for resale	21.20	-	-	-
Staff Cost	96.59	57.58	87.61	57.65
General and Administrative Expenses	36.59	35.05	15.43	19.75
	154.34	92.63	103.04	77.40
Profit / (Loss) before Interest, Depreciation and Tax	(8.59)	22.67	25.29	26.71
Less: Interest	-	-	-	-
Less: Depreciation	4.99	2.76	3.42	2.76
Profit / (Loss) before Tax	(3.60)	19.91	21.87	23.95
Tax pertaining to earlier years	0.70	0.21	0.70	0.21
Less: Provisions for taxes				
Current Tax	7.77	8.38	7.77	8.38
Deferred Tax	(0.83)	(0.64)	(0.83)	(0.64)
Profit / (Loss) after Tax	(11.24)	11.96	14.23	16.00
Less:Minority Interest	(8.80)	-	-	-
Profit/(Loss) after minority interest	(2.43)	-	-	-
Add: Share of Profit/(Loss) from an Associate	51.23	(104.33)	-	-
Profit / (Loss) after Tax & Share of Profit/ (Loss) from an Associate	48.80	(92.37)	14.23	16.00

1. RESULTS OF OPERATIONS:**Consolidated Financial Performance for the Year ended December 31, 2012**

- Consolidated total Income for the current twelve month period was Rs. 140.20 million.
- EBIDT for the current twelve month period was Rs. 1.38 million.
- Net Profit was Rs. 48.80 million.
- The basic and diluted Earnings per share (EPS) for the twelve months period is 3.91.

Standalone Financial Performance:

- Total Income for the current twelve month period was Rs. 113.60 million.
- EBIDT for the current twelve month period was Rs. 25.29 million.
- Net Profit was Rs. 14.23 million.
- The basic and diluted Earnings per share (EPS) is Rs 1.14 for the Year under reporting.

2. SIGNIFICANT DEVELOPMENTS:

During the year following developments took place;

- i) In April 2012, HOVS LLC (the WOS of the Company) invested in a new company named "HOV Environment LLC", having equity interest of 61.10%; and
- ii) In October 2012, the Company had acquired building property admeasuring 13,243 Square feet area situated at Vashi Infotech Park, Vashi, Navi Mumbai.

3. 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.

For the financial year 2012 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 December 31, 2012.

4. 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;
- iii) HOV Environment LLC incorporated in Nevada under the laws of United States of America; and
- iv) HOV Environment Solutions Private Limited incorporated in Maharashtra under Indian Company Laws.

5. ADR/GDR

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

6. Share Capital of the Company

The fully diluted outstanding share capital of the Company on consolidated basis comprise of 12,491,022 equity shares of Rs. 10/- (Ten Only) each.

7. Employee Stock Option Plan (ESOP)

Your 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

The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed to this report.

8. 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: Your Company's operations involve low energy consumption. The Company strives to conserve energy on continuous basis.

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.

Technology Absorption, Adaptation and Innovation: 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, however during the year no such activities been carried out.

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 20.4 of Notes to the Accounts of the Annual Report.

9. 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.

10. Human Resources:

During the year the Company had maintained cordial relations with all its employees and has taken utmost care of its employees deployed. All employees are aligned under our value system which propagates and practices being open, transparent and honest, collaborative, honoring commitments and demanding excellence among them.

11. Directors Responsibility Statement:

Information as per Section 217(2AA) of the Companies Act, 1956 is annexed and forms part of the report.

12. 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.

13. Corporate Governance Report

The Company adheres to corporate governance guidelines to fulfill its responsibilities to all its stakeholders i.e. investors, customers, vendors, government, employees. Company believes that good corporate governance enhances accountability and increases shareholder value.

The Company complies with the corporate governance norms as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges and a report thereto is included in annexure to the Director's report.

14. 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.

15. Statutory 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. Your directors recommend their re-appointment. A resolution proposing their appointment at remuneration to be fixed by the Board of Directors is submitted at the Annual General Meeting.

16. Directors

There is no change in the Board of Directors during the year under review. Mr. Prakash Shukla, Director is to retire by rotation at ensuing 25th Annual General Meeting. Mr. Prakash Shukla confirmed his eligibility and willingness to continue the directorship of the Company, if appointed. It is considered prudent that Company should continue to avail the services of Mr. Prakash Shukla and therefore the Board recommends approving the proposed resolution relating to his re-appointment.

None of the Director was materially interested in any contracts or arrangements existing during or at the end of the financial year that was significant in relation to the business of the Company.

17. 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. However, general exemption is granted in terms of General Circular No. 2/2011 and No. 5/12/2007-CI-III dated February 8, 2011, issued by the Ministry of Corporate Affairs

under section 212(8) of the Companies Act, 1956 granting general exemption. Your Company is in compliance of the section read with the provisions of the circular and will not be attaching the accounts of the subsidiaries.

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. 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.

18. Acknowledgement

Your Directors' place on record their appreciation for co-operation and support received from the Software Technology Parks of India, the Government of India, Governments of Maharashtra, Reserve Bank of India, other governmental agencies and NASSCOM and the National Stock Exchange and the Bombay Stock Exchange and, 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: February 27, 2013

Sunil Rajadhyaksha
Chairman & Executive Director

Annexure to the Directors' Report
DETAILS OF EMPLOYEES STOCK OPTIONS/RESTRICTED STOCK UNITS AS ON DECEMBER 31, 2012

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 2012	155,150	335,900	491,050
Options in force	67,000	418,000	485,000
Balance options available	333,000	282,000	615,000

*Includes lapsed options eligible for further grants and granted.

ii) The details of options vested under **Plan 2007**:

Details of Options vested from:	Employees of the Company	Employees of the subsidiary Companies	Total
Grant in 2007	5,000	310,000	315,000
Grant in 2008	3,800	39,200	43,000
Grant in 2011	5,250	1,000	6,250
Total options vested	14,050	350,200	364,250

iii) Information of grant made to directors and employees under **Plan 2007**:

Options grant date	Directors (A)	Other than Directors (B)	Total (A+B)
July 21,2007	7,500	640,000	647,500
25-Oct-07	0	20,000	20,000
30-Jul-08	7,500	183,550	191,050
8-Oct-08	0	55,000	55,000
27-May-11	30,000	32,500	62,500
Total Granted	45,000	931,050	976,050
Options lapsed	10,000	481,050	491,050
Options in force	35,000	450,000	485,000

iv) The details of options granted under the **Plan 2007** and **Plan 2008** are given in the table.

As of December 31, 2012

		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:	364,250	Nil
d.	Options Exercised:	Nil	Nil
e.	Total number of shares would be arising as a result of exercise of options:	364,250	Nil
f.	Options lapsed:	491,050	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:	485,000	Nil
j.	Employee wise details of Options granted to:		
	i. Senior Management personnel:	485,000	Nil
	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	Nil
k.	Diluted EPS on issue of shares on exercise calculated in accordance with AS 20.	NA	NA

Notes:

- i) No options have been granted under **Plan 2008** so far;
- ii) During the year under review, there has not been any grant made from the ESOP Plan 2007;
- iii) Options 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;

- iv) As per ESOP Plan 2007, options granted shall be capable of being exercised within a period of five years from the date of vesting of the respective employee stock options. The un-exercised vested options will lapse upon the expiry of five years from the respective date of their vesting;
- v) 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 forms 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; and
- vi) On February 27, 2013, 115,000 options were granted out of **ESOP Plan 2007** as detailed below;

Employees of the Company	40,000
Independent directors: (25,000 options to each of the independent director)	75,000
Total	115,000

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, your Directors confirmed and state as follows:

- 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.
-

DECLARATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement with Stock Exchanges, we hereby confirm that for the financial year ended December 31, 2012, the Directors and Senior Management Personnel have complied with the Code of Conduct of the Company as applicable to them.

Place: Mumbai

Date: February 27, 2013

Mr. Sunil Rajadhyaksha

Chairman & Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Business Process Services :

Even though Off-shoring continues to gain momentum globally, its growth has been tempered by various factors like rising costs, regulations and attrition. We see a pragmatic shift in the outsourcing cycle that started back in 1990s, as majority of US companies are opting for On-shoring or Near-Shoring rather than Off-shoring their work. Many state and local governments in the US are reportedly outsourcing work to local service providers in deals worth hundreds of million dollars which mandate the use of local or statewide resources. Current political scenario too has compelled government in US towards implementing policy that brings jobs to the locals & in the State. BPO companies globally are transforming their businesses towards a balance sourcing model by diversifying towards executing an ideal mix between On-shoring and Off-shoring centers.

BPO Companies currently favor outsourcing alternatives such as cloud computing, and growing trend of companies setting up in-house shared service centers. Platform as a Service (PaaS) along with software as a service (SaaS) and infrastructure as a service (IaaS), is the latest service model of cloud computing. PaaS platforms are commonly designed around developer ergonomics to maximise developer productivity. PaaS allows resources to be focused on value added development effort by removing the need for most non-differentiating project tasks associated such as provisioning and managing environments. In this model, the consumer creates the software using tools and/or libraries from the provider. The consumer also controls software deployment and configuration settings. The provider provides the networks, servers, storage and other services.

We see enhancing growth towards providing data analytics services. Huge amount of data gets generated each year fuelling necessity towards having a data center with analytical capabilities. In 2020 it is estimated that there will be 44 times more data than in 2009—35 zettabytes compared to 800,000 petabytes. Big Data techniques and software work to manage large data blocks and make sense of the information. Data such as social media, monitoring and sensing devices, and embedded chips— now in ev-ery imaginable device from refrigerators and airplanes to bodily implants—all add to the growing mounds of avail-able data.

Most of this data is unstructured and flows from non-traditional sources such as blogs, Facebook posts, and tweets. Organizations' across different industries are now looking at this pool of data to determine how best it can be mined to understand their customers better. Industries such as financial services, telecommunications, retail, and healthcare are already leaders in adoption of big data analytics in decision making. Manufacturing and public services will be the next set of industries that will start using big data in the coming years.

- In financial services, it is being used for making better trade and risk decisions, improving regulatory compliance and detecting and preventing fraud on a real-time basis.
- In retail, it ensures maximum mileage for every marketing dollar spent by helping real-time analysis of the purchasing behaviour and buying patterns of customers, data-driven customer segmentation and focused customer loyalty programmers. In telecom, big data analytics helps in better customer service through network planning and optimisation, and improved customer retention and loyalty through churn analysis.
- In healthcare, it supports analysis of the correlation between treatments and outcomes, and real-time analysis of data from medical devices for better patient care.

