SUBEX LIMITED
ANNUAL REPORT
2007-2008

subex
powering the ROC

subex
powering the ROC

contents

subex
powering the ROC

highlights 2007-2008

- completed acquisition of Syndesis
- honoured by AT&T as outstanding supplier
- won ISV partner of the year award from Sun Microsystems
- changed name to Subex Limited
- won award from UKTI for successful listing at the London Stock Exchange
- made it to the Deloitte Technology Fast 50 India listing for the third year running
- Subash Menon appointed as chairman of the NASSCOM product forum
- consolidated all offices to a single location in Bangalore

committing to seeing things differently to produce the best value in all fairness - the Subex way.

key financials & indicators

Year ended March 31, 2008

PARTICULARS (Consolidated)	FIGURES IN RS. MILLION *EXCEPT KEY INDICATORS*
Total income	5408.9
Export Sales	4836.94
Operating Profits (EBDITA)	-107.54
Depreciation & Amortization	184.04
Profit before Tax	-617.05
Profit after Tax	-680.72
Share Capital	348.47
Reserves & Surplus	7050.66
Net Worth	6792.52
Gross Fixed Assets	1505.82
Net Fixed Assets	388.77
Total Assets	18463.32

Key Indicators

Earning per Share (Year end)	-19.52
Cash Earning per Share (Year end)	-31.01
Book Value per Share	194.92
Debt (including working capital) Equity Ratio	1.36
EBDITA / Sales - %	-2.21
Net Profit Margin - %	-14.02
Return on year end Net Worth %	-10.02
Return on year end Capital Employed %	-0.67

> we are confident that all the initiatives of the past 12 months and the progress achieved so far will help us gain our target.

chairman's letter to the **shareholders**

Dear Shareholder,

Financial year 2008 was quite turbulent and tumultuous. Two main elements buffeted us during the year and wreaked havoc with the financials. The first one was the level of complexity that we experienced while integrating Syndesis (the company that we acquired in April 2007) with our company and the other was the postponement of contracts by customers. Let me take a quick look at the figures before delving into the details of these issues.

While the total revenue of the company increased by 42% to reach Rs.4855.91 million, product revenue recorded a growth of 58%. The contribution of products to the total revenue stood at 75% and the company made a net loss of Rs.680.72 million.

Acquisition of Syndesis

We acquired Syndesis at a total cost of US$ 180 million in April 2007. The rationale behind the acquisition was two fold. While we wanted to become an even more significant partner to the telcos by offering a wider and well integrated portfolio of products, we also aimed to expand our addressable market opportunity by entering an adjacent space. By March 2006, we had already achieved market leadership in the Revenue Maximization space and continuing growth seemed to be at risk. The solution was to enter a new, but adjacent area that would open up more opportunities. This strategy was supportive of the approach to address a new trend that was emerging. Most of the telcos, particularly the large ones, were demanding platforms that could handle multiple tasks in the OSS stream. Thus, an acquisition in the Service Fulfillment space seemed to help us to meet the twin objectives.

Any move into a new space is fraught with risk owing to the complexities resulting from lack of familiarity with the space. Keeping this in mind, we had conducted an extensive due diligence to assess the risks and to prepare for the same. However, the true complexity that we experienced was more than what was estimated by us. Clearly we were ill equipped. This resulted in reduced revenue while the costs had not come down adequately leading to operational loss. To this was added the issue of a customer delaying contracts. Quite naturally, that delay also led to reduced revenue further increasing the operational loss. These two issues resulted in an operational loss of about US$ 20 million on revenue of US$ 91 million from products.

Solution

Your company is used to posting stellar performance and is not the sort that was posted in FY08. With the performance going downhill, it was imperative to get to the root cause of the issues and set them right at the earliest. A thorough study was conducted and the underlying problems were ascertained. The final solution had three components – completion of integration at the earliest, reduction of cost and faster conversion of backlog and orders booked to revenue. The company then went about implementing the solution.

Implementing the Solution – Integration

Integration was originally planned for completion by Jan 2008. Owing to the complexity, this period was at risk. Additional manpower was deployed to ensure that integration was completed as originally planned. I am glad to report that the same was achieved and all aspects of integration – transition of technology, merging of teams, functional training, redundancy etc. – were completed by January 2008.

Implementing the Solution – Cost Reduction

Software products business is very non-linear and so, the variability in expenses is very limited. Consequently, even when revenue reduces, the cost remains without much reduction. While this is a very positive feature when revenue is on the rise, it is extremely negative when the reverse happens. With the completion of the integration, the originally expected cost reduction of about US$ 12 million (for a full year) was achieved. It was required to reduce the cost further. The company has taken several measures to meet this objective. The result is expected to be a reduction of about 10% in the overall cost per Subexian per annum from the level in FY08.

Implementing the Solution – Conversion to Revenue

The revenue chain of the company has several links namely, pipeline, order intake, execution of projects and conversion to revenue. With the completion of integration, execution of the projects became quite smooth. Further, several initiatives were taken to improve the efficiency of delivery. These improvements, coupled with better execution, has brought about a significant progress in the rate of conversion of orders booked to revenue. We expect the revenue per Subexian per annum to increase by about 30% from the level in FY08.

The combined effect of reduction in cost and increase in revenue earned per Subexian will have a salutary effect on profitability. And that is the focus for the current financial year FY09.

Way Forward

Your company has always posted financial results that demonstrated superior operational excellence. This was not true in FY08. Our key objective in FY09 is to turn the tide and post financial results that are in line with your expectations. We are confident that all the initiatives of the past 12 months and the progress achieved so far will help us to gain that target. Let me sign off for now by thanking every one of you for the support and for the faith reposed in me and my colleagues during these trying times. Dear shareholders, we will not leave any stone unturned in our efforts to meet your expectations. We will not fail you.

SUBASH MENON
FOUNDER CHAIRMAN,
MANAGING DIRECTOR & CEO

products & solutions

Revenue Maximization solutions

Moneta™ Revenue Assurance System is a first-of-its-kind, complete RA solution, designed to tackle critical revenue assurance challenges across the entire revenue chain. It offers a set of pre-configured solution templates to address RA challenges inherent to individual service verticals – Wireless, Fixed, Cable, MSPs & MVNOs.

Nikira™ Fraud Management System is a state-of-the-art solution built to deliver on a 3-step philosophy of Detect-Investigate-Protect. Nikira detects known fraud types and patterns of unusual behaviour; helps investigate these unusual pattern for potential fraud and uses the knowledge thus generated to upgrade and protect against the future.

Prevea™ Risk Management System empowers operators to continuously assess and mitigate risk presented by subscribers throughout their lifecycle, by tracking risk in realtime during subscriber acquisition, ongoing usage and collections & recovery.

Concilia™ Interconnect Billing System allows operators to quickly and accurately settle charges with their network partners. It provides operators with the ability to manage these major costs & revenues on a day-to-day, hour-to- hour basis.

Symphona™ Interparty Management System enables operators to bill their customers and settle with their partners on a single modular platform. The system is able to support multiple business models and multiple currency transactions within a single implementation through seamless addition of necessary modules.

Optima™ Route Optimization System is designed to provide operators with the tools to manage network cost information. The system is capable of taking into account factors such as call quality rate information, capacity and network costs in calculating the optimum choice of operators.

Subex Cost Assurance Solution protects and enhances operator margins by having a complete view of the profit equation. The Solution collects, collates and correlates the information from Switch, Inventory, Billing, Partner Invoices, and Financial systems to provide deeper insights about the cost aspects in an easier to understand format through Dashboards & Reports. The Solution focuses on Circuit assurance, Carrier to Carrier compensation assurance, Access assurance, Payment assurance, Accruals & Dispute management."

Fulfillment and Assurance solutions

Syndesis Adaptive Resource Manager® is the industry's only 'live' inventory management solution which offers service providers a low-risk path to operational transformation and highly accurate inventory management.

Syndesis Application Configuration Manager® automates the configuration, management, and detailed discovery of applications, policy servers, subscriber databases, and other service delivery platforms, making self-service a reality for the mass market.

Syndesis Controller® offers pre-integrated, best-in-class Order Management, Service Catalog Management and Technical Workflow solution, providing the basis for the automation of the complete order-to-bill cycle and enhancing scalability and visibility for the entire fulfillment process.

Syndesis Express® provides complete subscriber-centric fulfillment for IPTV, VoIP, Business Ethernet and other targeted advanced service offerings from a wholly integrated architecture, enabling rapid service definition; integrated service design and activation across connectivity and applications; and real-time subscriber self-management.

Syndesis NetOptimizer® takes the risk, time and effort out of the toughest service migrations through service-aware automation, transforming over-engineered network into right-sized networks.

Syndesis NetProvision® increases your revenues and drives down your time-to-market and operations costs by automating the design and activation of complex, application-aware connectivity, enabling flow-through provisioning of next-gen data and IP services across multi-vendor, multi-technology networks.

Syndesis TrueSource® employs an operations-wide approach to solving data integrity problems, combining three powerful data integrity functions: multi-layer network and service discovery, data reconciliation, and discrepancy analytics.

subex

"telecommunications service providers have experienced enormous changes in the past few years. But these changes are only the beginning as the voice and connectivity providers of yesterday re-invent themselves as the content providers and aggregators of tomorrow."

product innovation in a time of change

Innovation is the ability to see change as an opportunity - not a threat

Telecommunications service providers have experienced enormous changes in the past few years. But these changes are only the beginning as the voice and connectivity providers of yesterday re-invent themselves as the content providers and aggregators of tomorrow. From the wholesale replacement of networks to the transformation of OSS and BSS systems, service providers are making huge investments to offer mass-market content and applications along with traditional connectivity and voice services. The stakes are high and the competition is formidable as Internet Innovators (such as Google and MSN) also bring applications and content to subscribers globally over the Internet. For communications providers, future success depends not only on offering new, must-have services but also on profitably delivering these services to subscribers. And achieving these goals depends on investing and substantially changing their existing software infrastructure.

Subex sees service provider business transformation as an enormous opportunity. Through continued concentration on and innovation in the following three areas, we will continue to have the right products to enable service providers realize their transformation objectives.

1. We focus on providing our customers operational dexterity, the ability to immediately launch new product bundles while maximizing margins through automated and error-free fulfillment and elimination of revenue leakage.

2. We leverage our market position, domain knowledge, and customer experience to productize industry best practices, thus ensuring our solutions solve next-generation problems and are faster to deploy with a lower total cost-of-ownership.

3. We ensure that our products and solutions solve real customer problems and that our customers achieve value for their investment and therefore become our strongest reference.

Subex will help service providers achieve operational dexterity through innovation in each of our product areas briefly described below.

Fulfillment and Assurance Suite

OSS was originally designed to support human operators managing custom processes. To enable content-based services, providers need to transform this OSS to reduce both reliance on manual steps and human error. With Subex's FAS suite, providers can realize immediate, always-on, no-touch service fulfillment. They can achieve total automation without error due to our foundation of data accuracy. Providers can profit from convenient impulse buying – any time, anywhere, using any device available – because, with our solutions, service fulfillment configuration can be completed in seconds, allowing instant consumer gratification. The FAS suite also replaces custom processes with standards-based service and resource catalogues that enable rapid new service and product introduction. A new generation of OSS is required for content-based services, and Subex has the innovative fulfillment solutions to enable this transformation.

Revenue Management Suite

Service provider business transformation brings many new challenges that our RMS suite is ideally suited to resolve. A vastly growing number of content and application providers, as well as new types of interconnect partners, brings new settlement and route optimization challenges. More than ever before, service providers will be spending billions per year on these third parties, and invoice inaccuracy will prove to be a major cause of reduced margins. Subex's innovative cost assurance offering, partner settlement, and route optimization products will drive down service provider costs and help grow margins. At the same time, fraudsters are getting smarter, and next-generation networks enable new types of fraud (such as bypass fraud) as well as new avenues for content-based, premium-rate, and revenue-share fraud. Our fraud management leadership position and innovation has allowed Subex to stay ahead of the curve and productize pre-packaged, next-generation fraud management solutions.

Revenue Operations Center

Nowhere is Subex's product innovation more clearly demonstrated than with our Revenue Operations Center, an industry first that has the potential to transform the way service providers manage their business. For content-based service providers, having real-time, summarized visibility into the revenue and operational chains is essential. Knowing not only which services are gaining traction but which are profitable (factoring in network and operational costs) gives service provider executives the tools necessary to grow their businesses. Visibility across the delivery and assurance chains also helps service providers proactively monitor the customer experience and the propensity for customer churn due to operational challenges. Subex is uniquely positioned to provide timely access to both the revenue and operational chains by leveraging both our RMS and FAS portfolios.

In summary, the transformations happening in the telecommunications industry are a major opportunity for Subex. We will continue to innovate and advance our product portfolio to capitalize on the investment that service providers need to make to succeed in this new digital economy.

