

HOVS HOLDINGS LIMITED

FINANCIAL STATEMENT
FOR THE YEAR ENDED MARCH 2015

INDEPENDENT AUDITORS' REPORT

**To the Members of
HOVS Holdings Limited**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HOVS Holdings Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinion

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

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2015;
- (ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date, and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report that:

- a) We have sought and 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, the 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 aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- e) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
- i. The Company does not have any pending litigations which would impact its financial position and
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

OTHER MATTER:

The audit report has been prepared for the purpose of enabling Ultimate Parent Company's financial reporting requirement under the Act.

We disclaim any responsibility for reliance on this report by any person other than the Board of Directors of HOV Services Limited (Holding Company) or for purposes other than that which it is meant for.

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

Place: Mumbai
Date: May 21, 2015

A.M. Hariharan
Partner
Membership No. 38323

HOVS HOLDINGS LIMITED
Balance sheet as at March 31, 2015

Amount in Rs.

	Note No.	As at March 31, 2015	As at March 31, 2014
I. EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	8,079	7,975
Reserves and surplus	2	96,597,239	93,243,562
TOTAL		96,605,318	93,251,537
II. ASSETS			
1 Non Current Assets			
Non-Current investments		-	-
Long Term Loans and Advances	3	96,279,220	92,903,808
2 Current Assets			
Cash and Bank Balances	4	326,098	347,729
Short Term Loans and Advances		-	-
TOTAL		96,605,318	93,251,537
Significant accounting policies and Accompanying Notes form an integral part of financial statements	6 & 7	-	-

As per our attached Report of even date

For Lodha & Company
Chartered Accountants

For HOVS Holdings Limited

A.M. Hariharan
Partner

Manager

Place: Mumbai
Date : May 21, 2015

HOVS HOLDINGS LIMITED
Statement of Profit and Loss for the year ended March 31, 2015

Particulars	Note No.	Amount in Rs.	
		For the year ended March 31, 2015	For the fifteen months period ended March 31, 2014
Revenue from operations		-	-
Total Revenue		-	-
Expenses			
Loss on sale of Investment		-	45,821
Other Expenses	5	499,489	319,801
Total Expenses		499,489	365,622
Profit/(Loss) before tax		(499,489)	(365,622)
Tax Expense			
Current Tax		-	-
Profit/(Loss) for the period/ year		(499,489)	(365,622)
Earnings per equity share of the face value of HKD 1 each : Basic & Diluted (Refer note no. 7.4)		(498.99)	(365.26)
Significant accounting policies and Accompanying Notes form an integral part of financial statements	6 & 7		
As per our attached Report of even date			
For Lodha & Company Chartered Accountants		For HOVS Holdings Limited	
A.M. Hariharan Partner		Manager	
Place: Mumbai Date : May 21, 2015			

HOVS HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

Amount in Rs.

	For the year ended March 31, 2015	For the fifteen months period ended March 31, 2014
Cash flow from Operating Activities:		
Net Profit/ (Loss) before Tax	(499,489)	(365,622)
Add Adjustments for :		
Loss on sale of Investment	-	46,483
Foreign Exchange Variation (Gain)/Loss	2,619	27,631
Operating Profit before changes in Working Capital	(496,870)	(291,508)
Adjustments for changes in Working Capital :		
(Increase)/Decrease in Trade Receivables	-	-
(Increase)/Decrease in Other Receivables	475,239	190,783
Increase/(Decrease) in Trade and Other Payables	-	-
Net cash from/(used in) Operating Activities - A	475,239	190,783
Cash flow from Investing Activities:		
Investment in Subsidiaries	-	109,717
Net Cash from/(used in) Investing Activities - B	-	109,717
Cash flow from Financing Activities:		
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(21,631)	8,992
Opening Cash and Cash Equivalents	347,729	338,737
Closing Cash and Cash Equivalents	326,098	347,729
	-	-

Notes:

1. 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 Act, 2013.
2. Previous year's figures have been regrouped/rearranged wherever considered necessary.