Environment Protection Management Solutions:

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 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. As the pressure on the coastal zone keeps expanding because of human-induced activities as well as relative sea level rise, there is an urgent need to find sustainable solutions for coastal protection. Continuing coastal erosion worldwide is leading to the development and installation of innovative techniques for effective and unobtrusive shoreline and near shore control. There are increasing examples of replacement or modification of traditional hard rock protection with softer options such as beach nourishments, dune management, or artificial reefs. The coastal protection strategy in India aims at protecting the land and overall economic growth. Protecting the beach and the environment are relatively new concepts. The most frequently applied methods for coastal protection have been through the use of hard structures, such as seawalls or groins. Asian Development Bank has funded US \$ 51.55 Mn for sustaining coastal environment and protection in India. The investment program is designed to facilitate the transition to softer solutions, with a focus on environmentally appropriate and sustainable solutions.

The benefits of coastal protection to coastal economies are enormous namely-

- (a) Interventions to prevent coastal erosion and protect beaches and adjoining land will benefit port operators and users, fisherfolk, tourism operators, beach users, farmers, and other property owners and local communities living near to or depending on the coast;
- (b) In addition, the introduction and development of new technologies have lower environmental and social impacts than rock walls, which are the traditional solution to coastal erosion problems in India. When solutions include the construction of artificial reefs, there are benefits for beaches, land and property behind beaches, tourism, and artisanal fisheries since reefs provide a beneficial habitat for fish and other marine species; and
- (c) The introduction of these new technologies for coastal protection leads to solutions that not only protect the coastline from erosion but enhance income-generating opportunities for communities living near the affected areas.

With the BPO industry to have reverse geographical change; with emerging technologies; with big data management and coastal protection management, we aspire to explore the emerging opportunities.

Our Strategy and Differentiation

We operate as a hybrid between investment portfolios and diversified services corporation. Each of portfolio companies' delivers its services based on best practices and the portfolio companies operate to improve their cash flow and liquidity, and we identify opportunities for portfolio companies to grow. In this way, our portfolio companies receive support services similar to what they would receive as business units of a diversified services corporation.

We command a significant advantage in terms of business domain knowledge and emerging industry changes. The years on years of experience have provided us with a strong base of experience to augment many other business opportunities so as to create value proposition to the shareholders of the Company in coming years.

Technology Innovation

- Technology deployment is strategic to growth and 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.

Financial Performances

Management discussion and analysis on financial performance of the Company for the year under reporting is as under:

Sr. No.	Particulars	On Standalone basis	On Consolidated basis
1	Shareholders' funds	Shareholders' funds Rs. 846.86 million during the year 2012.	Shareholders' funds Rs.2,143.38 million during the year 2012.
2	Equity	During the year, Share Capital and Securities Premium were Rs. 124.91 million and Rs. 622.85 million respectively. Presently, HOVS has 12,491,022 equity shares of Rs. 10 each fully paid up.	During the year, Share Capital and Securities Premium were Rs. 124.91 million and Rs. 622.85 million respectively. Presently, HOVS has 12,491,022 equity shares of Rs. 10 each fully paid up.
3	Profit and Loss Account	Retained earnings as at December 31, 2012 amount to Rs. 78.93 million. As at December 31, 2012, HOVS's book value per share increased to Rs. 67.80 per share as compared to Rs. 66.66 per share as at December 31, 2011.	Retained earnings as at December 31, 2012 amount to Rs. 266.62 million. As at December 31, 2012, HOVS's book value per share increased to Rs. 171.59 per share as compared to Rs. 169.85 per share as at December 31, 2011.
4	General Reserves	During the year there is no change in amount of reserve from the period ended of previous year ended December 31, 2011 which was Rs. 19.54 million.	During the year there is no change in amount of reserve from the period ended of previous year ended December 31, 2011 which was Rs. 19.54 million.
5	Capital Redemption Reserve	During the year there is no change CRR amount of Rs. 0.63 million which was created on account of buy-back of equity share capital in year 2009.	During the year there is no change CRR amount of Rs. 0.63 million which was created on account of buy-back of equity share capital in year 2009.
6	Investments	Non-current investments as at December 31, 2012 amount to Rs. 736.84 million as compared to Rs. 655.46 million as at December 31, 2011.	Investments amount to Rs. 2,051.69 million as compared to Rs. 1,919.07 million as at December 31, 2011.

Sr.No.	Particulars	On Standalone basis	On Consolidated basis
7	Fixed Assets	Gross Block as at December 31, 2012 stood at Rs. 29.98 million as compared to Rs. 28.39 million as at December 31, 2011. The corresponding Net Block as at December 31, 2012 is Rs. 10.81 million as compared to Rs. 12.66 million as at December 31, 2011.	Gross Block as at December 31, 2012 stood at Rs. 72.17 million as compared to Rs. 28.39 million as at December 31, 2011. The corresponding Net Block as at December 31, 2012 is Rs. 51.43 million as compared to Rs. 12.66 million as at December 31, 2011.
8	Goodwill	Goodwill as at December 31, 2012 stood as Nil.	Goodwill as at December 31, 2012 stood at Rs. 0.04 million
9	Trades Receivables	<p>Net Receivables as at December 31, 2012 amounted to Rs. 15.87 million as compared to Rs. 18.02 million as at end of previous year December 31, 2011.</p> <p>These debtors are considered good and realisable. The provision for doubtful debt was not provided for as all the receivables are due for a period not exceeding 90 days.</p> <p>Trade receivables as a percentage of total revenue is 13.97 % as at December 31, 2012 as against 19.15 % as at December 31, 2011.</p>	<p>Net Receivables as at December 31, 2012 amounted to Rs. 41.45 million as compared to Rs. 18.02 million as at end of previous year December 31, 2011.</p> <p>These debtors are considered good and realisable. The provision for doubtful debt was not provided for as all the receivables are due for a period not exceeding 90 days.</p> <p>Trade receivables as a percentage of total revenue is 29.57 % as at December 31, 2012 as against 17.10 % as at December 31, 2011.</p>
10	Non-current Liabilities	Non-current liabilities amount to Rs. 81.92 million as at December 31, 2012 as compared to Rs. 2.72 million as at December 31, 2011	Non-current liabilities amount to Rs. 81.92 million as at December 31, 2012 as compared to Rs. 2.72 million as at December 31, 2011.
11	Current Liabilities	As at December 31, 2012 current liabilities amount to Rs. 24.25 million as compared to Rs. 21.22 million as at December 31, 2011.	As at December 31, 2012 current liabilities amount to Rs. 106.19 million as compared to Rs. 107.10 million as at December 31, 2011.
12	Sale of services	For the year ended December 31, 2012, HOVS recorded operating income of Rs. 113.60 million.	For the year ended December 31, 2012, HOVS recorded operating income of Rs. 140.20 million.
13	Operating Profit	Reported profit before exceptional items and tax is of Rs. 21.87 million for the year ended December 31, 2012.	Reported loss before exceptional items and tax is of Rs. 3.60 million for the year ended December 31, 2012.
14	Profit after Tax	HOVS recorded a PAT of Rs. 14.23 million for the year ended December 31, 2012.	Recorded a PAT of Rs. 48.80 million for the year ended December 31, 2012.

Human Resources

The Company follows open policy and focus on long term career aspirations of the employees. 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 level and the Management is actively involved in making sure the Company needs the law of the land and set the high standards for all to achieve. All exceptional services are duly recognized and awarded through an employee recognition and reward program.

Internal Controls

- The internal control systems is a well defined systems with 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 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/depreciation 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 DIRECTORS' REPORT**REPORT ON CORPORATE GOVERNANCE**

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

1. HOVS Philosophy of Corporate Governance

HOVS's philosophy on Corporate Governance is to achieve excellence in business on the principles of Transparency and Accountability. Transparency in terms of business practices which is done in fair and ethical manner and Accountability in terms of responsibility towards environment in which it operates. 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 observe and adhere to the following on sustained basis;

- 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 functioning 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	40,000
2	Mr. Prakash Shukla	35,000
3	Mr. Harish Bhasin	35,000

(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 and details of meeting attended:

Name of Director	Category	Board Meetings		Attended Last AGM	Other Directorships/Board Committees (Number)		
		Held	Attended		Director ship	Committee Member ship	Committee Chairman ship
Mr. Surinder Rametra	Promoter Executive	5	4	Yes	1	-	-
Mr. Parvinder S Chadha	Promoter Executive	5	1	Yes	2	-	-
Mr. Sunil Rajadhyaksha	Promoter Executive	5	4	Yes	5	-	-
Mr. B R Gupta	Non-Executive Independent	5	4	Yes	5	1	3
Mr. Harish Bhasin	Non-Executive Independent	5	5	Yes	1	-	-
Mr. Prakash Shukla	Non-Executive Independent	5	5	No	4	-	-

The details of Board Meetings held during the financial year ended December 31, 2012 are as under;

Sr. No.	Date of Board Meetings	Board Strength	No. of Directors Present
1	February 4, 2012	6	6
2	May 2, 2012	6	4
3	August 9, 2012	6	4
4	September 27, 2012	6	3
5	November 9, 2012	6	5

Details of Remuneration of all the Directors:

Sr.No.	Name of Director	Salary & Perquisites Rs.	Bonus/ Commission	Sitting Fees Rs	Stock Options
1	Mr. Surinder Rametra	4,800,000	Nil	Nil	Nil
2	Mr. Parvinder S Chadha	4,800,000	Nil	Nil	Nil
3	Mr. Sunil Rajadhyaksha	4,800,000	Nil	Nil	Nil
4	Mr. B R Gupta	Nil	Nil	240,000	40,000
5	Mr. Harish Bhasin	Nil	Nil	260,000	35,000
6	Mr. Prakash Shukla	Nil	Nil	220,000	35,000

Notes:

- 1) The Company has not entered into any pecuniary relationship or transaction with the Non-Executive Directors.
- 2) The re-appointment of all Executive Directors as whole-time directors of the Company was approved by the Central Government 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, the Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on June 23, 2012. Mr. B R Gupta has expertise of over 50 years in insurance, financial and investment markets.

The Chairman of the Company, Statutory Auditors, and Chief Financial Officer attend the meetings of the Audit Committee as invitees. Mr. Bhuvanesh Sharma, VP-Corporate Affairs

& Company Secretary also 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, 2012 are as under:

Sr. No.	Date of Committee Meetings	Committee Strength	No. of Members Present
1	February 4, 2012	4	4
2	May 2, 2012	4	3
3	August 9, 2012	4	4
4	November 9, 2012	4	4

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 comprises 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 2, 2012 and November 9, 2012.

5. Investor Grievances Committee

The Company has set-up an Investor Grievances Committee, 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, VP –Corporate Affairs & Company Secretary to overview the task of investor’s servicing and redress their grievances by having fortnightly review 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 maintain the records thereof. The meetings of the Committee during the year were held on May 2, 2012 and November 9, 2012.