STEPHEN COOPER
VICE PRESIDENT –
PRODUCT MANAGEMENT

"this wave of innovation reaches a pinnacle in the form of the Revenue Operations Center (ROC), a strategic concept that Subex pioneered and which began gaining important adherents in the industry..."

the **Subex ROC**

catalyst for communications innovation

A revolution of innovation swept the manufacturing sector around the world some years ago. Spurred by dramatic rises in competition as the first stages of advanced globalization took hold, the revolution centered on the introduction of lean manufacturing and efficient operating principles. This crucible of competition-driven change forged new, highly competitive businesses that could continually create dramatically more value with ever fewer resources.

A similar revolution is sweeping today's communications industry, with similar effects. Communications service providers face rising competition as they seek to bring new, innovative services to market and capture a portion of the dramatically rising worldwide spend on communications services. A host of different types of companies are now engaged in a battle for "share of wallet" – looking to win consumer and enterprise spending on services such as television content, converged communications, gaming, social networking, news and the like. Today's traditional telecommunications operator is competing not only against other operators to win subscribers. They are also competing against DVD rental shops, Internet-based video distribution networks, and voice-over-IP providers, all seeking to win a share of consumer spend on entertainment and communications.

Against this backdrop of intense, wide-ranging competition, communications service providers are gaining a new appreciation for the principles of lean operations and high efficiency service delivery, and how these innovations can spur more competitive business practices. In fact, many are turning to Subex for advice and expertise in the techniques and best practices of lean operations, from automating mission critical processes to ensuring all due revenue is captured and costs are contained.

This wave of innovation reaches a pinnacle in the form of the Revenue Operations Center (ROC), a strategic concept that Subex pioneered and which began gaining important adherents in the industry in fiscal year 2007-2008.

A ROC could be described as "mission control" for a communications service provider. It is a collection of systems that monitor and analyze the impact of operations on revenues, costs and, ultimately, profits. A chief benefit of a ROC is that it helps the operator to understand the health of the enterprise at virtually any level, from an executive-level standpoint, to an operational view, to a marketing and planning perspective. Subex's products are underlying systems that can be brought together to create a ROC platform, helping to streamline and integrate the processes associated with revenue management, resource management, fulfillment and the like.

As the ROC concept has gained increasing market acceptance, it has evolved to become a central component of transformational initiatives for communications service providers seeking to achieve lean operations and adopt more nimble competitive stances.

When Subex first began promoting the concept of the ROC some years ago, it was essentially an extension of the revenue assurance and fraud management solutions for which the company is known as the market leader. However, as Subex worked closely with communications service providers on their transformational projects, it became clear that the ROC could serve as a central platform for the gathering of data related to the performance of essential systems and processes. In effect, the ROC becomes a central monitoring and control point for understanding how the service provider enterprise is operating in relation to Key Performance Indicators, such as process throughput, revenue leakage rates and even service and subscriber profitability metrics.

As fiscal year 2007-2008 drew to a close, Subex had achieved several important developments in the evolution of the ROC:

- The acquisition of Syndesis further strengthened the ROC concept and hastened its evolution. The Syndesis fulfillment products, which are now part of Subex's Fulfillment & Assurance Business Unit, are production-proven systems for automating key operating processes, giving Subex even greater domain expertise in lean operations techniques and even better tools for enabling a ROC platform.
- The ROC was accepted by the OSS industry's largest standards and collaboration body, the TeleManagement Form, for integration into a broad-ranging and definitive on-going demonstration of best practices for delivery of content-based services, such as IPTV, VoIP, and mobile video distribution.
- Several major customers began ROC-oriented projects, including one that was announced at Romtelecom in Romania not long after the close of the fiscal year.

Emerging from these developments is the clear message that the ROC can serve as a tool for transformation. As communications service providers translate the lean operating principles from the world of manufacturing into the world of communications, a ROC can be a catalyst and an enabling platform, a focal point of process efficiency efforts. Because of its experience and expertise in this realm, Subex is now positioned as a trusted supplier to these communications service providers, who in turn are poised be achieve new gains in competitiveness, operational dexterity, and sustainable profitability.

ADAM BOONE
VICE PRESIDENT - MARKETING

"a holistic approach to innovation is essential to maintain our leadership and deliver superior experience consistently to all our customers. We therefore have different innovation initiatives running in parallel; each initiative focused on achieving the desired objectives."

innovation in **engineering**

1. GENERAL INTRODUCTION

"There are, of course, innovations that spring from a flash of genius. Most innovations, however, especially the successful ones, result from a conscious, purposeful search for innovation opportunities, which are found only in a few situations." – Peter F. Drucker

The Subex engineering organization consciously looks out for innovation opportunities in all its endeavors. A holistic approach to innovation is essential to maintain our leadership and deliver superior experience consistently to all our customers. We therefore have different innovation initiatives running in parallel; each initiative focused on achieving the desired objectives.

2. INNOVATION IN THE ORGANIZATION

In the organizational context, innovation may be linked to performance and growth through improvements in efficiency, productivity, quality, competitive positioning, market share etc. In a product development company like Subex, innovation can and will be applied during various stages of a product life cycle viz. Conceptualization, Growth, Maturity and Decline.

Introduction	Growth	Maturity	Decline
• Creativity • New idea generation • Know-how growth • Disruptive innovation	• Productization • Process and Predictability • Standardization • Incremental innovation	• Operational efficiency • Reduce cost of development • Process innovation	• Technology refresh • Extend longevity of the product • Experiential innovation

CONCEPTUALIZATION

Innovation typically involves creativity, but is not identical to it: innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs. For example, Amabile et al (1996) propose:

"All innovation begins with creative ideas . . . We define innovation as the successful implementation of creative ideas within an organization. In this view, creativity by individuals and teams is a starting point for innovation; the first is necessary but not sufficient condition for the second".

In Subex creative thinking and a solution centric approach has been encouraged among the employees. A concept called 'Innovation Days' was introduced where an individual employee and/or teams demonstrate some of their creative ideas that help in the introduction of a new product, re-engineering of existing products and in general help in the betterment of the products. Such initiatives have led to filing of three patents at the US Patent and Trademark Office:

Adaptive Fraud detection – *Automatic way of reconfiguring rules and thresholds that relies on statistical analysis of past data and the effectiveness of these rules/thresholds on that data over a period of time.*

Intelligent alarm qualifier - *method (which relies on statistical analysis and is implemented as a self-learning time-dependent neural network) whereby the alarms raised by the rules/thresholds are prioritised into alarms based on the probability of the alarm being fraud. This consistently helps to detect about 80% of fraud by focussing only on about 20% of the alarms.*

Subscriber Pre-checks - *The best way to get over fraud is to prevent it from happening - and the best way to do so is to prevent suspected fraudsters from getting a network connection. Subex Precheck feature detects possible fraudsters when they apply for a network connection - - it does so by statistical analysis of the demographics of the subscribers who wish to apply for a network connection, based on the demographics of the locality and other aspects of the subscriber*

Another source of innovative ideas is though 'knowledge mining/management' (KM). At Subex KM activities have been facilitated in various ways. While the project teams host various sessions pertaining to their activities on a regular basis, there are several technical seminars being held to promote knowledge sharing across technical groups. There is SubexWiki, an online portal that facilitates knowledge sharing on an ongoing basis. This is picking up among the technical community within Subex.

GROWTH

During the growth phase of the life cycle of a product, the innovative ideas are more focused in the areas of product betterment.

- Evaluation of new tools and technologies that assists in productization of features.
- New product features being rolled out.

'Breakthrough innovations' are done through regular R&D but incremental innovation comes through practice, exchange of information. An example would be:

Improving the performance of our products: *Nikira product has been re-engineered so that it performs faster on a given platform. The performance benefit achieved by software design changes is more than two times the existing processing speed. Similar changes in architectural changes have been done in Moneta – parse / load performance were improved one and half times. In Concilia, the speed for performing rating of interconnect records has been improved. All these translate as benefits directly to the customer by bringing down the cost of ownership (capex costs). It is important to note that the cost of ownership is on one of the important criteria for a customer to select a particular product.*

At Subex there is a technical forum presented by the CTO on a regular basis to address the growth aspects in technologies and domain. Product board meetings with stakeholders from across the globe discuss the region-specific interests and trends that help in defining a vision for products. An example would be

New generation of products: *Several new features have been developed in our products. These products help the user to achieve his objectives much faster and more easily. Some examples are listed below:*

In revenue assurance, typically the RA analyst has to go through large volumes of data and identify / analyze reasons for revenue leaks. This cumbersome process has been simplified to perform root cause analysis using a graphical representation of traffic trends. Similar trends are available for historic data and can be compared against current traffic situation.

Configuration of data sources: The data sources (adaptors) are now configured using an intuitive GUI based tool. This has reduced the time for development of data adaptors

Reuse of existing products in new domain areas: *We have replaced one costly third party component at our customer with our internal product. This product was developed originally as an ETL tool. However, the same product was deployed in a completely different business scenario. This also gave the customer better performance (four times the performance improvement compared to the 3rd party product). We avoided the license cost to this 3rd party vendor due to this innovation*

MATURITY

"Innovation, like many business functions, is a management process that requires specific tools, rules, and discipline." Davila et al(2006)

At the time when the product is maturing, innovation is seen more in reducing cost of operations by focusing on tools, technologies and processes that will help in productivity improvements. At Subex continuous process improvement is one of the key objectives discussed during quality review meetings where cross team statistics are shared and best practices emerge.

Use of open source tools, automation of routine tasks is another focus area during this phase. Yet another focus area is providing support to the products deployed at customer locations. (Pro-active) Support in product companies is a very important function. Subex has developed a proactive support/monitoring product Early Alert Monitor. This product monitors the health of the system and generates warnings and alerts in case of malfunctions. This avoids continuous manual monitoring of our installations.

DECLINE

The focus during this phase would be to identify innovation that would stretch the longevity and relevance of the product line. One such initiative is 'CAP' - Cognitive Analytics Program, which is a framework (service offering) for doing periodic statistical analysis of fraud in order to proactively detect the changing parameters and take action. CAP is a blend of Statistical Analysis and Neural techniques (artificial intelligence) with insights that Subex has gained on fraud by virtue of being a front-runner in FMS product offerings - and is also designed with the aim of customizing it for operator specific data, since fraud and its manifestations not only change with time, but also change from operator to operator.

3. THE WAY FORWARD

Programs of organizational innovation are tightly linked to organizational goals and objectives, to the business plan, and to market competitive positioning. For example, one driver for innovation programs in corporations is to achieve growth objectives. As Davila et al (2006) note, "Companies cannot grow through cost reduction and reengineering alone . . . Innovation is the key element in providing aggressive top-line growth, and for increasing bottom-line results" (p.6)

At Subex innovation would continue to part and parcel of daily life, new programs and initiatives would need to be continuously devised to address the following:

- Increasing demands of customers
- Beating competition by introduction of new value added features
- Operation efficiency

ANURADHA
SENIOR VICE PRESIDENT –
ENGINEERING

Subexian pride award **winners**

NAME	DIVISION	LOCATION
Achintya Kumar G	Engineering	Bangalore
Ajitha B.G	Engineering	Bangalore
Ajmal Yusuf	PSO	Colorado
Alexander Thengumpalli	Engineering	Bangalore
Amar Vadher	IT	London
Aniruddh Munoli	Engineering	Bangalore
Arun Murali	Engineering	Bangalore
Arun R	Engineering	Bangalore
Arun Kumar K	Engineering	Bangalore
Arunava Sinha	Engineering	Bangalore
Arvind P	Engineering	Bangalore
Arvind R	PSO	Dubai
Ashley Hill	BT	London
Ashok Parhate	Engineering	Bangalore
Ashwin Menon	Presales	Bangalore
Avatar Singh Thakur	Engineering	Bangalore
Babu K	Facilities & Administration	Bangalore
Bala Gangadhar Sabbavarapu	Engineering	Bangalore
Bernie Ingrams	BT	London
Bhagyalaxmi H C	Engineering	Bangalore
Binu K	Engineering	Bangalore
Blaze Thomas	PSO	Bangalore
Boobathi P	Engineering	Bangalore
Brahim Bah	Engineering	Ontario
Chandan P	Engineering	Bangalore
Chandre Gowda CA	Engineering	Bangalore
Chaodong He	PSO	Ontario
Chetana R	Engineering	Bangalore
Cigy Mathen	PSO	Bangalore
Damian Hasak	Product Management	Pittsburgh
David Williams	PSO	London
Dennis (Charlie) Foster	Pre Sales	Home Office
Dipak Kumar Mondal	IT	Bangalore
Don Michael Morrill	PSO	Colorado
Doug Duke	Pre Sales	Melbourne
Eng-Teck Lee	Engineering	Ottawa
Gareth Deacon	PSO	London
Girish Suresh Uttarkar	Engineering	Bangalore
Gordon Ide	PSO	London
Graham Ellis	BT	London
Hari Sudhan V	Engineering	Bangalore
Harish H S	IT	Bangalore
Howard Miller	BT	London
Jaideep Gopinath	Marketing	Bangalore
James MacEwan	PSO	London
Jayant Kashyap	IT	Ontario
Jayaseelan G	Facilities & Administration	Bangalore
Jeff Canning	Engineering	Ontario
Jerome Imhof	PSO	London
Jinghua Du	PSO	Ontario
Jithu Thomas	Engineering	Bangalore
John Richardson	BT	London
John Cyriac Abraham	Engineering	Bangalore
Jubin David	Engineering	Bangalore
Julia Davis	PSO	Colorado
Kishore Kumar S	PSO	Bangalore
Krishnoji Rao S	Facilities & Administration	Bangalore
Kumar M D	Facilities & Administration	Bangalore
Lihui Wang	PSO	Ontario
Lukas Brogli	PSO	London
Mahesh V	Engineering	Bangalore
Manjunath G	Engineering	Bangalore
Manohar S S	IT	Bangalore
Martin Heathcote	BT	Ipswich
Matthew Francart	PSO	Pittsburgh
Mohammed Muzammil	Engineering	Bangalore
Mohammed K A Aehthesham	Engineering	Bangalore
Muralidhar I M	Finance	Bangalore
Nandagopal R	IT	Bangalore
Nataraja Prathab D	Engineering	Bangalore
Neville Collins	PSO	London
Nikhil Naik	Engineering	Bangalore
Nitesh Namdeo Shende	Engineering	Bangalore
Norman Yanofsky	Engineering	Ontario
Om Prakash Agrawal	IT	Bangalore
Pavan Kumar GV	PSO	Bangalore
Poornima N S	PSO	Bangalore