As per our attached Report of even date
For Lodha & Company
Chartered Accountants

For HOVS Holdings Limited

A.M. Hariharan
Partner

Manager

Place: Mumbai
Date : May 21, 2015

HOVS HOLDINGS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

Note 1- Share Capital

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Amount in Rs.	Number	Amount in Rs.
Share Capital				
Equity Shares of HKD 1 each fully paid up	1001	8,079	1001	7,975
Total	1001	8,079	1001	7,975

Details of members holding equity shares more than 5%

Name of Shareholder	As at March 31, 2015		As at March 31, 2014	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
HOV Services Limited- Parent Company	1001	100%	1001	100%

Note 2 - Reserves and Surplus

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Foreign Exchange Translation Reserve		
Opening Balance	23,402,071	15,104,393
Add :Addition during the period/year	3,853,166	8,297,678
Closing Balance	27,255,237	23,402,071
Surplus : Profit & Loss		
Opening Balance	69,841,491	70,207,113
Profit/(Loss) for the period/year as per Statement of Profit & Loss	(499,489)	(365,622)
Closing Balance	69,342,002	69,841,491
Total	96,597,239	93,243,562

Note 3 - Long Term Loans and Advances

Amount in Rs.

Particulars	As at March 31, 2015	As at December 31, 2012
Unsecured and considered good Advances recoverable in cash to be received from fellow subsidiaries	96,279,220	92,903,808
Total	96,279,220	92,903,808

Note 4 - Cash and Bank Balances

Amount in Rs.

Particulars	As at March 31, 2015	As at March 31, 2014
Cash and Cash Equivalents :		
Balances with a bank In Current Account	326,098	347,729
Total	326,098	347,729

Note 5 - Other Expenses

Amount in Rs.

Particulars	For the year ended on March 31, 2015	For the fifteen months period ended March 31, 2014
Professional Fees	158,542	206,700
Bank Charges	340,947	113,101
Total	499,489	319,801

HOVS HOLDINGS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

Note 6: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Overview of the Company

HOVS Holdings Ltd is 100% subsidiary of HOV Services Ltd. The Company was registered in China and its office is situated in Hong Kong. The Company's principal areas of operations are BPO services relating to health care, publishing, financial services etc.

2. 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.

3. 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.

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.

4. Foreign Exchange Transactions

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

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

5. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be outflow of resources.

Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

Contingent Assets are neither recognized nor disclosed in the financial statements.

6. 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.

Note 7: NOTES TO THE FINANCIAL STATEMENTS

7.1 Effective from September 1, 2013, the Company has transferred its holding in HOV Environment Solutions Private Limited to HOV Environment LLC for consideration of Rs. 100,000.

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

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

7.3 Related Party Transactions

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

A) Name of the related parties :

Name	Relations
HOV Services Limited	Parent Company
HOVS, LLC	Subsidiary of Parent Company
HOV Environment Solutions Private Limited (Wholly owned Subsidiary of HOV Environment LLC w.e.f. September 1, 2013) (Wholly owned Subsidiary of HOVS Holdings up to August 31, 2013)	Step down Subsidiary Parent Company
HOV Environment , LLC	Step down Subsidiary Parent Company

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

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

(Amount in Rs.)

Name of Related Party	Nature of transactions	For the year ended March 31,	For the fifteen months period ended March 31,
		2015	2014
HOVS LLC	Advance Received	475,239	300,499
HOV Environment LLC	Receivable against	NIL	109,716
	Transfer of investment	NIL	100,000

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

(Amount in Rs.)

Name of Related Party	Nature of balances	As on March 31, 2015	As on March 31, 2014
HOVS LLC	Receivable	83,709,387	80,834,231
HOV Environment LLC	Receivable	12,569,833	12,069,577

Note:-

- i. Related party relationship is as identified by the management and relied upon by the Auditors.
- ii. 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 / receivables

7.4 Earnings Per Share (EPS):

Particulars	For the year ended March 31,	For the fifteen months period ended March 31,
	2015	2014
Net Profit/ (Loss) as per Statement of Profit and Loss (Rs.)	(499,489)	(365,622)
Weighted Average Number of Equity Shares (Nos.)	1001	1001
Basic and Diluted Earnings per Equity Share (Rs.)	(498.99)	(365.26)
Nominal value per Equity Share (in HKD)	1	1

7.5 Previous period figures

- a) The current financial year comprises 12 months period ended March 31, 2015 as against previous financial year comprising of 15 months period ending March 31, 2014 therefore, figures of the current year are not comparable with those of the previous period.
- b) Figures of the previous period have been regrouped / rearranged, wherever considered necessary to conform to the current year's presentation

**Signatures to Notes 1 to 7
For HOVS Holdings Limited**

Place: Mumbai
Date: May 21, 2015

Manager