During the year under review 6 investors complaints were received and were satisfactorily resolved/ replied, and no complaint/request is pending as on December 31, 2012.

6. **Other Committees Constituted by the Board**

The Board of Directors has constituted the other committees 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

6. **General Body Meetings**

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

Year	Location	Date	Time	Special Resolutions passed
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
2011-12	Le Meridien, Raja Bahadur Mill Road Pune-411001	June 23, 2012	10:00 AM	No

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

c) No Postal ballot was conducted 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 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

- i) The detailed Management Discussion and Analysis Report are given separately in the Annual Report.
- ii) 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 HOV Services Limited has significant influence as they have a 50% vote of the Board of Directors, but not control over the financial and operating policies of its associate SourceHOV LLC.
- iii) 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.
- iv) No dividend was declared during the year ended December 31, 2012.
- v) Dividend history for the previous three 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
2011	NIL	NIL	NIL

- vi) 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.
- vii) The Company does not have any Whistle Blower Policy in force.
- viii) The Company has complied with all the mandatory requirements.
- ix) The Company has complied with non-mandatory requirement relating to Compensation & Remuneration Committee.

x) Shareholding of Directors as on December 31, 2012 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	17,132
4	*Mr. Surinder Rametra, Executive Director	20,000
5.	Mr. Sunil Rajadhyaksha, Executive Director	588,720

*Mr. Surinder Rametra had acquired shares during current year and as of April 12, 2013 he holds 110,000 shares.

xi) Pursuant to clause 5A in listing Agreement as per SEBI notification no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009 the details in respect of the shares lying in the suspense account till December 31, 2012 is as under.

Description	No. of Cases	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year:	4	341
Number of shareholders who approached issuer for transfer of shares from suspense account during the year:	0	0
Number of shareholders to whom shares were transferred from suspense account during the year:	0	0
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year:	4	341

All the unclaimed shares are being credited to a DEMAT suspense account and all the corporate benefits in terms of securities, accruing to on these unclaimed shares shall be credited to such account. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

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 released 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 set up 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 February 27, 2013.

13. General Shareholder Information

a) **Details of ensuing AGM:**

Day and Date	Time	Venue
Saturday May 18, 2013	11:00 AM	Le Meridien, Raja Bahadur Mill Road, Pune-411001

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

c) **Financial Calendar for the Year 2013:**

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

Quarter End	Date
1 st Quarter Results	On or before May 15, 2013
2 nd Quarter Results	On or before August 14, 2013
3 rd Quarter Results	On or before October 15, 2013
4 th Quarter Results (Audited)	On or before February 28, 2014

d) **Date of Book Closure:** May 13, 2013 to May 18, 2013 (both days inclusive)

e) **Dividend payment date:** No dividend was declared during the year ended December 31, 2012.

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, 2012.

Month	NSE			BSE			Total Trade Quantity
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
Jan-12	56.40	50.00	3,31,462	56.25	37.00	4,04,042	7,35,504
Feb-12	58.00	49.00	75,168	56.00	44.45	3,50,843	4,26,011
Mar-12	46.65	43.50	24,965	46.10	36.00	1,55,507	1,80,472
Apr-12	55.45	46.30	2,12,917	55.35	37.75	5,23,922	7,36,839
May-12	44.90	41.55	9,267	45.80	36.05	99,053	1,08,320
Jun-12	45.85	40.20	1,12,703	45.65	36.30	2,64,152	3,76,855
Jul-12	44.70	40.60	73,618	44.90	33.05	1,53,466	2,27,084
Aug-12	39.25	34.20	1,58,027	39.25	32.00	1,54,098	3,12,125
Sep-12	38.50	34.40	9,05,629	38.40	28.00	22,32,800	31,38,429
Oct-12	43.20	36.70	52,690	39.25	32.00	4,83,203	5,35,893
Nov-12	43.40	39.55	5,44,378	43.00	35.05	6,72,465	12,16,843
Dec-12	37.70	36.25	16,026	37.80	33.45	1,19,586	1,35,612

HOV Services Limited's Share prices versus the NSE Nifty

The Chart herein below shows the comparison of the Company's share price movement vis-à-vis the movement of BSE Sensex and NSE Nifty:

HOVS vis-à-vis BSE Sensex:



HOVS vis-à-vis NSE Nifty:



i) Registrar and Share Transfer Agent

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

j) Share Transfer System

Shareholders/Investors are requested to send share transfer related documents directly to our Registrar and Share Transfer Agent. If the transfer documents are in order, the transfer of shares(s) will get registered within 15 days of receipt of transfer documents by our Registrar and Share Transfer Agent. The Company's R&T agent has expertise and effective systems for share transfers.

k) Distribution of Shareholding as of December 31, 2012

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	9092	88.67	11,038,990	8.84
5001 to 10000	552	5.38	4,516,540	3.62
10001 to 20000	296	2.89	4,539,640	3.63
20001 to 30000	100	0.98	2,597,040	2.08
30001 to 40000	55	0.54	1,956,230	1.57
40001 to 50000	35	0.34	1,618,720	1.30
50001 to 100000	54	0.53	3,950,030	3.16
100001 to above	70	0.68	94,693,030	75.81
Total	10,254	100	124,910,220	100

ii) Distribution of Shares by Shareholders Category:

Sr. No.	Shareholder Category	No. of Shareholders	Shares Held	Voting Strength
1	CLEARING MEMBERS	31	15,467	0.12
2	FOREIGN INSTITUTIONAL INVESTORS	2	11,243	0.09
3	FOREIGN NATIONALS	3	461,745	3.70
4	H U F	362	185,197	1.48
5	BODIES CORPORATE	1	904,274	7.24
6	BODIES CORPORATES	332	1,048,555	8.39
7	NON RESIDENT INDIANS	98	341,037	2.73
8	PROMOTERS	7	6,089,079	48.75
9	RESIDENT INDIVIDUALS	9,418	3,434,425	27.50
	Total	10,254	12,491,022	100.00

iii) Top Ten Shareholders as of December 31, 2012

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	DR. XIN CHENG	Foreign National	223,950	1.79
8	RICHARD B HUNTER.	Foreign National	148,817	1.19
9	ARJUN RAMESH	PUBLIC	143,296	1.15
10	KESHAV BANSAL	PUBLIC	113,900	0.91
	TOTAL		7,962,627	63.75

1) Dematerialization of shares and liquidity

The shares of the Company are tradable both in dematerialization (electronic) as well as physical form and are available for trading under both depository systems in India-CDSL & NSDL. 95.95 % of the Company's shares are held in electronic form as on December 31, 2012.

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

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

8550 W Desert Inn Rd Sute 102452
Las Vegas, NV 89117-2119

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

Bhuvanesh Sharma
VP – Corporate Affairs & Company Secretary
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
Website: www.hovsltd.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of,
HOV Services Limited

We have examined the compliance of conditions of Corporate Governance by HOV Services Limited ("the Company"), for the year ended on December 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of 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

Mumbai,
Dated: February 27, 2013

A.M. Hariharan
Partner
M. No. 38323

INDEPENDENT AUDITORS' REPORT

To

The Board of Directors of HOV Services Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **HOV Services Limited** ("the Parent Company") its subsidiaries and an associate collectively referred to as 'the Group', comprise the consolidated Balance Sheet as at December 31, 2012, the consolidated Statement of Profit and Loss and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated 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:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2012;

- (b) in the case of the consolidated statement of Profit and Loss, of the profit of the Group for the year ended on that date, and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters:

- (i) We did not audit the financial statements for the year ended December 31, 2012 of an associate whose financial statements reflect net profit after tax of Rs.188,354,135 (Net loss of Rs. 381,102,628 for the period from May 1, 2011 to December 31, 2011) being consolidated under the equity method.
- (ii) We also did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 95,290,259 as at December 31, 2012 (as at December 31, 2011 Rs. 283,701), total revenues of Rs. 26,659,971 (for the nine months period ended December 31, 2011 Rs. Nil) for the year then ended.

The above financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the such other auditors. Our opinion is not qualified in respect of this matter.

For LODHA & CO.
Chartered Accountants
Firm Registration No. 301051E

Mumbai
February 27, 2013

A.M. Hariharan
Partner
Membership No. 38323

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2012

(Amount in Rs.)

	Note No.	As at December 31, 2012	As at December 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	1	124,910,220	124,910,220
Reserves and surplus	2	2,018,467,028	1,996,677,452
2 Minority Interest		10,165,078	-
3 Non-current liabilities			
Long-term borrowings	3	80,032,917	-
Deferred Tax Liabilities (net)	4	1,884,053	2,718,978
4 Current liabilities			
Trade payables		28,469,115	13,360,531
Other current liabilities	5	69,324,871	83,676,154
Short-term provisions	6	8,394,502	10,058,840
TOTAL		2,341,647,784	2,231,402,175
II. ASSETS			
1 Non Current Assets			
Fixed Assets	7		
Tangible Assets		32,546,485	2,906,344
Intangible Assets		18,883,464	9,749,770
Goodwill on consolidation		38,000	38,000
Non-Current investments	8	2,051,691,454	1,919,070,283
Long-term Loans and Advances	9	4,599,470	4,599,470
Other Non-Current Assets	10	32,653,824	25,932,435
2 Current Assets			
Trade Receivables	11	41,452,000	18,021,261
Cash and Bank Balances	12	143,061,483	237,579,246
Short Term Loans and Advances	13	7,661,985	9,696,405
Other Current Assets	14	9,059,619	3,808,960
TOTAL		2,341,647,784	2,231,402,175
Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements		20 & 21	

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: February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

James Reynolds
Chief Financial Officer &
CAO, Global

CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED DECEMBER 31, 2012

(Amount in Rs.)

Particulars	Note	For the Year ended December 31, 2012	For the nine months period ended December 31, 2011
I Revenue from operations	15	140,196,812	105,417,579
II Other income	16	15,578,638	9,875,476
III Total Revenue (I + II)		155,775,450	115,293,055
IV Expenses			
Purchases for resale	17	21,198,553	-
Employee Benefits Expense	18	96,587,734	57,578,734
Depreciation and Amortization Expense	7	4,992,910	2,761,518
Other Expenses	19	36,591,602	35,045,805
V Total Expenses		159,370,799	95,386,057
VI Profit/(Loss) before tax (III- V)		(3,595,349)	19,906,998
VII Tax Expense			
Current Tax		7,774,213	8,379,348
Deferred Tax		(834,924)	(643,391)
Tax relating to earlier year		700,403	210,137
VIII Profit/(Loss) for the year/period		(11,235,041)	11,960,904
IX Minority Interest		(8,801,396)	-
X Profit/(Loss) for the year/ period after Tax and minority interest (VIII-IX)		(2,433,645)	11,960,904
XI Share of Profit/(Loss) from an associate		51,232,281	(104,333,062)
XII Profit/(Loss) for the year/period (X+XI)		48,798,636	(92,372,158)
XIII Earnings per equity share of the face value of Rs.10 each :			
Basic & Diluted (Refer note no. 21.6)		3.91	(7.40)
Significant accounting policies and Accompanying Notes form an integral part of consolidated financial statements			
		20 & 21	

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: February 27, 2013

 Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

 James Reynolds
Chief Financial Officer &
CAO, Global

Consolidated Cash Flow Statement for the year ended December 31, 2012

(Amount in Rs.)