NAME	DIVISION	LOCATION
Prabhu H	Facilities & Administration	Bangalore
Prajay Shah	BT	London
Pramod K P	Engineering	Bangalore
Prasad Kamat	IT	London
Prasanna Kumar G	Engineering	Bangalore
Pratik Gaurang Shah	Engineering	Bangalore
Praveen Kumar KS	Facilities & Administration	Bangalore
Prema Menon	Facilities & Administration	Bangalore
Priyadarshini B	Engineering	Bangalore
Pynadath Cherian George	Engineering	Bangalore
Raghavendra M V	Finance	Bangalore
Raghu Mitra S V	Engineering	Bangalore
Rahul Joseph Alexander	IT	Bangalore
Raj Kumar K V	Engineering	Bangalore
Rajendra Shankar Kulkarni	Engineering	Bangalore
Rajesh Abraham	PSO	Bangalore
Rajkumar C	Legal	Bangalore
Ram Prasad A S	Engineering	Bangalore
Ranit Sinha	Engineering	Bangalore
Ranjini H. C.	Facilities & Administration	Bangalore
Ravi Kumar S	IT	Bangalore
Reji Kumar R.V.	Engineering	Bangalore
Renji George	PSO	Bangalore
Rohan Dattatry Rendalkar	Engineering	Bangalore
Rohit Maheshwari	PSO	Bangalore
Roji Varghese Abraham	PSO	Bangalore
Ryan Boydston	PSO	Colorado
Sabu Wahab	Legal	Bangalore
Sagar Kumar Padhy	IT	Bangalore
Saktheesh Kumar Raja B	Engineering	Bangalore
Sandeep Singh	PSO	Bangalore
Sandeep P S	Engineering	Bangalore
Sandesh Karanth K V	Engineering	Bangalore
Sanjeev Chirakattu	IT	Ipswich
Santhosh Srinivasaiah	Engineering	Bangalore
Santosh Rao	Engineering	Bangalore
Santosh S	Engineering	Bangalore
Sathyabodh V Mudhol	Engineering	Bangalore
Savio Joe	Engineering	Bangalore
Shaik Mujeeb	Engineering	Bangalore
Shilpa M Joshi	Engineering	Bangalore
Shiva Prakasha L	Engineering	Bangalore
Shivakumar Gowda K	IT	Bangalore
Siddalingeshwar Patil	Engineering	Bangalore
Simon Coates	Engineering	Home Office
Sirisha Alluri	Pre Sales	Bangalore
Sivabalan K	Engineering	Bangalore
Sreedhanya R	Facilities & Administration	Bangalore
Sreejith Sreekumaran	Engineering	Bangalore
Srihari U S A	Engineering	Bangalore
Srikanth Nayak	Finance	Bangalore
Sriram S	Engineering	Bangalore
Stephen Ashish	Facilities & Administration	Bangalore
Stuart Barnes	BT	Ipswich
Subha Chakraborty	BT	London
Subhadip Duttagupta	PSO	Bangalore
Subhasis Nayak	Engineering	Bangalore
Sudha Yeramati	PSO	Colorado
Sujatha Chitti	Facilities & Administration	Bangalore
Sumith Varghese	Engineering	Bangalore
Suneet T Sugunan	Engineering	Bangalore
Sunil Kumar	Engineering	Bangalore
Surej Anwar	Engineering	Bangalore
Syed Nayeemuddin	Engineering	Bangalore
Syed Rehan Sajjad	Engineering	Bangalore
Thilakh Jacob Chacko	Engineering	Bangalore
Thomas Walker	Pre Sales	Colorado
Thyagarajan Krishnamurthy	Finance	Bangalore
Troy Rowe	PSO	Home Office
Tushar Gopinath Shenvi	Engineering	Bangalore
Vasanth P E	Facilities & Administration	Bangalore
Veeral Bhatt	IT	London
Veeresh Kanavalli	Engineering	Bangalore
Venkateswaralu V	Facilities & Administration	Bangalore
Vijay Raghunathan	PSO	Bangalore
Will Richards	BT	London

"how wonderful it is that nobody need wait a single moment before starting to improve the world..."

- Anne Frank

Subex **charitable trust**

Prerana Resource Center

Prerana Resource Center is an organization for the rehabilitation of physically challenged girls. SCT's support to Prerana has been an ongoing activity.

Inmates of Prerana Resource Centre

For the smooth running of this organization, SCT has paid their monthly water and electricity bills.

Based on periodic needs, SCT also provides kitchen utensils, iron box, food processors, old computers, printers, etc. to the inmates.

Belaku Vruddhashram

Belaku Vruddhashram is a home for senior citizens. SCT financially supports this institution by paying the water and electricity bills. SCT also pitches in by bearing the cost of the medical bills of the inmates.

Salem Project

In Salem, Tamil Nadu, SCT helped 11 school going children to continue their education by paying their fees and buying them school accessories such as uniforms and books. A little girl shied away from school because of a hearing impairment. SCT donated a hearing aid to this child so she could go back to school. In all, a sum of Rs. 12000/- was spent on the Salem project. These children are either hapless orphans or hail from impoverished families. SCT hopes to continue its support to these children in the years ahead.

SCT members along with Youth for Seva in their School kit distribution program

Youth for Seva

Youth for Seva is an organization involved in the rehabilitation of orphans and slum children.

Education of these children is at the forefront of their activities. Their School Kit Sponsorship Program aims at providing school kits to these financially challenged children. SCT funded for the procurement of these kits.

nurture **merit**

SCT handing over the cheque to Vidya Poshak, a registered NGO which carries the Nurture Merit program.

Subex Charitable Trust joined hands with Vidya Poshak, a registered NGO, to extend their Nurture Merit program to deserving students with socio-economic compulsions.

Under the Nurture Merit scheme, profiles of meritorious students are screened to determine the veracity of their financial needs. Short-listed students are then awarded with scholarships to enable them to pursue higher education of their choice. The performance of these students is routinely monitored and support is subject to satisfactory results.

Totally 24 students have been sponsored by SCT under this scheme.

SCT members along with Youth for Seva in their School kit distribution program

SCT also invited nomination from Subexians for sponsoring meritorious students whom they referred. A total of 13 students were sponsored under this scheme.

board of **directors**

SUBASH MENON
Founder Chairman, Managing Director & CEO

SUDEESH YEZHUVATH
Chief Operating Officer

V. BALAJI BHAT
Director

K. BALA CHANDRAN
Director

VINOD R. SETHI
Director

P.P. PRABHU
Director

HARRY BERRY
Director

ANDREW GARMAN
Director

management **team**

MARK NICHOLSON
Chief Technology Officer

SAUL NURTMAN
President – EMEA

SEKHARAN Y MENON
Senior Vice President – Professional Services Organization

SANJAY PAUL ANTONY
Senior Vice President – Human Resources

GREG LENEVEU
President – Americas

SUBASH MENON
Founder Chairman, Managing Director & CEO

ADAM BOONE
Vice President – Marketing

PAUL SKILLEN
President - BT Business Unit

ANURADHA
Senior Vice President – Engineering

SUDEESH YEZHUVATH
Chief Operating Officer

COLIN HALES
Vice President – Global Alliances

VINOD KUMAR
President - Revenue Maximization Solutions Business Unit

DEAN SMITH
President – APAC

STEPHEN COOPER
Vice President – Product Management

RAJ KUMAR
Chief Counsel & Company Secretary

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GENERAL REVIEW & ACCOUNTABLITY

Your directors have pleasure in presenting the 14th Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2008.

FINANCIAL RESULTS

Amount in Rs. million

	Consolidated		Standalone	
	2007-08	2006-07	**2007-08**	2006-07
Total revenue	5408.90	3710.92	2004.59	2361.84
Profit before Interest, Depreciation & Amortization	(107.54)	812.46	369.08	447.83
Interest, Depreciation & Amortization	509.51	235.85	419.20	188.74
Profit before tax	(617.05)	576.61	(50.13)	259.09
Provision for taxes	63.66	(99.05)	11.76	50.95
Profit after tax	(680.72)	675.66	(61.89)	208.14
Balance brought forward from previous year	1238.02	741.14	785.67	756.30
Appropriations				
Interim dividend Preference dividend	-	52.13	-	52.11
Dividend proposed on equity shares	-	69.63	-	69.63
Provision for tax on dividends	-	-	-	20.95
Dividend including tax thereon	-	-	0.03	12.88
Transfer to general reserve	-	23.20	-	23.20
Surplus carried to balance sheet	557.27	1238.02	723.75	785.67

RESULTS OF OPERATIONS

During the financial year ended March 31, 2008, the total revenue on a consolidated basis grew by 45.76 % to reach Rs. 5408.90 million. The company has incurred a loss of Rs. 680.72 million for the financial year 2007-08 as against the Profit After Tax of Rs. 675.66 million on the previous year. The revenue composition was 75 % from products and 25 % from services.

On stand-alone basis, the total revenue is Rs.2004.59 million. The net loss for the financial year 2007-08 was Rs. 61.89 million.

Products business, our focus area, is continuing to contribute a higher proportion to revenue with every passing year. Over the past 6 years, software products have increased their contribution in the overall revenue from a low figure of 7% in FY01 to 75 % in FY08.

BUSINESS

Your company is a provider of solutions in the Operations Support Systems area for telecom applications. This area can broadly be classified into Service Fulfillment, Service Assurance and Revenue Maximization. The company operates in Revenue Maximization and Service Fulfillment areas. While Revenue Maximization solutions improve the revenues and profits of the communications service providers through identification and elimination of leakages in their revenue chain, Service Fulfillment solutions enable the carriers to fulfill the needs of their subscribers through provisioning and activation of services. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, Canada, UK, UAE, India and Australia. Subex is the global leader in revenue maximization for communications service providers.

Carriers today are facing a variety of challenges. The key among them are (a) the competitive requirement to provide high quality services faster and cheaper and (b) the operational requirement to have a well integrated Operations Support System (OSS) to meet the competitive requirement. Subex provides software solutions to meet these critical requirements. Carriers have been building the support structure by acquiring disparate pieces of software and that has resulted in stove pipes getting built over time. Our well integrated platform called Revenue Operations Center (ROC) addresses this issue of a solid structure within their networks. The solutions that form part of the ROC enable the customers to achieve Operational Dexterity which is a combination of Operational Efficiency and Service Agility. While the former ensures that cost of operation is maintained at a low enough level, the latter ensures adequate service levels are achieved.

INTEGRATION

The company concluded the integration of Syndesis Limited with itself in January 2008. In line with the original expectation, the integration lasted 10 months. The process was divided into a few phases. The first one was integration of the sale teams. This was done within four weeks of closure of the transaction to ensure minimal disruption in the marketplace. The second phase was integration of the support departments namely, HR, Finance, Facilities etc. The last and longest phase was for the transition of technology and processes with regard to developments for customers, road map and professional services. This lasted about eight months and was also done ensuring that customer commitments were not impacted. Yet another element of the integration, which lasted throughout all the three phases, was cultural integration through joint exercises, out bound learning programs and standardization of policies and practices.