	For the year ended December 31, 2012	For the nine months Period ended December 31, 2011
A Cash flow from Operating Activities:		
Net Profit/ (Loss) before Tax after Minority Interest	5,206,047	19,906,998
Add Adjustments for:		
Depreciation & amortisation	5,306,444	2,761,518
Interest Income	(15,751,006)	(4,569,792)
Rent Income	(1,946,395)	-
Finance Cost	2,049,556	-
Foreign Exchange Variation (Gain)/Loss	(1,108,089)	(8,312,219)
Operating Profit before Working Capital changes	(6,243,443)	9,786,505
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivables	(23,901,118)	25,716,938
(Increase)/Decrease in Other Receivables	(22,696,541)	56,393,692
Increase/(Decrease) in Trade and Other Payables	6,056,390	90,383,397
Cash generated from Operations	(46,784,712)	182,280,532
Taxes Paid	(10,899,856)	(1,803,130)
Net cash from/(used in) Operating Activities - A	(57,684,568)	180,477,402
B Cash flow from Investing Activities:		
Purchase of Fixed Assets	(33,635,956)	(1,315,511)
Investment in immovable property	(103,466,540)	-
Rent Income from immovable property	1,946,395	-
Investment in Subsidiaries	-	(38,000)
Interest Income	15,751,006	4,569,792
Net Cash from/(used in) Investing Activities - B	(119,405,095)	3,216,281
C Cash flow from Financing Activities:		
Dividend paid	-	(24,982,044)
Corporate Dividend Tax paid	-	(4,052,712)
Finance Cost on property loan	(2,049,556)	-
Proceeds/(Repayments) of Borrowings(Net)	84,641,220	-
Net cash from/(used in) Financing Activities - C	82,591,664	(29,034,756)
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(94,497,999)	154,658,927
Opening Cash and Cash Equivalents	237,213,103	494,867,145
Less : Transferred to Combined Entity (Refer Note No.20.1)	-	(412,312,969)
Adjusted Opening Cash and Cash Equivalents	237,213,103	82,554,176
Closing Cash and Cash Equivalents	142,715,104	237,213,103

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.
- Funds earmarked for dividend & balance in Trust Cash accounts have been excluded from Cash and Cash equivalents and included in Other Receivables.
- Previous period's figures have been regrouped/rearranged where ever 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
Partner

 Sunil Rajadhyaksha
Chairman & Executive Director

 Parvinder S Chadha
Executive Director

 Surinder Rametra
Executive Director

 Place: Mumbai
Date: February 27, 2013

 Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

 James Reynolds
Chief Financial Officer &
CAO, Global

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 1- Share Capital

(Amount in Rs.)

Particulars	As at December 31, 2012		As at December 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, fully paid up	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

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Capital Redemption Reserve		
Balance as per last Balance sheet	630,230	630,230
Securities Premium Account		
Balance as per last Balance sheet	622,845,024	622,845,024
General Reserve		
Balance as per last Balance sheet	19,541,409	19,541,409
Foreign Exchange Translation Reserve		
Opening Balance	3,055,530	3,055,530
Add : Addition during the year/period	(5,244,943)	-
Closing Balance	(2,189,413)	3,055,530
Capital Reserve		
Opening Balance	1,132,786,316	-
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	(21,764,117)	(50,700,000)
Closing Balance	1,111,022,199	1,132,786,316
Surplus : Statement of Profit & Loss		
Opening Balance	217,818,943	756,455,581
Profit/(Loss) for the year/period as per Statement of Profit & Loss	48,798,636	(92,372,158)
Less : Appropriations		
Post acquisition profit of transferred subsidiaries	-	446,264,480
Closing Balance	266,617,579	217,818,943
Total	2,018,467,028	1,996,677,452

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 3 - Long Term Borrowings
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Secured :		
Term loans :		
from a bank	80,032,917	-
(E.M.I. of Rs. 1,244,197 each payable in 120 months @ 12.5% floating rate of interest)		
(Secured by way of deposit of title deeds of property situated at Navi Mumbai)		
Total	80,032,917	-

Note 4 - Deferred Tax Liabilities (Net)
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred Tax Liability on account of :		
Depreciation	2,038,720	3,036,123
Deferred Tax Asset on account of		
Provision for Employee Benefits	(154,667)	(317,145)
Net Deferred Tax Liability	1,884,053	2,718,978

Note 5 - Other Current Liabilities
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Current Maturities of long term borrowings	4,608,303	-
Interest Accrued but not due on borrowings	626,000	-
Unclaimed Interim Dividend	339,487	359,537
Other advances payable towards services to be rendered	48,764,930	81,812,620
Statutory Dues Payable	1,775,680	1,503,997
Other Liabilities	13,210,471	-
Total	69,324,871	83,676,154

Note 6 - Short-term Provisions
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits	1,843,299	1,082,398
Provision for Income Tax (Net of Tax paid Rs. 44,413,260; previous period Rs. 34,633,271)	6,551,203	8,976,442
Total	8,394,502	10,058,840

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 7 - Fixed Assets

		Amount in Rs.									
Sr.	Particulars	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
		Balance as at January 1, 2012	Additions	Disposals/ Adjust- ments	Balance as at December 31, 2012	Up to December 31, 2011	Depre- ciation the Year	On Disposals/ Adjust- ments	Balance as at December 31, 2012	Balance as at December 31, 2012	Balance as at December 31, 2011
a	Tangible Assets										
	Plant & Equipment	-	29,163,354	175,026	29,338,380	-	393,218	-	393,218	28,945,162	-
	Computers	5,655,553	1,239,294	(40,364)	6,854,483	4,214,750	509,175	16,678	4,740,603	2,113,880	1,440,803
	Office Equipment	2,380,856	273,546	-	2,654,402	927,212	250,817	-	1,178,029	1,476,373	1,453,644
	Furniture & Fixtures	13,000	-	-	13,000	1,103	827	-	1,930	11,070	11,897
	Total (a)	8,049,409	30,676,194	134,662	38,860,265	5,143,065	1,154,037	16,678	6,313,780	32,546,485	2,906,344
b	Intangible Assets										
	Software Product*	17,451,289	-	-	17,451,289	8,174,335	2,187,391	-	10,361,726	7,089,563	9,276,954
	Other Softwares	2,886,714	122,698	-	3,009,412	2,413,898	472,410	-	2,886,308	123,104	472,816
	Goodwill	-	12,026,893	822,976	12,849,869	-	1,179,072	-	1,179,072	11,670,797	-
	(Refer Note No. 21.2)										
	Total (b)	20,338,003	12,149,591	822,976	33,310,570	10,588,233	3,838,873	-	14,427,106	18,883,464	9,749,770
	Total (a+b)	28,387,412	42,825,785	957,638	72,170,835	15,731,298	4,992,910	16,678	20,740,886	51,429,949	12,656,114
	Previous Year	1,649,966,184	1,315,511	(1,622,894,283)	28,387,412	739,383,667	2,761,518	(726,413,888)	15,731,298	12,656,114	

* Meant for Licence sale or otherwise

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 8 - Non Current Investments (Long Term)
(Amount in Rs.)

Sr.	Name of the Body Corporate	No. of Shares		Extent of Holding (%)		Amount (Rs.)	
		As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
1	Investment property (at cost)						
	Investment in Office premises	NA	NA	NA	NA	103,466,540	-
	Less: Amortisation					313,534	-
						103,153,006	-
	Investments in Equity Shares -Trade (Unquoted , fully paid up)						
2	Investment in Associate - SourceHOV LLC						
	Carrying value as on date of investment	8,748,035	8,748,035	27.20%	27.20%	890,617,029	890,617,029
	Add: Fair value of Investment in the associate on the date of Investment					1,183,486,316	1,163,282,971
	Total Value of Investment in associate on the date of Investment					2,074,103,345	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					(53,100,781)	(104,333,062)
	Less: Return of Additional paid in Capital					(72,464,116)	(50,700,000)
						1,948,538,448	1,919,070,283
	Total	8,748,035	8,748,035			2,051,691,454	1,919,070,283

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 9 - Long term loans and advances

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Deposits for premises and others	4,599,470	4,599,470
Total	4,599,470	4,599,470

Note 10 - Other Non -Current Assets

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
MAT credit Receivable	30,399,455	25,932,435
Prepaid Expense	2,254,369	-
Total	32,653,824	25,932,435

Note 11 - Trade Receivables

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	41,452,000	18,021,261
Total	41,452,000	18,021,261

Note 12 - Cash and Bank Balances

Amount in Rs.

Particulars	As at December 31, 2012		As at December 31, 2011	
Cash and Cash Equivalents :				
a. Balances with banks				
i) In Current Accounts	21,225,405		111,910,495	
ii) Fixed Deposits with maturities less than twelve months	64,600,000		92,850,000	
b. Cash on hand	73,699	85,899,104	36,608	204,797,103
(II) Earmarked Bank balances				
Fixed Deposits with maturities less than twelve months (pledged with banks for guarantees & others)	56,816,000		32,416,000	
Unpaid Dividend Account	339,487		359,537	
In Trust Account	6,892	57,162,379	6,606	32,782,143
Total		143,061,483		237,579,246

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 13 - Short term loans and advances

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good :		
Service Tax Receivable	1,999,603	2,296,500
Deposits	850,000	-
MAT Credit Entitlement	2,690,000	7,157,020
Expenses recoverable from an associate	1,545,889	-
Other Loans & Advances recoverable in cash or in kind or for value to be received	576,493	242,885
Total	7,661,985	9,696,405

Note 14 - Other Current Assets

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Prepaid Expenses	1,738,099	584,013
Accrued Interest on Fixed Deposits	6,517,881	3,224,947
Work in Progress	803,639	-
Total	9,059,619	3,808,960

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 15 - Revenue from operations

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the Nine Months Period ended December 31, 2011
Sale of Goods	25,582,906	-
Sale of Services :		
Software and IT enabled services	113,536,841	105,417,579
Consulting and Other Services	1,077,065	-
Total	140,196,812	105,417,579

Note 16 - Other Income

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the Nine Months Period ended December 31, 2011
Interest Income	15,751,006	4,569,792
Gain on Variation in Foreign Exchange Rates (Net)	-	4,589,127
Balances written back	244,040	716,557
Other non-operating income	287	-
Rent Received	1,946,395	-
Less: Expenses attributed to rent income		
Finance Cost	(2,049,556)	-
Amortisation Expenses	(313,534)	-
	(416,695)	-
Total	15,578,638	9,875,476

Note 17 - Purchase for re-sale

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the Nine Months Period ended December 31, 2011
Purchase of Material	21,198,553	-
Total	21,198,553	-

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 18 - Employee Benefits Expense

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the Nine Months Period ended December 31, 2011
Salaries and wages	89,703,658	53,086,211
Contributions to provident and other funds	5,274,209	3,469,511
Staff welfare expenses	1,609,867	1,023,012
Total	96,587,734	57,578,734

Note 19 - Other Expenses

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the Nine Months Period ended December 31, 2011
Rent	9,691,386	7,000,430
Repairs & Maintenance - Building	579,423	235,060
Repairs & Maintenance - Computer	621,543	321,656
Repairs & Maintenance - Others	1,332,377	309,246
Insurance	146,839	23,162
Rates and taxes	546,573	329,866
Power & Fuel Expenses	8,128,238	4,930,314
Membership & Subscription Fees	1,746,002	3,036,912
Travelling & Conveyance Expenses	11,875,754	8,007,737
Communication Cost	1,875,318	1,119,300
Advertising & Publicity Expenses	1,728,676	729,445
Office upkeep & Maintenance Expenses	2,141,749	1,272,560
Legal & Professional charges	17,880,669	4,033,389
Director's sitting Fees	720,000	620,000
Loss on Variation in Foreign Exchange (Net)	1,661,490	-
Office, Administrative & Other Expenses	1,622,669	3,076,728
Less: Corporate Expenses Reimbursement	(25,707,104)	-
Total	36,591,602	35,045,805

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE - 20****SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****1 Overview of the Group**

HOV Services Limited ("Parent"), its subsidiaries and an 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 organize 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 it's subsidiaries, which are more than 50% owned or controlled have been prepared in accordance with the consolidation procedures under AS 21 – 'Consolidated Financial Statements and an associate consolidated as per 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 group 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	
		As at December 31, 2012	As at December 31, 2011
Subsidiaries :			
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 9, 2011)	India	100	100
HOV Environment LLC (Subsidiary of HOVS LLC) (w.e.f. April 2, 2012)	USA	61.10%	NIL
Associate :			
SourceHOV LLC (w.e.f. April 29, 2011)	USA	27.20%	27.20%

7. Revenue recognition

- a) Revenue from Software & IT enabled services are recognized as per the work orders/agreements entered with the customers.
- b) Rental and Interest income is recognized on time proportion basis and is disclosed under Other Income.
- c) The revenue from Environment projects including supply of Material and installation of geo textile reef is recognized on delivery and as per the work orders/agreements entered with the parties. In respect of revenue of Installation and commissioning the same is recognized as and when work is completed and accordingly running invoices are raised for the same.

8. Inventories

Inventories 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 Group to write-down the carrying value of its supplies.

Work in progress is carried at cost.

9. Fixed assets

Tangible: Fixed assets are stated at historical cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use, less accumulated depreciation.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the group, developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired softwares meant for in-house consumption are capitalized at the acquisition price.

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 on Straight Line Method at the rate 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.

Investment property is amortized over the period of lease.

- b) **Intangible Assets** – Software product (meant for sale) are amortized over its estimated useful life of 8 years. Other Software products are depreciated over its period of license..

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
Computers and office equipment	2 – 5
Plant & Equipment	8 -10
Furniture and fixture	2 – 7
Software Product	3 – 8
Goodwill	8

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:

The Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the Company contributes to the Scheme with LIC. The Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

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.

c) Leave Entitlement:

Liability for Leave entitlement for employees is provided on the basis of Actuarial Valuation done during 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

- 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.

NOTE 21: NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

21.1 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").

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.

21.2 In April 2012, HOVS LLC (a subsidiary) invested in a new company named "HOV Environment LLC", having equity interest of 61.10% and other minority investors had brought various assets worth USD 115,000 (equivalent Rs. 6,299,390) and against which equity of USD 350,100 (equivalent Rs.19, 177,533) was allotted and excess consideration of USD 235,100 (equivalent to Rs. 12,878,143) was recognized as goodwill.

21.3 Commitment and Contingent liabilities:

a) Contingent Liabilities not provided for in respect of:

(Amount in Rs.)

Sr.No.	Particulars	As at December 31, 2012	As at December 31, 2011
(i)	Corporate Guarantees outstanding in respect of loans taken by an Associate*	59,013,519	89,850,674
(ii)	Disputed Excise Matters (Service Tax-excluding interest, if any)	Nil	557,079
(iii)	Disputed Income Tax Matters (including interest upto the date of demand)	5,352,170	5,352,170
(iv)	Fixed Deposit Pledged for issue of bank guarantee on behalf of subsidiary company	56,000,000	32,200,000

*Since released

b) Commitments:

Operating Lease: The group has acquired certain premises under lease arrangements which are renewable /cancelable at the group'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 December 31, 2012	As at December 31, 2011
- within one year	11,731,213	6,565,234
- later than one year and not later than five years	27,901,495	32,396,403

c) Rental Income:

The group has given leasehold building under lease agreements. The future rental income receivables as per the terms of the agreement are as follows:

(Amount in Rs.)

Particulars	As at December 31, 2012	As at December 31, 2011
- within one year	8,873,272	Nil
- later than one year and not later than five years	19,521,199	Nil

21.4 Employee Benefits:

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

(Amount in Rs.)

	Particulars	As at December 31 , 2012	As at December 31 , 2011
I	Assumptions		
	Discount Rate	8.50%	8.50%
	Expected Rate of Return on plan asset	9.00%	9.00%
	Salary Escalation	6.00%	6.00%
II	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of year	2,332,935	1,387,844
	Interest cost	186,635	88,475
	Current Service Cost	1,243,454	601,483
	Benefits Paid	(33,781)	-
	Actuarial (Gain)/Loss on obligations	(170,089)	255,133
	Present value of obligations as at end of year	3,559,154	2,332,935
III	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of year	1,697,989	1,590,622
	Expected return on plan assets	169,809	107,367
	Contributions	311,101	-
	Benefits paid	(33,781)	-
	Actuarial Gain / (Loss) on Plan assets	-	-
	Fair value of plan assets at the end of year	2,145,118	1,697,989

Particulars		As on December 31, 2012	As on December 31, 2011
IV	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of year	1,697,989	1,590,622
	Actual return on plan assets	169,809	107,367
	Contributions	311,101	-
	Benefits Paid	(33,781)	-
	Fair value of plan assets at the end of year	2,145,118	1,697,989
	Funding Status - Surplus/(Deficit)	(1,414,036)	(634,946)
	Excess of Actual over estimated return on plan assets	-	-
V	Actuarial Gain/Loss recognized		
	Actuarial Gain/(Loss) for the year -Obligation	170,089	(255,133)
	Actuarial (Gain)/Loss for the year - plan assets	-	-
	Total (Gain)/Loss for the year	(170,089)	(255,133)
	Actuarial (Gain)/Loss recognized in the year	(170,089)	(255,133)
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	3,559,154	2,332,935
	Fair value of plan assets as at the end of the year	2,145,118	1,697,989
	Funded status	(1,414,036)	(634,946)
	Net Asset/(Liability) recognized in Balance Sheet	1,414,036	(634,946)
VII	Expenses Recognised in Statement of Profit & Loss		
	Current Service cost	1,243,454	601,483
	Interest Cost	186,635	88,475
	Expected return on plan assets	(169,809)	107,367
	Net Actuarial (Gain)/Loss recognised in the year	(170,089)	(255,133)
	Expenses recognised in statement of Profit & Loss	1,090,191	634,946

- 21.5 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 year's financial statements on such reconciliation/adjustments.

21.6 Earnings per Share (EPS):

Particulars	For the year ended December 31, 2012	For the nine months period ended December 31, 2011
Net Profit/(Loss) before exceptional items as per Statement of Profit and Loss (Rs.)	48,798,636	(92,372,158)
Weighted average number of equity shares	12,491,022	12,491,022
Basic and diluted Earnings per Share	3.91	(7.40)
Nominal value per Equity Share (Rs.)	10	10

21.7 Related Party Transactions

Name of the related parties with whom transactions have been entered in the ordinary course of business:

a) Associates with whom transactions have been entered during the year:

Sr. No.	Name
1	HandsOn Ventures, LLC
2	Tracmail India Private Limited
3	Bay Area Credit Services, LLC
4	HOV Services, Inc. (from 29.4.2011)
5	Rule 14, LLC

b) Directors/Key Managerial Personnel and their relatives:

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

- c) 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 year ended December 31, 2012	For the period ended December 31, 2011
1	Rule 14, LLC	Services rendered	2,567,736	NIL
2	Bay Area Credit Services, LLC	Services rendered	24,421,748	16,150,595
3	Tracmail India Private Limited	Advance given	393,463	285,000
		Repayment of advances	393,463	285,000
		Purchase of immovable property	100,423,000	NIL
		Rent Income	1,946,395	NIL
4	HOV Services, Inc	Services rendered	86,547,359	73,446,820
5	Hands on Venture, LLC	Reimbursement of expenses	3,127,098	NIL
		Management Fees paid	10,645,406	NIL
6	Mr. Sunil Rajadhyaksha	Managerial Remuneration	3,600,000	3,600,000
		Advance given	NIL	92,000
		Advance received	NIL	100,000
7	Mr. Parvinder S Chadha	Managerial Remuneration	3,600,000	3,600,000
8	Mr. Surinder Rametra	Managerial Remuneration	3,600,000	3,600,000

- d) Balances with the related parties referred in (a) and (b) above are as under as of December 31, 2012:

(Amount in Rs.)

Name of the Related party	Nature	Balances As at December 31,	
		2012	2011
Bay Area Credit Services, LLC	Receivable	4,163,075	11,685,760
Tracmail India Private Limited	Corporate Guarantees	59,013,519	89,850,674
HOV Services, Inc	Receivable	9,076,709	6,335,501
HandsOn Ventures, LLC	Receivable	1,545,889	NIL
Rule 14, LLC	Receivable	2,629,311	NIL
Mr. Parvinder Chadha	Payable	566,465	586,262
Mr. Sunil Rajadhyaksha	Payable	434,594	679,280
Mr. Surinder Rametra	Payable	740,707	866,904

Note:-

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

21.8 Segment Reporting:

- a) Disclosures under Accounting Standards -17 "Segment Reporting" are as under :
Amount in Rs.