CHANGE OF NAME

During the year, your Company has changed its name from Subex Azure Limited to Subex Limited vide resolution passed in the Extraordinary General Meeting of the members held on November 26, 2007. The change of name was approved by the Registrar of Companies vide fresh Certificate of Incorporation dated November 30, 2007.

DELISTING FROM BANGALORE STOCK EXCHANGE LIMITED

During the year, your Company had in terms of Securities Exchange Board of India (Delisting of Securities) Guidelines 2003, voluntarily delisted its shares from the Bangalore Stock Exchange Limited vide a Special Resolution passed in the Extraordinary General Meeting of the members held on November 26, 2007.

CHANGES IN THE SHARE CAPITAL

ESOP SHARES

During the year, your Company has allotted 30,927 equity shares under its ESOP 2000 scheme and 437 equity shares under its ESOP 2005 scheme to the option holders on their exercise of stock options.

SUBSIDIARIES

SUBEX TECHNOLOGIES LIMITED

For the year ended March 31, 2008, Subex Technologies Limited earned an income of Rs. 713.47 million as against Rs. 41.75 million last year and a net profit of Rs. 27.55 million as against Rs. 2.72 million last year. During the financial year, the services business of Subex Limited including the investments in Subex Technologies Inc were transferred to Subex Technologies Limited, a wholly owned subsidiary of Subex Limited through a Scheme of Arrangement approved by the Hon'ble High Court of Karnataka. Subex Technologies Inc is a wholly owned subsidiary of Subex Technologies Limited.

SUBEX (UK) LIMITED

The name of the Company was changed from Subex Azure (UK) Limited to Subex (UK) Limited with effect from December 12, 2007. For the year ended March 31, 2008, the consolidated income of Subex (UK) Limited is Rs. 1521.27 million and the net loss is Rs. 314.76 million.

Subex (Asia Pacific) Pte Limited and Subex Inc are subsidiaries of Subex (UK) Limited.

SUBEX AMERICAS INC

On April 1, 2007, the Company acquired Syndesis Limited, Canada. Subsequently the name was changed to Subex Azure Americas Inc which was further changed to Subex Americas Inc with effect from November 30, 2007. For the year ended March 31, 2008, the consolidated income of Subex Americas Inc is Rs. 1525.76 million and net loss is Rs. 338.72 million.

Subex Azure Holdings Inc, Subex Azure (GB) Limited, 2101874 Ontario Inc and Syndesis Development India Private Limited are the subsidiaries of Subex Americas Inc. Subex Azure (US) Inc and Subex Azure (Delaware) Inc are subsidiaries of Subex Azure Holdings Inc. Subex Azure (Ireland) Limited is the subsidiary of Subex Azure (GB) Limited. Syndesis IP Holdings Limited Partnership is the subsidiary of 2101874 Ontario Inc.

EMPLOYEE STOCK OPTION SCHEMES

Your company has introduced various Stock Option plans for its employees. Details of these, including grants to directors and senior management issued during the year are given below.

EMPLOYEES STOCK OPTION PLAN-1999 (ESOP – I)

This scheme was instituted during 1999 and managed by Subex Foundation with a corpus of 1,20,000 equity shares initially. Since the scheme was formulated prior to the promulgation of SEBI guidelines on ESOP dated June 19, 1999, the Company has discontinued the scheme.

EMPLOYEES STOCK OPTION PLAN-2000 (ESOP- II)

Under this scheme, a corpus of 5,00,000 options were created for grant to the eligible employees. Each option is convertible into one fully paid-up equity share of Rs.10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999.

The corpus of the scheme was enhanced by another 3,87,125 options in order to accommodate the effect and benefit of the bonus issue made by the company during the financial year 2005-06.

As per the scheme, a Compensation Committee is formed, which grants options to the eligible employees. The options are granted at a price, which is not less than 85% of the average of the closing price of the shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. The options granted vests over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting. As on March 31, 2008, 50,729 options were available in this scheme for further grants.

EMPLOYEE STOCK OPTION PLAN -2005 (ESOP-III)

Under this scheme a corpus of 500,000 options were created for grant to the eligible employees. Each option is convertible into one fully paid-up equity share of Rs.10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Stock purchase scheme) Guidelines, 1999 and amendments thereto.

The corpus of the scheme was enhanced by another 15,00,000 options during the financial year 2007-08.

As per the scheme the Compensation Committee grants options to the eligible employees. The options are granted at a price, which is not less than 85% of the average of the closing price of the shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. The options granted vests over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting. As on March 31, 2008, 2,75,031 options were available in this scheme for further grants.

ADDITIONAL INFORMATION AS ON MARCH 31, 2008 PER SEBI GUIDELINES

SL.NO	PARTICULARS	ESOP 2000	ESOP 2005
1	Net options granted as on March 31, 2008	4,49,271	17,24,969
	Options granted during the year	Nil	16,71,700
2	Pricing formula	As mentioned above	As mentioned above
3	Options vested but not exercised as on March 31, 2008	73,798	1,05,539
4	Options exercised as on March 31, 2008	2,35,233	6,724
	Options exercised during the year	30,927	437
5	Money realized by exercise of options during the year	53,57,904	1,89,142
6	The total number of shares arising as a result of exercise of options as on March 31, 2008	30,927	437
7	Options lapsed /cancelled as on March 31, 2008	4,25,229	3,99,911
	Options lapsed /cancelled during the year	16,237	3,75,551
8	Variation of terms of options	None	None
9	No. of employees covered	540	1253
10	Employee wise details of options granted during the year under review to: (i) Senior managerial personnel		
	Mr. Saul Nurtman	-	36,000
	Mr. Mark Nicholson	-	35,000
	Mr. Dean Smith	-	36,000
	Mr. Greg LeNeveu	-	36,000
	Mr. Paul Skillen	-	36,000
	Mr. Adam Boone	-	6,000
	Mr. Stephen Cooper	-	9,000
	Ms. Colin Hales	-	9,000
	Ms. Sudha Madhavan	-	10,000
	(ii) other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NIL	NIL
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	NIL
11	Diluted Earning per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earning per Share'	Rs (1.77)	Rs (1.77)
12	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company is	Losses would have been higher by Rs.39, 248, 238. Basic and Diluted EPS would have been lower by Rs.1.13	
13	Weighted-average exercise prices and weighted-average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	-	Weighted average exercise price is Rs 380.31
14	Description of the method used during the year to estimate the fair values of options, including the following weighted-average information:	Black Scholes method of valuation	
	1 risk-free interest rate	6.50%	
	2 expected life	3 Years	
	3 expected volatility	63.92%	
	4 expected dividends and	0.28%	
	5 market price on grant date	424.14	

Your Company has amended the ESOP Schemes viz., ESOP 2000 and ESOP 2005 with effct from July 9, 2008, to enable the employees to surrender their outstanding stock options.

In addition to the present ESOP Schemes, your Company has instituted a new Employee Stock Option Plan – ESOP 2008, the details of which are given below:

EMPLOYEE STOCK OPTION PLAN -2008 (ESOP-IV)

Under this Scheme, a corpus of 20,00,000 options is created for grant to the eligible employees. This Scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999. The Company is in the process of making applications to the Stock Exchanges for obtaining requisite in principal approvals.

TRANSFER OF SERVICES BUSINESS

During the year, the company has transferred the services business of the company to Subex Technologies Limited, a wholly owned subsidiary, through a Scheme of Arrangement approved by the Hon'ble High Court of Karnataka. The consideration paid for the transfer was Rs. 31 Crores discharged by issue of equity shares of Rs. 3 Crores and unsecured loans repayable on demand of Rs. 28 Crores. The Scheme of Arrangement approved by the Hon'ble High Court of Karnataka is effective from September 01, 2007.

CORPORATE GOVERNANCE

Your Company strongly believes that the spirit of Corporate Governance goes beyond the statutory form. Sound Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for the stakeholders and protection of their interests. Your Company endeavors to meet the growing aspirations of all stakeholders including shareholders, employees and customers. The Company is committed to maintain the highest level of transparency, accountability and equity in its operations. Your Company always strives to follow the path of good Governance through a broad framework of various processes.

Your company has complied with all the requirements as per new Clause 49 of the listing agreement of the Stock Exchange. The auditor's certificate on compliance with Clause 49 is annexed to this report. In addition, your Company has documented its internal policies in line with the corporate governance guidelines. The Management Discussion & Analysis of the financial position of the company is provided in this annual report and is mentioned hereby for reference.

AUDITORS' REPORT

There were no qualifications observed in the auditor's report for the Financial Year 2007-08.

AUDIT COMMITTEE

The audit committee presently has 5 directors as members viz. Mr. V. Balaji Bhat, Mr. K.Bala Chandran, Mr. Vinod R Sethi, Mr. Subash Menon, and Mr. Andrew Garman. Except Mr. Subash Menon, all other members of the audit committee are non - executive independent directors. Mr. Balaji Bhat is the Chairman of the Audit Committee. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of the Companies Act, 1956 and Clause 49 of the listing agreement. More details of the audit committee are provided in the report on Corporate Governance attached to this annual report.

AUDITORS

M/s. Deloitte Haskins & Sells, the statutory auditors of the company retire at the ensuing Annual General Meeting and have confirmed their eligibility as per Sec 224 of the Companies Act, 1956 and their willingness to accept office, if re-appointed.

DIRECTORS

Mr. S. N. Rajesh, a Nominee Director of UTI Venture Funds, has resigned from the Board of the Company with effect from September 5, 2007. The Board places on record, its appreciation for the services rendered by him during his tenure.

As per Article 87 of the Articles of Association of the Company, atleast two-third of your directors shall be subject to retirement by rotation. One-third of these retiring directors must retire from office at each Annual General Meeting of the shareholders. A retiring director is eligible for re-election. Mr. Andrew Garman and Mr. Vinod R. Sethi retire by rotation and being eligible offer themselves for re-appoinment at this Annual General Meeting.

FIXED DEPOSITS

Your company has not accepted any fixed deposits from the public.

PARTICULARS OF EMPLOYEES

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, are given in the annexure appended hereto (Annexure-1) and forming part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

INFORMATION UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A CONSERVATION OF ENERGY

The operations of your company are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment. Your company constantly evaluates new technologies and invests to make its infrastructure more energy-efficient. Currently your company uses CFL fittings and electronic ballasts to reduce the power consumption of fluorescent tubes. Air conditioners with energy efficient screw compressors for central air conditioning and air conditioners with split air conditioning for localized areas are used.

B TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Your company has a strong R&D Division responsible for developing technologies for its products in the telecom domain. The company holds many patents for its technological innovations. The telecommunications domain, in which your company operates, is subject to high level of obsolescence and rapid technological changes. Your company has developed inherent skills to keep pace with these changes. Since software products are the significant line of business of your company, the company incurs expenses on product related Research & Development on a continuous basis. These expenses are charged to revenue under the respective heads and are not segregated and accounted separately.

C FOREIGN EXCHANGE EARNINGS AND OUTGO

Your company has over the years shifted its focus from software services to software products. This has resulted in substantial foreign exchange earnings as compared to previous years. During the year 2007-08 total foreign exchange inflow and outflow is as follows:

i) Foreign Exchange earnings Rs. 1489.21 Million (previous year Rs. 1825.73 Million)

ii) Foreign Exchange outgo is as below:

Travelling expenses	Rs. 49.99 Million (previous year Rs. 49.43 Million)
Interest expense	Rs. 147.89 Million
Consideration for acquired assets	Rs. 0.67 Million
Product marketing expense and other expenditure incurred overseas for software development	Rs. 194.84 Million (previous year Rs. 1456.33 Million)

SOCIAL RESPONSIBILITIES - SUBEX CHARITABLE TRUST

The trust was set up to provide for welfare activities for underprivileged and the needy in the society. The trust is managed by Trustees elected amongst the Subexians. During the year the Trust has provided active support for education of economically challenged meritorious students, financial assistance to old age homes and to individuals who needed medical help.

HUMAN RESOURCE MANAGEMENT QUALITY

2008 was an interesting and challenging year for Subex. HR too had its challenges, most importantly, in areas related to acquisition. Most important was the effort to bring the two organizations into one entity- in the areas of benefits, job leveling, culture, norms and so on. This was done through a series of integration camps, consistent communication channels like open house, lunch with CEO, integration blogs, internal newsletter and numerous meetings. The year also witnessed Subex moving to a more robust appraisal system, a move towards a model aligned to latest thinking in the area of performance appraisals. We now have a robust system and to use the two words used to evaluate a performance appraisal system- an efficient and effective system. We have a system based on Key Result Areas and Competencies. We have also rolled out an online appraisal system for all locations, across the globe. Another milestone for HR this year had been its launch of an Oracle HRMS (Human Resource Management System). Recruitment also bought in its challenges as we had to hire professionals with exposure to a heterogeneous, multi-technology, multi-vendor telecom domain.

During the forthcoming year, as our company grows bigger, the most important asset will be the uniqueness of the Subexians for their technical and domain expertise and our culture and commitment which we exhibit.

CHANGE IN REGISTERED OFFICE OF THE COMPANY

During the year the company has moved to an integrated office situated at the outer ring road area of Bangalore. The new office building has a built up area of approx 125,000 sq.ft. The registered office of the Company was shifted to the new office located at Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037 with effect from December 7, 2007.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provision of Section 217(2AA) of the Companies Act 1956, the Board of Directors affirms:

a) that in the preparation of the accounts for the year ending March 31, 2008, the applicable accounting standards have been followed and there are no material departures there from.

b) that the accounting policies have been selected and applied 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 as at March 31, 2008 and of the profit of the company for the year ended on that date.

c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) that the accounts for the year ended March 31, 2008 has been prepared on a going concern basis.

APPRECIATION / ACKNOWLEDGEMENTS

We thank our clients, vendors, investors and bankers for the continued support during the year. We place on record our appreciation for the co-operation and assistance provided by the Central and State Government authorities particularly software technology park- Bangalore, Customs and Central Excise Authorities, Registrar of Companies, Karnataka, the Income Tax department, Reserve Bank of India and various authorities under the Government of Karnataka.

Your directors also wish to place on record their deep appreciation to Subexians at all levels for their hard work, solidarity, co-operation and support, as they are instrumental in your company scaling new heights, year after year.

for and on behalf of the Board

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : July 29, 2008

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956, relating to subsidiary companies for the FY 2007-08

Amount in Rs.

Name of the Subsidiary	Subex Technologies Limited	Subex Technologies Inc***	Subex (UK) Limited	Subex Inc*	Subex Asia Pacific Pte.Ltd*	Subex Americas Inc	Subex (GB) Limited**	Subex (US) Inc**	Subex (Ireland) Ltd**	Subex (Delaware) Inc**	Syndesis Development India Pvt Ltd**	Subex Azure Holdings Inc**	Syndesis IP Holdings Ltd # **	2101874 Ontario Inc # **
Financial period ended	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
Date of becoming a subsidiary	28.03.2005	12.01.2000	23.06.2006	23.06.2006	23.06.2006	01.04.2007	01.04.2007	01.04.2007	01.04.2007	01.04.2007	01.04.2007	01.04.2007	01.04.2007	01.04.2007
Holding company's interest Shares held by the holding company in the subsidiary	999,994 of Rs.10/- each	3000 of USD0.67 each	5,039,565,245 of GBP0. 00001 each	1,000 of USD 0.01 each	2 of SGD 1 each	100 at no par value	-	-	-	-	-	-	-	-
The net aggregate of profits or (losses) of the subsidiary for the current period so far as it concerns the members of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a. dealt with or provided for the account of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. not dealt with or provided for in the accounts of the holding company	27,551,703	7,099,689	86,377,776	(314,452,527)	(86,682,654)	(334,922,660)	4,593,325	17,580,365	2,319,098	(25,992,005)	(2,301,934)	(8,411,640)	-	-
The net aggregate of profits or (losses) for previous financial years of the subsidiary so far as it concerns the members of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a. dealt with or provided for in the account of the holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. not dealt with or provided for in the accounts of the holding company	(12,650,376)	12,396,468	(1,796,722,432)	(50,782,837)	(70,777,224)	(3,744,919,956)	8,570,848	(44,330,514)	9,732,974	(27,573,913)	(7,327,939)	(71,904,427)	-	-
Issued & Subscribed share capital	10,000,000	209,053,688	87,070	392	58	3,533,849,725	60	40,096	48,230	293,471,525	40	40	-	-
Reserves	(12,650,376)	12,396,468	340,440,762	(50,782,837)	(70,777,224)	(3,748,546,243)	8,570,848	(44,330,514)	9,732,974	(27,573,913)	(7,327,939)	(71,904,427)	-	-
Loans	1,463,007	-	81,408,306	-	-	330,057,214	-	-	-	6,014,400	-	-	-	-
Total assets	608,985,679	315,425,941	837,474,311	259,263,650	123,447,901	439,300,884	15,419,061	13,315,387	17,234,465	321,484,930	3,402,326	334,800,356	-	-
Total liabilities	608,985,679	315,425,941	837,474,311	259,263,650	123,447,901	439,300,884	15,419,061	13,315,387	17,234,465	321,484,930	3,402,326	334,800,356	-	-
Investments														
Long Term	-	246,402,895	495	-	-	293,511,722	48,230	-	-	-	-	-	-	-
Current														
Total	-	246,402,895	495	-	-	293,511,722	48,230	-	-	-	-	-	-	-
Turnover	1,004,172	713,470,639	1,135,942,857	311,066,021	74,260,477	1,527,833,490	2,253,368	407,894	6,775,232	1,861,949	182,565	-	-	-
Profit/(Loss) before taxation	30,142,755	11,823,512	130,968,458	(314,452,527)	(86,682,654)	(334,922,660)	4,593,325	17,580,365	2,319,098	(25,992,005)	(2,301,934)	(8,411,640)	-	-
Provision for taxation	2,591,052	4,723,823	44,590,682	-	-	-	-	-	-	-	-	-	-	-
Profit / (Loss) after taxation	27,551,703	7,099,689	86,377,776	(314,452,527)	(86,682,654)	(334,922,660)	4,593,325	17,580,365	2,319,098	(25,992,005)	(2,301,934)	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Wholly owned subsidiaries of Subex (UK) Limited

** Wholly owned subsidiaries of Subex Americas Inc

*** Wholly owned subsidiary of Subex Technologies Limited

#The information for these overseas companies are not given as they are non operational and have been consolidated with the overseas parent company.

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed. Therefore situation, performance, ownership and governance of the company are equally important as regards to the structure, activities and policies of the organization. Consequently, the organization is able to attract investors, and enhance the trust and confidence of the stakeholders.

Subex Limited's compliance with the corporate governance guidelines as stipulated by the stock exchanges is described in this section. The company believes that sound corporate governance is critical to enhance and retain investor's trust. Subex respects minority rights in its business decisions.

The company's corporate governance philosophy is based on the following principles:

1. Satisfy the spirit of the law and not just the letter of the law.
2. Be transparent and maintain high degree of disclosure levels.
3. Communicate externally, in a truthful manner, about how the company is run internally.
4. Comply with the laws in all the countries in which the company operates.

Subex is committed to good Corporate Governance practices. Consistent with this commitment, Subex seeks to achieve a high level of responsibility and accountability in its internal systems and policies. Subex respects the inalienable rights of the shareholders to information on the performance of the Company. The Company's Corporate Governance policies ensures, among others, the accountability of the Board of Directors and the importance of its decisions to all its participants viz., customers, employees, investors, regulatory bodies etc. Subex Code of Corporate Governance has been drafted in compliance with the code of "Corporate Governance" as promulgated by the Securities and Exchange Board of India (SEBI) on January 25, 2000 and amendments made thereto.

II. BOARD OF DIRECTORS

The Board of Directors of Subex Limited comprises 8 Directors out of which 2 are executive directors and 6 are non-executive independent directors.

Details of the composition of the Board of Directors and their attendance and other particulars are given below:

A. Composition and category of directors as on June 30, 2008

Category	No. of directors	%
Promoter directors	1	12.50%
Non-executive Independent directors	6	75.00%
Other executive directors	1	12.50%
Total	8	100%

B. Attendance of directors at the Board Meetings and the last AGM and details about directorships and memberships in committees as on March 31, 2008.

Director	Position	No. of Board meetings held	No. of Board meetings attended	Last AGM attendance	No. of directorships in other companies ▲	No. of committees in which the director is Chairman ■	No. of committees in which the director is a member ■
Mr. Subash Menon	Founder, Chairman Managing Director & CEO	4	4	Yes	1	-	1
Mr. Sudeesh Yezhuvath	Chief Operating Officer and Executive Director	4	3	Yes	1	-	1
Mr. V. Balaji Bhat	Non Executive Independent Director	4	4	Yes	5	3	3
Mr. Vinod R.Sethi	Non Executive Independent Director	4	2	No	10	-	3
Mr. K. Bala Chandran	Non Executive Independent Director	4	2	No	1	-	4
Mr. S N Rajesh●	Non Executive Independent Director	2	2	No	1	-	-
Mr. P.P.Prabhu	Non Executive Independent Director	4	4	Yes	2	1	2
Mr. Harry Berry	Non Executive Independent Director	4	2	No	-	-	-
Mr. Andrew Garman	Non Executive Independent Director	4	2	No	-	-	1

▲ Excluding private limited companies & overseas companies.
■ Includes only audit committee and shareholder's grievance committee. Memberships in committees in Subex Ltd are included.
● Mr. S N Rajesh ceased to be a member consequent to his resignation from the Board of Directors on September 05, 2007.

C. Number and dates of Board meetings

4 (four) Board meetings were held during the financial year 2007-08. The dates on which meetings were held are as follows:

April 30, 2007; July 26, 2007; October 23, 2007; January 29, 2008.

D. Brief details of directors seeking re-appointment

Mr. Vinod R Sethi

Vinod R. Sethi is a member of the Board of Directors since 2000. He is a graduate in Chemical Engineering and also holds a degree in B.Tech from IIT, Mumbai and an MBA in Finance from Stern School of Business, New York University.

His earlier assignments include working with Morgan Stanley as Chief Investment Officer and Portfolio Manager of Morgan Stanley Asset Management managing over USD 2.4 billion of investments in India.

Mr. Andrew Garman

Andrew Garman is a member of the Board of Directors since 2006. He is a managing partner at New Venture Partners LLC where he focuses on the firm's software, services, networking and communications investment areas. Mr. Garman joined Lucent's New Ventures Group in 1999. Before Lucent, Mr. Garman was a managing director of BT Ventures at Bankers Trust Company, where he created and managed a portfolio of internally generated corporate spin-outs in information technology. Prior to joining BT Ventures in 1996, Mr. Garman was the Vice President of Strategy and Business Development for Xerox's New Enterprise Group. At Xerox, he helped expand the firm's internal venture portfolio by developing eleven companies based upon technology innovations, primarily derived from the Xerox Palo Alto Research Centre. From 1985 to 1991, Mr. Garman was a general partner at CommTech International Inc., an incubator and venture capital firm with exclusive rights to commercialise the technology of SRI International, a non-profit research institution. Mr. Garman was formerly a director of AcuPrint, Amati Communications, Celiant, Certco, ColoRep, Document Forum, dpiX, InXight Software, Lucent Public Safety Systems (now Intrado), Placeware, Microwave Photonics, Vidus Ltd. and Visual Insights.

Mr. Garman holds an AB in Engineering and Applied Physics from Harvard College, an MS in Mechanical Engineering from Stanford University and an MBA from Stanford University, where he was named an Arjay Miller Scholar. He is a past president of the Stanford Business School Alumni Association and member of the Board of Advisers.

III. AUDIT COMMITTEE

A. Terms of Reference

The Audit Committee has, interalia, the following mandate:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible
- Recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services
- Review of annual and quarterly financial statements before submission to the Board
- Review of adequacy of internal control systems
- Review of adequacy of internal audit function, including the reporting structure coverage and frequency of internal audit
- Review of the Company's financial and risk management policies

The current charter of the Audit Committee is in line with international best practices and the regulatory changes formulated by SEBI and the listing agreements with the Stock Exchanges on which Subex is listed.

B. Composition of Audit Committee

Composition	Category
Mr. V. Balaji Bhat, Chairman	Non-Executive Independent Director
Mr. K.Bala Chandran	Non-Executive Independent Director
Mr.Vinod R Sethi	Non-Executive Independent Director
Mr. Andrew Garman	Non-Executive Independent Director
Mr.Subash Menon	Founder Chairman, Managing Director & CEO

The Company Secretary is the secretary of the Audit Committee.

C. Meetings and attendance during the year

During the financial year 2007-08, four audit committee meetings were held. The unaudited financial results for the financial year ended March 31, 2008 were taken on record at the meeting held on April 29, 2008. The audited financial results for the year ended March 31, 2008 were taken on record at the meeting held on June 30, 2008.

Attendance of committee members at the audit committee meetings held during the financial year 2007-08:

Member	No. of audit committee meetings held	No. of audit committee meetings attended
Mr. V. Balaji Bhat	4	4
Mr. K. Bala Chandran	4	2
Mr. Vinod R. Sethi	4	2
Mr. S. N. Rajesh*	2	2
Mr. Andrew Garman	4	2
Mr. Subash Menon	4	4

* Mr. S N Rajesh ceased to be a member consequent to his resignation from the Board of Directors on September 05, 2007.

IV. REMUNERATION COMMITTEE

Composition of the committee

Mr. Vinod R. Sethi - Chairman
Mr. K. Bala Chandran
Mr. V. Balaji Bhat
Mr. Harry Berry

The committee considers the performance of the Company as well as general industry trends while fixing the remuneration of executive directors. During the year under review, the committee had one meeting on April 30, 2007.