Particulars	Year Ended December 31, 2012
Segment Revenue :	
Software and IT Enabled Services	113,536,841
Environment Solutions Business	26,659,971
Net Sales/ income from operations	140,196,812
Add : Un-allocable Income	15,578,638
Total	155,775,450
Segment Results Profit/(Loss) before tax and interest from segment	
Software and IT Enabled Services	58,282,414
Environment Solutions Business	(17,422,724)
Un-allocable	15,578,638
Profit before tax after minority interest and share of profit from an associate	56,438,328
Provision for Taxation	(7,639,692)
Profit after taxation for the year	48,798,636
Segment Assets :	
Software and IT Enabled Services	2,162,876,037
Environment Solutions Business	76,118,203
Un-allocable	103,153,006
Total Assets	2,342,147,246
Segment Liabilities :	
Software and IT Enabled Services	50,863,847
Environment Solutions Business	63,264,931
Un-allocable	84,641,220
Total Liabilities	198,769,998
Capital Employed	
Software and IT Enabled Services	2,112,012,190
Environment Solutions Business	12,853,272
Unallocated	18,511,786
Total Capital Employed	2,143,377,248
Capital Expenditure :	
Software and IT Enabled Services	1,635,538
Environment Solutions Business	26,605,529
Total Capital Expenditure	28,241,067
Depreciation/Amortisation :	
Software and IT Enabled Services	3,420,620
Environment Solutions Business	1,572,290
Total Depreciation/Amortisation	4,992,910

- b) The Group has its major operating activities mainly in India and most of its assets are located in India.
- c) During the current year, the group has started new business operations of Environmental protection and consultancy services. Accordingly, two separate business segments viz., a) Software and IT Enabled Services b) Environment Solutions business have been identified.

21.9 Current year figures comprises of twelve months and newly started environmental segment hence not comparable with previous year figures comprising of nine months.

21.10 Previous period's figures are regrouped or rearranged wherever considered necessary to conform to the current year's presentation.

Signatures to Notes 1 to 21

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 : February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

James Reynolds
Chief Financial Officer &
CAO, Global

Information regarding Subsidiary Companies For the Twelve Months Period ended December 31, 2012
In terms of General Exemption provided by Central Government

Sr. No.	Name of the subsidiary company	HOVS LLC	HOV Environment LLC	HOVS Holdings Limited	HOV Environment Solutions Private Limited
	Currency	US\$	US\$	US\$	INR
	Exchange rate on last day of financial year	54.7773	54.7773	54.7773	
	Financial year ending on	December 31,2012	December 31,2012	December 31,2012	December 31,2012
1	Share Capital	7,791.41	492.99	0.07	1.00
2	Reserves	(41.73)	(231.68)	853.12	(32.13)
3	Total Assets	9,050.64	370.32	853.19	582.58
4	Total Liabilities	9,050.64	370.32	853.19	582.58
5	Details of Investment>(*Except Investment in subsidiary)	8,612.52	-	-	-
6	Turnover	25.68	-	-	-
7	Profit before taxation	(0.52)	(226.26)	(0.43)	(27.48)
8	Provision for taxation	-	-	-	-
9	Profit after taxation	(0.52)	(226.26)	(0.43)	(27.48)
10	Proposed dividend	-	-	-	-

INDEPENDENT AUDITORS' REPORT

To
The Members of
HOV Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **HOV Services Limited** ("the Company"), which comprise the Balance Sheet as at December 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the 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 the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, 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.

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2012;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 it appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st December 2012 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For LODHA & COMPANY**Chartered Accountants**

Firm Registration No. 301051E

Mumbai
February 27, 2013**A.M. Hariharan**
Partner
Membership No. 38323

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF THE 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) The Company has carried out physical verification of all its fixed assets during the year. In our opinion, the frequency of verification is reasonable considering the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
c) During the year, no substantial part of fixed assets has been disposed off by the Company.
2. The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) of the Order are not applicable to the Company.
3. The Company has not granted or taken any loans, secured or unsecured, to / from companies, firms 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 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:

Nature of Statutes	Nature of Dues	Period To Which It Relates	Amount in Rs.	Forum Where Disputed
Income Tax Act, 1961	Income Tax	Assessment Year 2009-10	2,905,432	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 year and in the immediately preceding financial period.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
12. During the year, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, 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. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
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 year or in the recent past.
20. The Company has not raised any money by public issue during the year or in the recent past.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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

Mumbai
 February 27, 2013

A.M. Hariharan
Partner
 Membership No. 38323

BALANCE SHEET AS AT DECEMBER 31, 2012

(Amount in Rs.)

	Note No.	As at December 31, 2012	As at December 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	1	124,910,220	124,910,220
Reserves and surplus	2	721,946,746	707,713,523
2 Non-current liabilities			
Long-term borrowings	3	80,032,917	-
Deferred Tax Liabilities (net)	4	1,884,053	2,718,977
3 Current liabilities			
Trade payables		8,051,424	9,298,573
Other current liabilities	5	7,307,542	1,863,534
Short-term provisions	6	8,893,965	10,058,840
TOTAL		953,026,867	856,563,667
II. ASSETS			
1 Non Current Assets			
Fixed Assets	7		
Tangible Assets		3,601,323	2,906,344
Intangible Assets		7,212,668	9,749,770
Non-Current investments	8	736,844,913	655,456,024
Long-term Loans and Advances	9	4,599,470	4,599,470
Other Non-Current Assets	10	32,653,824	25,932,435
2 Current Assets			
Trade Receivables	11	15,869,095	18,021,261
Cash and Bank Balances	12	124,707,584	126,138,586
Short Term Loans and Advances	13	19,607,606	9,950,816
Other Current Assets	14	7,930,384	3,808,961
TOTAL		953,026,867	856,563,667
Significant Accounting Policies and accompanying notes form an integral part of 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
Partner

Sunil Rajadhyaksha
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Surinder Rametra
Executive Director

 Place: Mumbai
Date : February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

James Reynolds
Chief Financial Officer
& CAO- Global

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED DECEMBER 31, 2012

(Amount in Rs.)

Particulars	Note No.	For the Year ended December 31, 2012	For the nine months period ended December 31, 2011
I Revenue from operations	15	113,598,418	94,101,097
II Other income	16	14,727,812	10,014,675
III Total Revenue (I + II)		128,326,230	104,115,772
IV Expenses			
Employee Benefits Expense	17	87,607,204	57,650,925
Depreciation and Amortization Expense	7 & 8	3,420,620	2,761,518
Other Expenses	18	41,132,595	32,290,249
Less: Corporate Charges recovered from a Subsidiary Company		(25,707,104)	(12,535,172)
V Total Expenses		106,453,315	80,167,520
VI Profit before tax (III-V)		21,872,915	23,948,252
VII Tax Expense			
Current Tax		7,774,213	8,379,348
Deferred Tax		(834,924)	(643,391)
Tax pertaining to earlier year		700,403	210,137
VIII Profit for the year/ period (VI-VII)		14,233,223	16,002,158
IX Earnings per equity share of the face value of Rs.10 each :			
Basic & Diluted (Refer note no 20.3)		1.14	1.28
Significant accounting policies and Accompanying Notes form an integral part of financial statements	19 & 20		

As per our attached Report of even date

For LODHA & CO.
For and on behalf of the Board

Chartered Accountants

A. M. Hariharan
Partner

Sunil Rajadhyaksha
Chairman & Executive Director

Parvinder S Chadha
Executive Director

Surinder Rametra
Executive Director

 Place: Mumbai
Date : February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

James Reynolds
Chief Financial Officer
& CAO- Global

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

(Amount in Rs.)

Particulars	For year ended December 31, 2012	For the Nine Months period ended December 31, 2011
A. Cash flow from Operating Activities:		
Net Profit/(Loss) before tax	21,872,915	23,948,252
Add: Adjustments for:		
Depreciation & amortisation	3,734,154	2,761,518
Interest Income	(14,900,180)	(4,708,991)
Rent Income	(1,946,395)	-
Finance Cost	2,049,556	-
Foreign Exchange (Gain)/Loss, net	470,379	(4,589,127)
Operating Profit before Working Capital changes	11,280,429	17,411,652
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivable	1,681,789	25,716,940
(Increase)/Decrease in Other Receivables	(20,479,838)	(1,387,090)
Increase/(Decrease) in Trade and Other Payable	349,457	4,461,516
Cash generated from Operations	(7,168,163)	46,203,019
Taxes Paid	(10,400,393)	(1,803,130)
Net cash from/(used in) Operating Activities - A	(17,568,556)	44,399,889
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(1,578,498)	(1,315,511)
Return of Additional paid in capital	21,764,117	50,700,000
Investment in Property	(103,466,540)	-
Rent Income from property investment	1,946,395	-
Interest Income	14,900,180	4,708,991
Net Cash from/(used in) Investing Activities - B	(66,434,346)	54,093,479
C. Cash flow from Financing Activities:		
Dividend paid	-	(24,982,044)
Corporate Dividend Tax	-	(4,052,712)
Finance Cost	(2,049,556)	-
Proceeds/ (Repayments) of Borrowings- net	84,641,220	-
Net cash from/(used in) Financing Activities - C	82,591,664	(29,034,756)
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(1,411,238)	69,458,612
Opening Cash and Cash Equivalents	125,772,443	56,313,831
Closing Cash and Cash Equivalents	124,361,205	125,772,443

Notes:

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard 3, Cash Flow Statement prescribed by Companies (Accounting Standards) Rules, 2006.
- Funds earmarked for dividend & balance in trust account have been excluded from Cash and Cash equivalents and included in Other Receivables.
- 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 & CO.
For and on behalf of the Board

Chartered Accountants

A. M. Hariharan
Partner

Sunil Rajadhyaksha
Chairman & Executive Director

Parvinder S Chadha
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Surinder Rametra
Executive Director

 Place: Mumbai
Date : February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

James Reynolds
Chief Financial Officer
& CAO- Global

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 1- Share Capital

a)

Particulars	As at December 31, 2012		As at December 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, fully paid up	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 a par value of Rs. 10 each. Each shareholder has right to vote in respect of such share, on every resolution placed before the Company and his voting right on a poll shall be in proportion to his share of the paid –up equity capital of the Company. In the event of liquidation, the equity shareholders are entitled to receive the remaining assets of the Company after payments to preferential amounts secured and unsecured creditors, if any, in proportion to their shareholding.