Details of remuneration to directors

Amount in Rs.

Name	Designation	Salary	Commission	Total
Mr. Subash Menon	Founder Chairman, Managing Director & CEO	4,800,000*	-	4,800,000
Mr. Sudeesh Yezhuvath	Chief Operating Officer and Wholetime Director	4,800,000*	-	4,800,000

* excludes contribution to Provident Fund

Note: During the year ended March 31, 2008, the Company has paid an amount of Rs. 38,285,906 to its Whole-time directors towards remuneration and has applied to the Central government for approval of payments that are in excess of the maximum remuneration payable under the Companies Act, 1956. Pending the Central government's approval, such excess is treated as monies due from the Whole-time directors being held by them in trust for the Company and is included under loans and advances.

The following directors have been allotted stock options under the employee stock options scheme of the Company.

Name	Designation	No. of options granted	No. of shares vested and exercised as on March 31, 2008
Mr. K. Bala Chandran	Non–Executive Independent Director	7,500	7,500
Mr. V. Balaji Bhat	Non–Executive Independent Director	7,500	7,500
Mr. Vinod R. Sethi	Non–Executive Independent Director	7,500	7,500
Mr. P. P. Prabhu	Non–Executive Independent Director	7,500	4,875

The above stock options were granted on the same terms and conditions as mentioned in the ESOP scheme - 2000 of the Company.

During the financial year under review, no additional stock options were granted to any of the Directors of the Company.

The Non-Executive Directors are paid sitting fees at the rate of Rs. 2,500 for attendance in the board meetings.

The Remuneration Committee determines and recommends to the Board, the compensation payable to the directors. All Board level compensation is approved by the shareholders, and separately disclosed in the financial statements. Remuneration of executive directors consists of a fixed component and a performance based commission. The compensation, however, shall be within the parameters set by the shareholders meetings and the provisions of the Companies Act, 1956. The executive directors have entered into service contracts with the company. Both the executive directors have 3 months notice period with the company if they decide to terminate the contract. If the termination is from the company, the notice period shall be 12 months. In case of severance from the company, Mr. Subash Menon is eligible for getting compensation of not less than twenty times and Mr. Sudeesh Yezhuvath is eligible for getting compensation not less than fifteen times of their total remuneration for the preceding 12 months from the date of the notice. The non-executive directors are eligible for commission not exceeding 0.5% of the profits of the company subject to a maximum of Rs. 2 million in aggregate per year and also stock options of the company subject to the terms of the stock option schemes of the company.

V. SHARE TRANSFER COMMITTEE

A. Composition of the committee

Mr. Sudeesh Yezhuvath, Chairman
Mr. Subash Menon
Authorised Representative of Share Transfer Agents.

B. Meetings during the year

The Company holds Share Transfer Committee Meetings upto three times a month, as may be required, for approving the transfers/ transmissions/rematerialisation of equity shares. The Company has appointed M/s. Canbank Computer Services Limited, a SEBI recognised transfer agent, as its Share Transfer Agent with effect from 6th November 2001. The Share Transfer Committee has met four times during the financial year 2007-08 on the following dates:

Date of the meeting	No. of transfer deeds received	Shares pursuant to the deeds	Rematerialisation requests received	Shares involved
October 31, 2007	4	1600	-	-
November 30, 2007	1	400	-	-
December 15, 2007	4	400	-	-
December 31, 2007	1	400	-	-

The Company ensures that the share transfers are effected within one month of the receipt of request for transfer.

VI. INVESTOR GRIEVANCE COMMITTEE

A. Composition of the committee

The members of the company's investor grievance committee are:

Mr. K. Bala Chandran, Chairman

Mr. Sudeesh Yezhuvath

This committee is responsible for addressing the investors' complaints and grievances.

The Company secretary is the compliance officer of the Company.

B. Meetings during the year

The committee met 4 (four) times during the current financial year 2007-08 on these dates:

April 30, 2007; July 26, 2007; October 23, 2007; January 29, 2008.

Details of grievances of the investors are provided in the "Shareholders' Information" section of this report.

VII. ESOP COMMITTEE (Compensation committee)

The Company has instituted employee stock option schemes in line with the SEBI Guidelines. In order to grant options under the scheme to eligible employees, a Compensation Committee has been formed.

A. Composition of the committee

The committee comprises the following directors:

Mr. V. Balaji Bhat, Chairman

Mr. K. Bala Chandran

Mr. Subash Menon

B. Meetings during the year

The committee met 8 (eight) times during the current financial year 2007-08 on the following dates:

April 18, 2007; June 01, 2007; July 13, 2007; September 06, 2007; December 07, 2007; January 10, 2008; February 05, 2008; March 24, 2008.

VIII. GENERAL BODY MEETINGS

A. Location and time of the last three AGMs

Year	Date of AGM	Venue	Time
2005	July 28, 2005	Le Meridien – Bangalore	3:00 p.m.
2006	August 28, 2006	Le Meridien – Bangalore	4:00 p.m.
2007	July 26, 2007	Le Meridien – Bangalore	4:00 p.m.

Location and time of the last three EGMs held

Year	Date of EGM	Venue	Time
2007	January 29, 2007	Le Meridien - Bangalore	3:00 p.m.
2007	April 23, 2007	Corporate office	4:00 p.m.
2007	November 26, 2007	Corporate office	4:00 p.m.

B. Postal ballot

No special resolutions were required to be passed under Section 192A of the Companies Act, 1956 during the financial year under review.

IX. DISCLOSURES

A. There are no materially significant related party transactions of the company of material nature, with the promoters, the directors or the management, their subsidiaries or relatives etc that may have potential conflict with the interests of the company at large. Transactions with the related parties are disclosed in Note II.10 Schedule P to the financial statements in the Annual Report.

B. The Company has not been subjected to any penalties, strictures by stock exchange (s) / SEBI or any statutory authorities on any matter related to capital markets, during the last three years.

C. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

X. MEANS OF COMMUNICATION

A. Annual/ half yearly and quarterly results

The annual/half yearly/quarterly audited/un-audited results are generally published in all editions of Business Standard or Financial Express and Udayavani. The complete financial statements are posted on the Company's website www.subexworld.com. Subex also regularly provides information to the Stock Exchanges as per the requirements of the Listing Agreements and updates the website periodically to include information on new developments and business opportunities.

B. Management's Discussion and Analysis section is part of the Annual Report.

XI. General shareholder information is provided in the "Shareholders' Information" section of the Annual Report.

XII. Auditors' Certificate in respect of compliance of conditions of corporate governance as per Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms part of this Annual Report.

XIII. Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement.

Clause 49 further states that the non-mandatory requirements may be implemented as per the company's discretion. However the disclosures of compliance with mandatory requirements and adoption (and compliance)/ non adoption of non-mandatory requirements shall be made in the section on corporate governance in the annual report. We comply with the following non-mandatory requirements.

A. The Board

We have an Executive Chairman and as such maintenance of office by a Non-Executive Chairman does not arise. None of our independent directors have served for a tenure exceeding nine years from the date when the new Clause 49 became effective.

B. Remuneration Committee

We have instituted a Remuneration Committee. A detailed note on the Remuneration Committee is provided elsewhere in the report.

C. Shareholders' rights

We communicate with investors regularly through emails, telephones and face to face meetings like investor conferences, earnings calls, company visits or on road shows. We announce quarterly financial results within four weeks of the close of a quarter. The company publishes the quarterly financial results in leading business newspaper(s) as well as put on the company's website. However, we have not initiated sending half-yearly declaration of financial performance to the household of shareholders so far.

D. Audit Qualifications

The company does not have any audit qualification for the year under review. We always endeavour to move towards a regime of un-qualified financial statements.

E. Training of Board Members

All new non-executive directors inducted into the Board are given adequate orientation on the company's businesses, group structure, risk management strategy and policies.

F. Mechanism for evaluating non-executive Board Members

The company compensates non-executive directors keeping in view of the time and attention devoted by them for the company. While doing so, we evaluate the performance of the non-executive directors using various parameters. However we are yet to formalize this evaluation by peer group comprising entire Board of Directors, excluding the director being evaluated.

G. Whistle Blower Policy

We have established a mechanism for employees to report concerns about unethical behaviours, actual or suspected fraud or violation of our code of conduct. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. Our employees are informed of this policy through appropriate internal communications. None of our employees has been denied access to this facility.

for Subex Limited

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : June 30, 2008

COMPLIANCE CERTIFICATE TO THE MEMBERS OF SUBEX LIMITED

1. We have examined the compliance of conditions of corporate Governance by Subex Limited (formerly Subex Azure Limited) ['the Company'] for the year ended March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the company for ensuring compliance with the conditions of the corporate governance. It is neither an audit nor an expression of opinion of the financial statements of the company.
3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.
4. 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 Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Place : Bangalore
Date : June 30, 2008

DECLARATION BY THE CEO UNDER CLAUSE 49 I (D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

To,

The Members of Subex Limited

In accordance with Clause 49 I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel including me, have affirmed compliance to their respective Codes of Conduct, as applicable for the Financial Year ended March 31, 2008.

for Subex Limited

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : June 30, 2008

OVERVIEW

Subex Limited (Subex) is listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). The Global Depositary Receipts and the Foreign Currency Convertible Bonds of the company are listed on the London Stock Exchange (LSE).

The management of Subex is committed to improving the levels of transparency and disclosure. Keeping this in mind, an attempt has been made to disclose hereunder, information about the company, its business, operations, outlook, risks and financial condition.

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. The management of Subex accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably present the state of affairs and results for the year under review.

In addition to the historical information contained herein, the following discussion may include forward looking statements which involve risks and uncertainties, including but not limited to the risks inherent in the company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report

1. INDUSTRY

1.1 Subex is a provider of solutions in the Operations Support Systems area for telecom applications. This area can broadly be classified into Service Fulfillment, Service Assurance and Revenue Maximization. The company operates in Revenue Maximization and Service Fulfillment areas. While Revenue Maximization solutions improve the revenues and profits of the communications service providers through identification and elimination of leakages in their revenue chain, Service Fulfillment solutions enable the carriers to fulfill the needs of their subscribers through provisioning and activation of services. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, Canada, UK, UAE, India and Australia. Subex is the global leader in revenue maximization for communications service providers.

Carriers today are facing a variety of challenges. The key among them are (a) the competitive requirement to provide high quality services faster and cheaper and (b) the operational requirement to have a well integrated Operations Support System (OSS) to meet the competitive requirement. Subex provides software solutions to meet these critical requirements. Carriers have been building the support structure by acquiring disparate pieces of software and that has resulted in stove pipes getting built over time. Our well integrated platform called Revenue Operations Center (ROC) addresses this issue of a siloed structure within their networks. The solutions that form part of the ROC enable the customers to achieve Operational Dexterity which is a combination of Operational Efficiency and Service Agility. While the former ensures that cost of operation is maintained at a low enough level, the latter ensures adequate service levels are achieved.

2. OPPORTUNITIES AND THREATS

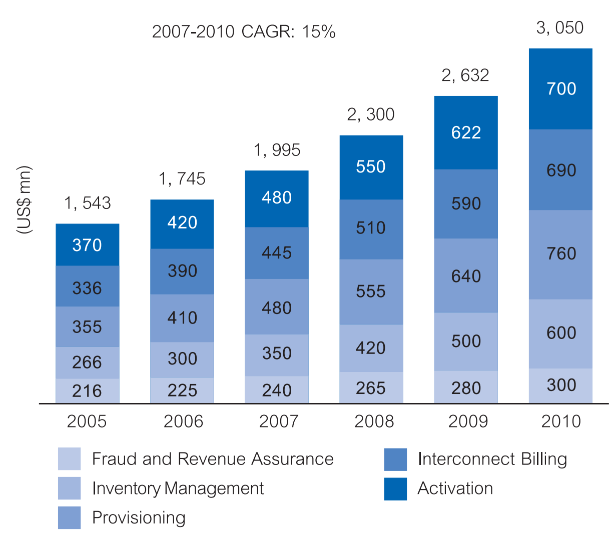
2.1 Strategy

Subex has always approached its' business in a very strategic manner. Over the past 6 years, we have been executing a well thought out strategy. The innovative strategy that we adopted was to blend organic growth with inorganic growth to achieve leadership in a focused area. It is our belief that telcos around the world will demand platform based solutions from an increasingly lower number of partners in the years to come. In order to succeed in such a transforming environment, companies need to expand their offering on a continuous basis while ensuring synergy among the different parts of the offering.

In keeping with this strategy, we have been embellishing our offering – both through acquisitions and internal development – and have developed an extensive platform spanning revenue maximization and service fulfillment. We are now poised to take advantage of the growth in the Telecom OSS industry globally.