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

Particulars	As at December 31, 2012		As at December 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, 2012		As at December 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, 2012 No. of Shares	As at March 31, 2011 No. of Shares
Equity shares bought back by the Company	63,023	63,023

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

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 had 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, 2012		As at December 31, 2011	
	Directors	Other than	Directors	Other than
Options outstanding at the beginning of the year	5,000	535,500	10,000	757,950
Add: Options Granted during the year	30,000	32,500	NIL	NIL
Less: Options Lapsed	NIL	107,500	5,000	222,450
Less: Exercised during the year	NIL	NIL	NIL	NIL
Options outstanding at the end of the year	35,000	460,500	5,000	535,500

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.

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 2 - Reserves and Surplus
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Capital Redemption Reserve Balance as per last Balance Sheet	630,230	630,230
Securities Premium Account Balance as per last Balance Sheet	622,845,020	622,845,020
General Reserve Balance as per last Balance Sheet	19,541,409	19,541,409
Surplus Opening Balance	64,696,864	48,694,706
Add: Profit for the year/period	14,233,223	16,002,158
Closing Balance	78,930,087	64,696,864
Total	721,946,746	707,713,523

Note 3 - Long Term Borrowings
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Secured : Term loan : from a bank (Equated Monthly Instalment of Rs. 1,244,197 each payable in 120 months @ 12.5% floating rate of interest) (Secured by way of deposit of title deeds of property situated at Navi Mumbai)	80,032,917	-
Total	80,032,917	-

Note 4 - Deferred Tax Liabilities (Net)
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred Tax Liability on account of : Depreciation	2,038,720	3,036,122
Deferred Tax Asset on account of Provision for Employee Benefits	(154,667)	(317,145)
Total	1,884,053	2,718,977

Note 5 - Other Current Liabilities
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Unclaimed Dividend	339,487	359,537
Current Maturities of long term borrowings	4,608,303	-
Statutory Dues Payable	1,733,752	1,503,997
Interest accrued but not due on borrowings	626,000	-
Total	7,307,542	1,863,534

Note 6- Short-term Provisions
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits	1,843,299	1,082,398
Provision for Income Tax (Net of Tax paid Rs.44,413,260 ; previous year Rs. 34,633,271)	7,050,666	8,976,442
Total	8,893,965	10,058,840

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 7 - Fixed Assets

(Amount in Rs.)

Particulars	Gross Block				Accumulated Depreciation/Amortisation			Net Block	
	Balance as at January 1, 2011	Additions	Disposals/ Adjustments	Balance as at December 31, 2012	Up to December 31, 2011	Depreciation for the year	Disposals/ Adjustments	Balance as at December 31, 2012	Balance as at December 31, 2011
a									
Tangible Assets									
Computers	5,655,553	1,239,294	(40,364)	6,854,483	4,214,750	509,175	16,678	2,113,880	1,440,803
Office Equipment	2,380,856	273,546	-	2,654,402	927,212	250,817	-	1,476,373	1,453,644
Furniture & Fixtures	13,000	-	-	13,000	1,103	827	-	11,070	11,897
Total (a)	8,049,409	1,512,840	(40,364)	9,521,885	5,143,065	760,819	16,678	3,601,323	2,906,344
b									
Intangible Assets									
Software Product*	17,451,289	-	-	17,451,289	8,174,335	2,187,391	-	7,089,563	9,276,954
Other Softwares	2,886,714	122,699	-	3,009,413	2,413,898	472,410	-	123,105	472,816
Total (b)	20,338,003	122,699	-	20,460,702	10,588,233	2,659,801	-	7,212,668	9,749,770
Total (a+b)	28,387,412	1,635,539	(40,364)	29,982,587	15,731,298	3,420,620	16,678	10,813,991	12,656,114
Previous Year	27,071,901	1,315,511	-	28,387,412	12,969,780	2,761,518	-	15,731,298	12,656,114

*Meant for License sale or otherwise

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 8 - Non Current Investments (Long Term)

Amount (Rs.)

Sr.	Name of the Body Corporate	No. of Shares / Units		Face Value	Extent of Holding (%)		Amount (Rs.)	
		As at December 31, 2012	As at December 31, 2011		As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
A)	Investment property (at cost)							
	Investment in Office premises	NA	NA	NA	NA	NA	103,466,540	-
	Less: Amortisation						313,534	
	Total						103,153,006	-
B)	Investments in Equity Shares/Units-Trade (Unquoted, fully paid up and valued at cost)							
	1. HOVS LLC- Subsidiary Company	1000	1000	USD 1	100%	100%	45,180	45,180
	Add: Amount further invested as additional paid in capital	N.A	N.A	N.A	100%	100%	706,104,387	706,104,387
	Less: Return of additional paid in Capital						(72,464,117)	(50,700,000)
	Total						633,685,450	655,449,567
	2. HOVS Holdings Limited- Subsidiary Company	1001	1001	Hongkong Dollar 1	100%	100%	6,457	6,457
	Aggregate amount of unquoted investments						736,844,913	655,456,024

Note 9 - Long term loans and advances

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Deposits for premises and others	4,599,470	4,599,470
Total	4,599,470	4,599,470

Note 10 - Other Non -Current Assets

Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
MAT credit Receivable	30,399,455	25,932,435
Prepaid Expenses	2,254,369	-
Total	32,653,824	25,932,435

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012
Note 11 - Trade Receivables
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Trade receivables outstanding for a period less than six months from the date they are due for payment Unsecured, considered good	15,869,095	18,021,261
Total	15,869,095	18,021,261

Note 12 - Cash and Bank Balance
Amount in Rs.

Particulars	As at December 31, 2012		As at December 31, 2011	
(I) Cash and Cash Equivalents				
a. Balances with banks				
i) In Current Accounts	6,012,308		486,949	
ii) Fixed Deposits with maturities less than twelve months	62,100,000		92,850,000	
b. Cash on hand	32,897	68,145,205	19,494	93,356,443
(II) Earmarked Bank balances				
Fixed Deposits with maturities less than twelve months (pledged with bank against guarantees issued)	56,216,000		32,416,000	
Unpaid Dividend Account	339,487		359,537	
In Trust Account	6,892	56,562,379	6,606	32,782,143
Total		124,707,584		126,138,586

Note 13 - Short term loans and advances
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
a) Balances with Service Tax	1,999,603	2,296,500
b) MAT Credit Entitlement	2,690,000	7,157,020
c) Others:		
Expenses recoverable from subsidiaries and associates (Refer note no. 20.6)	14,827,510	455,642
Other Loans & Advances recoverable in cash or in kind or for value to be received	90,493	41,654
Total	19,607,606	9,950,816

Note 14 - Other Current Assets
Amount in Rs.

Particulars	As at December 31, 2012	As at December 31, 2011
Prepaid Expenses	1,451,105	584,013
Interest accrued but not due on Fixed Deposits	6,479,279	3,224,948
Total	7,930,384	3,808,961

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 15 - Revenue from operations

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the nine months period ended December 31, 2011
Software and IT enabled services	113,598,418	94,101,097
Total	113,598,418	94,101,097

Note 16 - Other Income

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the nine months period ended December 31, 2011
Interest Income	14,900,180	4,708,991
Gain on Variation in Foreign Exchange Rates (Net)	-	4,589,127
Provisions written back	244,040	716,557
Rent received	1,946,395	-
Less: Expenses attributed to rent income		
Finance Cost	(2,049,556)	-
Amortisation Expenses	(313,534)	-
	(416,695)	-
Miscellaneous Income	287	-
Total	14,727,812	10,014,675

Note 17 - Employee Benefits Expense

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the nine months period ended December 31, 2011
Salaries and wages	80,723,128	53,019,203
Contributions to provident and other funds	5,274,209	3,510,250
Staff welfare expenses	1,609,867	1,121,472
Total	87,607,204	57,650,925

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012

Note 18 - Other Expenses

Amount in Rs.

Particulars	For the year ended December 31, 2012	For the nine months period ended December 31, 2011
Rent	9,076,886	7,000,430
Repairs & Maintenance - Building	579,423	235,060
Repairs & Maintenance - Computer	608,414	321,656
Repairs & Maintenance - Others	1,303,377	309,246
Insurance	23,248	23,162
Rates and taxes	543,371	329,866
Power & Fuel Expenses	8,128,238	4,930,314
Membership & Subscription Fees	1,746,002	3,036,912
Travelling & Conveyance Expenses	8,577,243	7,801,202
Communication Cost	1,822,254	1,119,300
Advertising & Publicity Expenses	1,728,676	729,445
Office upkeep & Maintenance Expenses	2,141,749	1,272,560
Auditors Remuneration (Refer note 20.7)	1,590,648	1,504,970
Legal & Professional charges	1,125,909	2,372,180
Director's sitting Fees	720,000	620,000
Loss on Variation in Foreign Exchange Rates (Net)	470,379	-
Office, Administrative & Other Expenses	946,780	683,946
Total	41,132,595	32,290,249

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2012**NOTE 19 : 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 is engaged in the BPO business of Finance and Accounting sector including Software Development and Support Services.

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:

Revenue from Software & IT enabled services are recognized as per the work orders/agreements entered with the customers.

Rental and Interest income is recognized on time proportion basis and is disclosed under Other Income.

5. Fixed Assets:

Tangible: Fixed assets are stated at historical cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset to its working condition for the intended use, less accumulated depreciation.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired softwares meant for in-house consumption are capitalized at the acquisition price.

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 on fixed assets is provided on Straight Line Method at the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956. Investment property is amortized over the period of lease.
- b) **Intangible Assets** – Software product (meant for sale) are amortized over its estimated useful life of 8 years. Other Software products are depreciated 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. Investment in property is recognized at cost less amortization.

9. Employee Benefits:

a) **Gratuity:**

The Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the Company contributes to the Scheme with LIC. The Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation done by an independent valuer using the Projected Unit Credit Method.

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.

c) **Leave Entitlement:**

Liability for Leave entitlement for employees is provided on the basis of Actuarial Valuation done during 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 - 20: NOTES TO THE FINANCIAL STATEMENTS
20.1. Contingent Liabilities and Commitment:
a) Contingent Liabilities not provided for in respect of:

(Amount in Rs.)

Sr. No.	Particulars	As at December 31, 2012	As at December 31, 2011
(i)	Corporate Guarantees outstanding in respect of loans taken by an Associate*	59,013,519	89,850,674
(ii)	Fixed Deposit Pledged for issue of bank guarantee on behalf of subsidiary company	56,000,000	32,200,000
(iii)	Disputed Excise Matter (Service Tax), excluding interest, if any	Nil	557,079
(iv)	Disputed Income Tax Matter(including interest up to date of demand)	5,352,170	5,352,170

* Since released

b) Commitment:

Operating Lease: 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 Company is committed to make in respect of these are as follows:

(Amount in Rs.)

Particulars	As at December 31, 2012	As at December 31, 2011
- within one year	11,731,213	6,565,234
- later than one year and not later than five years	27,901,495	32,396,403

c) Rental Income:

The company has given leasehold building on rent. The future rental income receivables as per the terms of the agreement are as follows:

(Amount in Rs.)

Particulars	As at December 31, 2012	As at December 31, 2011
- within one year	8,873,272	Nil
- later than one year and not later than five years	19,521,199	Nil

- 20.2 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.

20.3 Earnings Per Share (EPS):

Particulars	For the year ended December 31, 2012	For the nine months period ended December 31, 2011
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	14,233,223	16,002,158
Weighted Average Number of Equity Shares (Nos.)	12,491,022	12,491,022
Basic and Diluted Earning per Equity Share (Rs.)	1.14	1.28
Nominal value per Equity Share (Rs.)	10	10

20.4 Foreign Currency Exposures:

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

Particulars	As at December 31, 2012		As at December 31, 2011	
	Amount in Foreign currency (In USD)	Amount (In Rs.)	Amount in Foreign currency (In USD)	Amount (In Rs.)
Current Assets, Loans & Advances	529,702	29,015,695	338,326	18,021,261

20.5 Employee Benefits:

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

(Amount in Rs.)

	Particulars	As at December 31 , 2012	As at December 31 , 2011
I	Assumptions		
	Discount Rate	8.50%	8.50%
	Expected Rate of Return on plan asset	9.00%	9.00%
	Salary Escalation	6.00%	6.00%
II	Table showing changes in present value of obligations		
	Present value of obligations as at beginning of year	2,332,935	1,387,844
	Interest cost	186,635	88,475
	Current Service Cost	1,243,454	601,483
	Benefits Paid	(33,781)	-
	Actuarial (Gain)/Loss on obligations	(170,089)	255,133
	Present value of obligations as at end of year	3,559,154	2,332,935
III	Table showing changes in the fair value of plan assets		
	Fair value of plan assets at beginning of year	1,697,989	1,590,622
	Expected return on plan assets	169,809	107,367
	Contributions	311,101	-
	Benefits paid	(33,781)	-
	Actuarial Gain / (Loss) on Plan assets	NIL	NIL
	Fair value of plan assets at the end of year	2,145,118	1,697,989

	Particulars	As at December 31 , 2012	As at December 31 , 2011
IV	Table showing fair value of plan assets		
	Fair value of plan assets at beginning of year	1,697,989	1,590,622
	Actual return on plan assets	169,809	107,367
	Contributions	311,101	-
	Benefits Paid	(33,781)	-
	Fair value of plan assets at the end of year	2,145,118	1,697,989
	Funding Status - Surplus/(deficit)	(1,414,036)	(634,946)
	Excess of Actual over estimated return on plan assets	NIL	NIL
V	Actuarial Gain/Loss recognized		
	Actuarial Gain/(Loss) for the year -Obligation	170,089	(255,133)
	Actuarial (Gain)/Loss for the year - plan assets	NIL	NIL
	Total (Gain)/Loss for the year	(170,089)	(255,133)
	Actuarial (Gain)/Loss recognized in the year	(170,089)	(255,133)
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	3,559,154	2,332,935
	Fair value of plan assets as at the end of the year	2,145,118	1,697,989
	Funded status	(1,414,036)	(634,946)
	Net Asset/(liability) recognized in balance sheet	1,414,036	(634,946)
VII	Expenses Recognised in Statement of Profit & Loss		
	Current Service cost	1,243,454	601,483
	Interest Cost	186,635	88,475
	Expected return on plan assets	(169,809)	107,367
	Net Actuarial (Gain)/Loss recognised in the year	(170,089)	(255,133)
	Expenses recognised in statement of Profit & Loss	1,090,191	634,946

20.6 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

*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	HOV Environment, LLC***
5	Meridian Consulting Group, LLC*
6	Rustic Canyon III, LLC*
7	HOV Services, Inc*
8	Lason India Private Limited*
9	Vetri Software (I) Private Limited*

*Upto April 29, 2011

** from November 09, 2011

*** from April 02, 2012

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

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)

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 year ended December 31, 2012	the period ended December 31, 2011
HOV Services, Inc Services Provided	Associate/Subsidiary	86,547,359	73,446,820
Bay Area Credit Service, LLC Services Provided	Associate	24,421,748	16,150,595
HOV Services, LLC Services Provided		NIL	45,03,682
Reimbursement of Expenses	Subsidiary	NIL	798,840
Tracmail India Private Limited Rent Income	Associate	1,946,395	NIL
Advances Given		393,463	285,000
Repayment of advances		393,463	285,000
Purchase of Immovable Property		100,423,000	NIL
Meridian Consulting Group, LLC Balances written back	Associate / Subsidiary	NIL	680,825
HOV Environment Solutions Private Limited Advances Given	Subsidiary	408,249	455,642
Advances Repaid		728,870	NIL
HOVS, LLC Services Provided	Subsidiary	2,629,311	NIL
Reimbursement of Expenses		25,707,104	11,736,332
Return of Additional paid in Capital		49,480,000	50,700,000
Additional paid in Capital		27,715,884	NIL
Transfer of Investment in HOV Services, LLC (Refer note no.20.12)		NIL	706,104,387
Hands on Venture, LLC Reimbursement of Expenses	Associate	3,127,098	NIL
Mr. Surinder Rametra Managerial Remuneration	Key Managerial Personnel	3,600,000	3,600,000
Mr. Parvinder S Chadha Managerial Remuneration	Key Managerial Personnel	3,600,000	3,600,000
Mr. Sunil Rajadhyaksha Managerial Remuneration	Key Managerial Personnel	3,600,000	3,600,000

Balances with the related parties referred above:

(Amount in Rs.)

Name of the Party	Nature of Relationship	Balance as at	
		December 31,2012	December 31,2011
HOVS ,LLC Investment Receivables	Subsidiary	633,685,450 15,775,911	655,449,567 NIL
HOVS Holdings Limited Investment in Shares	Subsidiary	6,457	6,457
HOV Services, Inc (Receivables)	Associate / Subsidiary	9,076,709	6,335,501
HOV Environment Solutions Private Limited Receivable Guarantee Given	Subsidiary	135,021 56,000,000	455,642 32,200,000
Bay Area Credit Service, LLC (Receivables)	Associate	4,163,075	11,685,760
Hands on Venture, LLC Receivable	Associate	1,545,889	NIL
Mr. Surinder Rametra Remuneration payable	Key Managerial Personnel	740,707	866,904
Mr. Parvinder S Chadha Remuneration payable	Personnel	Key Managerial 566,465	586,262
Mr. Sunil Rajadhyaksha Remuneration payable	Personnel	Key Managerial 434,594	679,280

- 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 as disclosed above.

20.7 Auditors' Remuneration:

(Amount in Rs.)

Particulars	For the year ended December 31, 2012	For the nine month ended December 31, 2011
Payment to Statutory Auditors:		
Audit Fees	1,175,000	1,125,000
Limited Review Fees	225,000	225,000
Certification Fees	122,500	122,500
Reimbursement of Out of Pocket Expenses (Including service tax of Rs.202,218; previous year Rs.139,047)	270,366	171,517
Total	1,792,866	1,644,017

20.8 There are no Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly, no additional disclosures have been made.

20.9 As per Accounting Standard (AS) 17 "Segment Reporting", segment information has been provided in the notes to Consolidated Financial Statements.

20.10 Remittance in foreign currencies for dividends:

The Company has remitted Rs. NIL (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 2012	December 2011	December 2012	December 2011	December 2012	December 2011
Dividend for the year 2010-11 & 2009-10	NIL	13	NIL	7,731,347	NIL	61,850,776

20.11. Earnings / Expenditure in foreign Currency:

(Amount in Rs.)

Particulars	For the year ended December 31, 2012	For the nine month ended December 31, 2011
<u>Earnings in Foreign Exchange</u>		
Income from Operations	113,598,418	94,101,097
Reimbursement of Expenses	25,707,104	12,535,172

20.12 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 Source HOV 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.

- 20.13 a) Current year figures are comprises of twelve months and with that of previous year comprises of nine months and hence not comparable.
- 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 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: February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

James Reynolds
Chief Financial Officer &
CAO, Global

Notice of 25th Annual General Meeting

Notice is hereby given that the Twenty-Fifth Annual General Meeting of the Members of HOV Services Limited will be held on Saturday, the 18 day of May, 2013 at 11:00 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 2012 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. Prakash Shukla 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: February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

NOTES:

1. ***A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.***
2. The 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. Prakash Shukla, 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: February 27, 2013

Bhuvanesh Sharma
VP-Corporate Affairs &
Company Secretary

BREIF RESUME OF DIRECTOR SEEKING RE-APPOINTMENT**Prakash Shukla**

Mr. Prakash Shukla is a Director of the Company. Mr. Prakash Shukla, is an Advanced Leadership Fellow at Harvard University and was a senior executive (CIO & Sr. VP) with the Taj Group of Hotels & Resorts. Mr. Shukla is also an entrepreneur who has been involved at early stage with startups such as SST, Travelguru, Transerv, Mango Tree etc. He has worked with some of the industry's most venerable corporations such as IBM, Unisys and has consulted for Morgan Stanley, Goldman Sachs, Citigroup, and Solomon Smith Barney. Mr. Shukla is an Electrical Engineer from Rutgers University. He holds a Master's degree in Computer Science from New York University and attended the Advanced Management Program at Harvard Business School.

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 25th Annual General Meeting of the Members
of HOV Services Limited to be held on **Saturday, the 18th day of May, 2013 at 11:00 AM at Le Meridien, Raja
Bahadur Mill Road, Pune, Maharashtra-411001** and at any adjournment thereof.

Signed thisday of.....2013.

Folio No. : No. of Shares held :

Client Id : DP Id :

Signature :

Affix
Rs.1/-
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 25th Annual General Meeting held on **Saturday, the 18th day of May, 2013 at 11:00 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, May 18, 2013

Time : 11:00 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

Form A
(Clause 31 of Listing Agreement)
Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	HOV Services Limited
2.	Annual financial statements for the year ended	December 31, 2012
3.	Type of Audit observation	None
4.	Frequency of observation	Not applicable
5.	To be signed by – Sunil Rajadhyaksha Chairman & Executive Director James Reynolds Chief Financial Officer Lodha & Co. Auditor of the Company B R Gupta Chairman Audit Committee	Sign  Sign  Sign  Sign 