2.2 Market Opportunity

We address an ever increasing market. The data on market size is provided below.

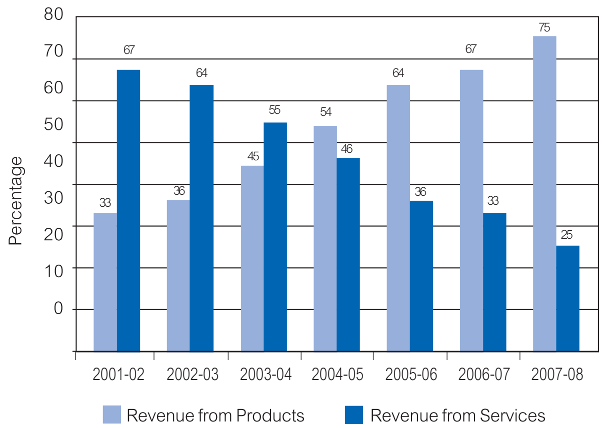


3. BUSINESS SEGMENTS AND INDUSTRY OUTLOOK

3.1 Business segments

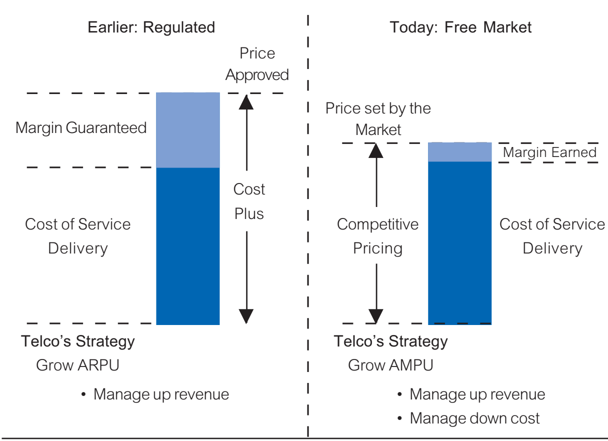
Subex operates in two business segments – telecom software products and telecom software services. The former is the key focus area for the company and will be discussed in detail. The latter is staff augmentation services for telcos in the United States and is fast losing its' significance as can be seen from the business mix data provided herein.

Revenue Mix



3.2 Telecom software products

There is a fundamental shift in the telecom business' economics. Telecom operators have seen their margins shrink dramatically as the business model has changed from a regulated market to a free market. In a regulated market, operators could easily add their desired or guaranteed margin to the cost and set the price. In today's free market, they need eke out their margin as the pricing is fixed by the competitive environment. This situation has been pictorially represented below.



The key challenge therefore is build a strategic framework that fosters sustained profitable growth. Telecom operators now need to focus on the combination of:

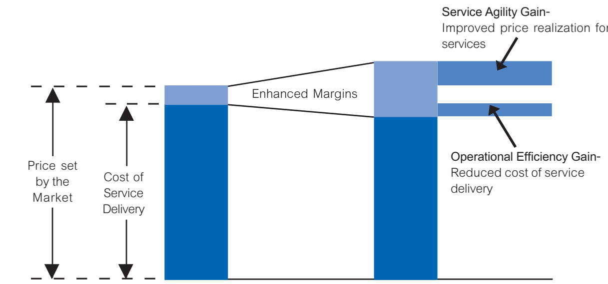
Service agility

- by reducing time-to- market for new service
- achieving rapid service provisioning
- maintaining high quality of service delivery

and

Operational efficiency

- reducing the cost of delivery of service



We call this combination as Operational Dexterity.

Operational dexterity ultimately allows operators to reverse the pressure on the margins by enjoying improved price realization through better quality of service and reduced cost of service through an efficient operation. Thus, we enable them to expand their margin by increasing the revenue through service agility gain and by reducing the cost of operation through operational efficiency gain. In short, we help them gain operational dexterity by providing two sets of solutions as detailed below.

Solutions for Operational Efficiency gains

There are six products in this solution category. They are Nikira, Moneta, Prevea, Concilia, Symphona and Optima.

Nikira

Nikira™ Fraud Management System is the next generation fraud management solution built to deliver on a 3-step philosophy of Detect-Investigate-Protect. Nikira detects known fraud types and patterns of unusual behaviour; helps investigate these unusual patterns for potential fraud and uses the knowledge thus generated to upgrade and protect against future intrusions.

Nikira is differentiated by its unique architecture that harnesses the power of proven rules-based alarms and pattern matching driven by advanced statistical techniques. Adding power to this hybrid detection system is a set of strong case management tools. These tools provide all relevant case data which are made easily accessible through a single window in a fast web-based GUI.

Nikira's high flexibility allows operators of different sizes to customize rules to suit unique network and business requirements. Moreover, seamless visual alarm linking using 3rd party visualization software reduces investigation efforts, thus decreasing case turnover time. Nikira has the ability to detect fraud types in all telecom environments - Wireline (PSTN, ISP, VoIP), Wireless (2G, 2.5G, 3G) and across all services - postpaid, prepaid, VAS, MMS, M-commerce

Moneta

Moneta™ Revenue Assurance System is a first-of-its kind, complete RA solution, designed to tackle critical revenue assurance challenges across the entire revenue chain. Moneta offers a set of pre-configured solution templates to address RA challenges inherent to individual service verticals - Wireless, Fixed, Cable MSPs & MVNOs. These solution templates address revenue assurance issues across multiple functional areas such as service fulfilment, usage integrity, retail billing, interconnect/wholesale billing and content settlement.

Each solution template is ready-to-use and includes:

- Set of appropriate health checks to monitor

- Control points & interfaces to extract data
- Reports & dashboards to present results, and
- Workflow to monitor, action & close cases

Using these solution templates, operators can dramatically reduce the time required to implement or extend the coverage of their RA practice. Moreover, operators can easily reconfigure or remodel existing templates to accommodate changing business requirements.

Prevea

The Prevea™ Risk Management System empowers operators to continuously assess and mitigate risk presented by subscribers throughout their lifecycle.

Prevea tracks risk in a near real-time during:

- Subscriber acquisitioning,
- Ongoing usage
- Collections and recovery

Prevea provides the operator with a holistic view that helps in understanding subscriber risk profile and thereby aids its management. Further, Prevea can quickly, and seamlessly, accommodate new service information to provide an accurate picture of the exposure at any point in time.

Allowing the operator to easily, and quickly, define various risk indicators and controls enables Prevea to adapt to local cultural and regulatory requirements. This also enables the operator to stay agile in changing socio-economic conditions that affect the overall level of risk in a region.

Concilia

Concilia™ Interconnect Billing System allows operators to quickly and accurately settle charges with their network partners. Shrinking margins have highlighted the increased need for visibility of each deal's impact on operator's bottom line. For interconnect agreements with domestic and international operators, Concilia provides with the ability to manage these major costs and revenues on a day-to-day, hour-to-hour basis.

New types of interconnect agreements, in areas such as IP and SMS, require new system capabilities to ensure that operators have accurate data available to assure revenues. Concilia's flexibility, scalability and ease of use empowers all types of operators – fixed or mobile, a national PTT or a new entrant, giving them the edge needed to survive and prosper in today's market.

Symphona

The Symphona™ Interparty Management System enables operators to bill their customers and settle with their partners on a single modular platform. Symphona supports all operational and management information needs. Its unique architecture allows calculation of multiple charges for each transaction, and the correlation of retail revenues with interconnect cost. As product bundles and their related tariff plans become more complex, this ability to see all revenues and related costs is vital to ensuring a healthy bottom line.

Symphona is able to support multiple business models within a single implementation through seamless addition of necessary modules. Examples of such modules include Retail, Wholesale, Satellite, IP and Inter-Company. The Symphona framework has been designed to evolve with minimal impact to ongoing operations.

Optima

Optima™ Route Optimization System is designed to provide operators with the tools to manage network cost information supplied by other operators. Additional analysis on the impact of current operator tariffs as well as forecasts on potential future operator tariffs is also featured. The system is capable of taking into account factors such as call quality rate information, capacity and network costs in calculating the optimum choice of operators.

Optima ensures that the entire end-to-end processes from dial code/destination operator rate imports to switch updates is controllable and auditable. Optima is fully supported by a comprehensive list of reports, and when generating an optimized routing table the system provides an integrated management of the routing table changes across multiple business functions. The automated routing management functionality converts the routing table into MML script for either manual or automatic implementation on the switch.

Solutions for Service Agility gains

Solutions in this category can be grouped into four categories as given below.

Automated, Subscriber-centric Fulfillment

- Syndesis Application Configuration Manager
- Syndesis Express
- Syndesis NetProvision

Data Integrity Management

- Syndesis TrueSource

Inventory/Resource Management

- Syndesis Adaptive Resource Manager

New Service Creation, Order Management

- Syndesis Controller

Service & Network Migration & Optimization

- Syndesis NetOptimizer

Syndesis Application Configuration Manager

Syndesis Application Configuration Manager (ACM) automates the configuration, management, and detailed discovery of applications, policy servers, subscriber databases, and other service delivery platforms, making self-service a reality for the mass market. With its high-performance, event-driven bus architecture, scalable J2EE platform, and high-volume activation capabilities, ACM supports thousands of requests per second with instantaneous response time. This enables subscribers to manage their services 24 hours a day, 7 days a week and supports zero-touch provisioning, self-care and multi-media impulse buying. ACM validates service request attributes against pre-defined service logic, generates application configurations based on service needs, and activates affected control nodes or databases (e.g., IPTV servers, Unified Messaging servers, HLRs, HSSs, softswitches, VoIP feature servers, etc.) via Syndesis Application Modules. A wide range of off-the-shelf, productized Application Modules is available for market leading vendors such as Alcatel, Microsoft, Nortel, Siemens, Sonus, Sylantro and others, speeding time-to-market with innovative service offerings.

Syndesis Express

Recognizing the demands of the new communications environment, Syndesis Express is a subscriber-centric fulfillment solution that allows carriers to react quickly to ever-changing market conditions and customer requirements. With Express, new services can be defined and deployed within days, not weeks or months. Express is a pre-integrated solution bundle that provides complete, off-the-shelf, subscriber-centric fulfillment for IPTV, VoIP (for both Business and Consumer), and other targeted advanced service offerings. From the wholly integrated Syndesis Express architecture, providers can quickly and easily create, roll-out, and deliver advanced services to a broad customer base while achieving new levels of subscriber control and customization. And because Express coordinates both application and connectivity service components from a unified platform, it simplifies and improves the efficiency of next generation service delivery and management while decreasing operations costs.

Syndesis NetProvision

In the world of converging and ubiquitous communications, effective service fulfillment is all about meeting demand – satisfying increasing order volumes, aggressive delivery schedules, diverse service requirements, and customers' heightened expectations. Traditional approaches to service fulfillment are not equipped to keep pace with the demands of evolving networks, services, and subscribers. Manual and siloed service provisioning, in particular, is slow, complicated, and error-prone, forming a significant barrier to both revenue growth and customer satisfaction and retention. Syndesis NetProvision automates the design and activation of complex, application-aware connectivity services, enabling flow-through provisioning of next-gen data and IP offerings across multi-vendor, multi-technology networks. NetProvision uses the industry's most advanced and most widely deployed discovery engine, enabling the system to perform design and assign based on the network and logical resources as they really exist, not as an off-line database thinks they might. This significantly reduces fallout rates and decreases the time required to activate a service. NetProvision also features productized Equipment Modules (i.e., device interfaces); native support for the widest range of convergent IP/data technologies; and a modular, extensible, and scalable design – all of which speed time-to-market for new offerings while reducing project risk and TCO.

Syndesis TrueSource

Without consistently accurate network and service information, OSS and BSS implementations are delayed, their overall effectiveness falters, asset tracking becomes a guessing game, and revenue leaks abound. Syndesis TrueSource combats these problems by providing the high levels of data integrity central to OSS and BSS data reconciliation and essential for the network and for business operations. TrueSource is the industry's first Data Integrity Management (DIM) solution for improving the quality of data that drives key service provider processes, resulting in lower costs and higher service profitability. TrueSource employs an operations-wide approach to solving data integrity problems, combining three powerful data integrity functions: multi-layer network and service discovery, data reconciliation, and discrepancy analytics. Leveraging inherent cross-domain intelligence and extensive off-the-shelf network equipment support, TrueSource discovers devices and logical services in complex multi-layer, multi-vendor, multi-service environments and reconciles this data with OSS/BSS on a continuous, controlled basis. The result is consistent, relevant data throughout service provider operations, enhancing the effectiveness and value of service fulfillment, service assurance, and billing systems.

Syndesis Adaptive Resource Manager

Syndesis Adaptive Resource Manager (ARM), the industry's only "live" inventory management solution, offers service providers a low-risk path to operational transformation and highly accurate inventory management. By considering the complete deployment and consumption life cycle of both the network and applications, ARM provides more comprehensive intelligence and control over the service provider enterprise.

Wholly integrated with the Syndesis Subscriber-Centric Fulfillment Suite, ARM is a rapidly deployed resource management system designed specifically to meet the rigorous demands of complex next generation networks, services, and business environments. ARM an speed new service introduction and delivery, accelerate new equipment deployment and payback, and ease OSS transformations while lowering total cost of ownership for next-gen inventory.

Syndesis Controller

An extension of the Syndesis Subscriber-Centric Fulfillment Solution, Syndesis Controller is a pre-integrated, best-in-class Order Management, Service Catalog Management and Technical Workflow solution. Based on industry-leading technology, Controller simplifies the orchestration between Syndesis Fulfillment Solution and other systems, including BSS systems and any manual processes associated with mobile and wireline service turn-up. Controller leverages pre-built integration and service workflow templates based on the best practices for service delivery. It provides the basis for the automation of the complete order-to-bill cycle and enhances scalability and visibility for the entire fulfillment process, an essential pre-requisite for customer self-service. Controller decomposes orders into constituent parts, enabling end-to-end service delivery process management and operational process improvements.

Syndesis NetOptimizer

Network maintenance is an unavoidable cost of doing business. The world's largest networks continually evolve and change, as Service Providers add bandwidth, replace defective hardware, perform upgrades, introduce new network infrastructure, optimize existing capacity and change technology providers. Because each of these changes affects services offered, carriers must be able to execute large scale changes quickly and accurately while preserving service integrity and the customer experience. Syndesis NetOptimizer is a high-performance, carrier-class service migration and maintenance software tool that takes the risk, time and effort out of the carriers' toughest grooming operations and service migrations. Based on accurate views of the network, NetOptimizer's automation of large scale reprovisioning activities enables carriers to rapidly, safely and strategically redistribute their services to optimize their existing resources and take advantage of new equipment, technologies, and topologies.

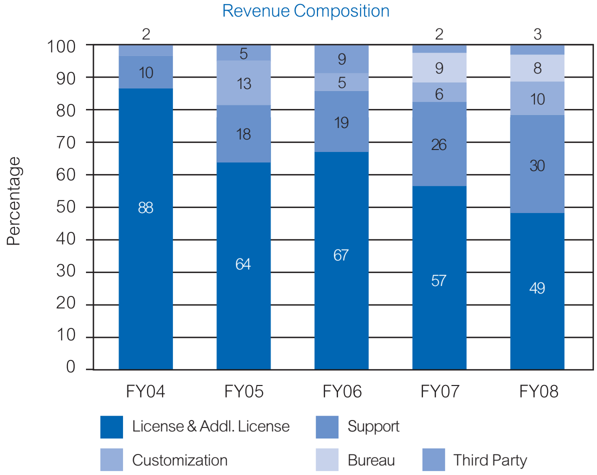
3.3 Customer Base

The company today serves over 180 customers spread across 65 countries. Our wide customer base has enabled us to garner the top slot in our traditional business of fraud and revenue assurance. We have also been up-selling and cross-selling within this wide base of customers.

3.4 Revenue Model

Subex licenses its software solutions on per subscriber or per transaction basis for every service stream of our customers, resulting in continuous growth in license revenues depending on the growth of the networks where the solutions are installed. Another sustainable revenue stream is the support revenue calculated as a function of the license revenue. These three streams of revenue – new license, additional license and support – are expected to lend stability to the overall revenue of the company. Further, we also have a fourth stream of revenue namely, customization. Finally, we have a fifth stream called Bureau wherein we provide the solutions as a service (similar to Software as a Service – SaaS) through multi-million, multi-year contracts. The following graph gives the revenue from each of the streams and from Third Party during FY04, FY05, FY06, FY07 and FY08.

Revenue Composition

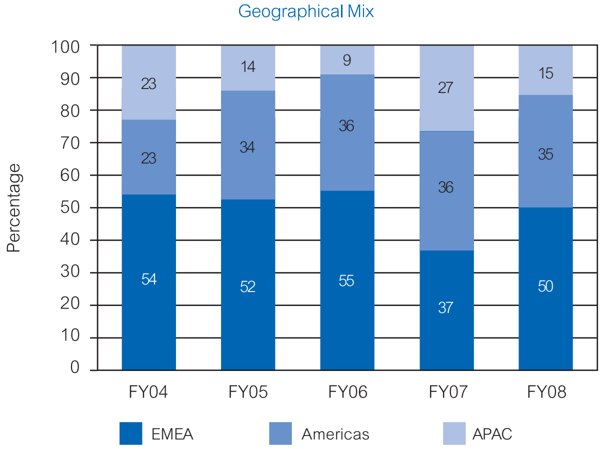


A large portion of our revenue (38% in FY08) is annuity and that provides a stable base. At the same time, license (a highly profitable stream) continues to be significant indicating that the business is not close to saturation.

3.5 Geographical Mix

Given the nature of our products and the challenges faced by communications service providers in both developed and developing countries, we have huge opportunities in all the geographies. This is quite evident from the geographical mix given below.

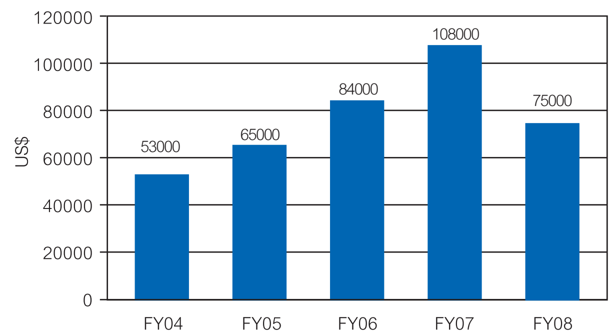
Geographical Mix



3.6 Average Revenue Per Subexian

In the Products business, our Average Revenue Per Subexian (ARPS), a key measure that leads to increased profitability, has been growing steadily. The following graph shows the progression on this front.

Average Revenue Per Subexian



3.7 Quality

Subex is dedicated to maintain the highest levels of quality standards throughout its operations. We are an ISO 9001:2000 certified company.

4. RISKS AND CONCERNS

Any business has several risks related to that and ours is no different. Following are the risks that we are cognizant of.

4.1 Market

The business model of communications service providers is highly dependant on consumer behaviour and any reduction on spend by consumers will negatively impact the fortunes of the telcos. That will result in reduction of investment by the telcos and a consequent contraction of market for our products. The communications industry continues to experience consolidation and an increased formation of alliances among communications service providers and between communications service providers and other entities. Should one of our significant customers consolidate with a service provider using a competing product and decide to discontinue the use of our product(s), this could have a negative material impact on our business. These consolidations and alliances may cause us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which would have a material adverse effect on our business. We may not be able to offset the effects of any price reductions. We may not be able to expand our customer base to make up any revenue declines if we lose customers.

Subex is fully dependant on the telecom industry. So, any vagaries in the telecom business environment will considerably impact the fortunes of the company.

4.2 Technology and Personnel

Our industry is characterized by rapid technological changes and frequent new service offerings. Significant technological changes could make our technology and services obsolete, less marketable or less competitive. We must adapt to our rapidly changing market by continually improving the features, functionality, reliability and capability of our products to meet changing customer needs. We may not be able to adapt to these challenges or respond successfully or in a cost-effective way. Our failure to do so would adversely affect our ability to compete and retain customers or market share. Launching new products is a key element of our growth and an inability to bring new products with high demand to the market in a timely manner will reduce our growth and profitability.

Subex has set up processes and methodologies to address this threat and to turn it into a strategic advantage by being in the forefront of technological evolution. Regular skill upgradation programs and training sessions that include attending global conferences, employing specialized consultants etc. are undertaken.

Retention of software personnel is another major risk being faced by Subex. Towards this, it provides an empowered atmosphere with extensive mentoring, career counseling and constant learning opportunities in cutting edge and challenging technologies.

4.3 Intellectual Property

Our success depends to a significant degree upon the protection of our software and other proprietary technology rights. We rely on trade secret, copyright and trademark laws and confidentiality agreements with Subexians and third parties, all of which offer only limited protection. The steps we have taken to protect our intellectual property may not prevent misappropriation of our proprietary rights or the reverse engineering of our solutions. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in several countries are uncertain and may afford little or no effective protection of our proprietary technology. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could require costly efforts to protect our technology. Policing the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm our business. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

4.4 Infringement

Third parties could claim that our current or future products or technology infringe their proprietary rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Third parties may also assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers. We also generally indemnify our customers if our services infringe the proprietary rights of third parties. If anyone asserts a claim against us relating to proprietary technology or information, while we might seek to license their intellectual property, we might not be able to obtain a license on commercially reasonable terms or on any terms.

4.5 Client Concentration

Consequent to the acquisition of Azure Solutions, we now have client concentration at BT plc (erstwhile British Telecom). However, non-BT business is growing faster than BT business thereby mitigating the risk.

4.6 Variability of Quarterly Operating Results

The quarterly operating results of the company have varied in the past due to reasons like seasonal pattern of hardware and software capital spending by customers, information technology investment trends, achievement of milestones in the execution of projects, hiring of additional staff and timing and integration of acquired businesses. Hence, the past operating results and period to period comparisons may not indicate future performance. The management is attempting to mitigate this risk through expansion of client base geographically and increase of steady annuity revenue. Despite those efforts, variability could continue.

4.8 Statutory Obligations

Subex has registered with Special Economic Zone for software development activities and has availed Customs Duties, Sales Tax and Central Excise exemptions. The non-fulfillment of export obligations may result in penalties as stipulated by the Government and this may have an impact on future profitability.

4.9 Environmental Matter

Software development, being a pollutionfree industry, is not subject to any environmental regulations.

4.10 Foreign Exchange

Subex has substantial exposure to foreign exchange related risks on account of revenue from export of software and outstanding liabilities. These are hedged with banks and risks mitigated to the extent possible. Despite this, particularly given the volatility in the foreign exchange market, there could be significant variations.

4.11 Taxation

Consequent to the end of STPI related tax benefits for Subex, we have moved to a Special Economic Zone (SEZ). While tax protection is expected to continue under the SEZ scheme, there is a significant amount of uncertainty in the regulatory environment. This could lead to incidence of higher tax.

4.12 Litigation

There is an increasing trend in litigation regarding intellectual property rights, patents and copyrights in the software industry. There also exist other corporate legal risks. Subex has no material litigation pending against it in any court in India or abroad.

4.13 Contractual Obligation

In terms of the contract entered into by Subex with its customers in the ordinary course of business, it is obliged to perform and act according to the contractual terms and regulations. Failure to fulfill the contractual obligations arising out of such contracts may expose Subex to financial and other risks.

The management has taken sufficient measures to cover all of its contractual risks and does not foresee any major liability due to its non fulfillment of any contractual terms and conditions.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The internal audit function also carries out Operations Review Audits to improve the processes and strengthen control of the existing processes. The Audit Committee periodically reviews the functions of internal audit.

Pursuant to revised Clause 49 of the Listing Agreement, the CEO / CFO has to accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and that they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

The adequacy of the Company's internal controls are tested from time to time and control deficiencies, if any, identified during the assessments are addressed appropriately.

6. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

6.1 Key financials and ratio analysis

Amount in Rs million, except key indicators

Financial Highlights / Year ending March 31	2008		2007		2006	2005	2004	2003	2002
	Consolidated	Standalone	Consolidated	Standalone	Standalone				
Total income	5,408.90	2,004.59	3,710.92	2361.84	1,841.19	1,172.35	891.94	706.41	592.51
Operating Profits (EBDITA)	(107.54)	369.08	812.46	447.83	539.44	356.74	246.02	162.19	95.67
Depreciation & Amortization	184.04	123.10	148.53	113.39	90.79	71.43	42.68	37.98	35.68
Profit before tax	(617.05)	(50.13)	576.61	259.09	422.23	261.10	189.04	101.75	47.92
Profit after tax	(680.72)	(61.89)	675.66	208.14	391.50	253.03	177.50	96.12	41.84
Equity Dividend %	Nil	Nil	20%	20%	25%	30%	20%	10%	10%
Share Capital	348.47	348.47	348.16	348.16	217.58	100.67	73.54	73.44	71.23
Reserves & Surplus	7,050.66	7,241.00	8,059.12	7614.14	1,597.75	1,132.05	540.94	403.26	458.01
Net Worth	6,792.52	7,015.32	8348.10	7949.89	1,816.20	1,233.04	799.39	628.85	367.11
Gross fixed Assets	1,505.82	742.71	821.73	662.67	653.06	555.42	209.61	161.55	163.81
Net Fixed Assets	388.77	265.97	358.55	306.44	391.61	367.83	89.66	77.84	109.53
Total Assets	18,463.32	17,119.66	17787.98	17088.88	2,159.76	1,745.12	1,085.76	997.68	896.16
Key Indicators									
Earning per Share (Year end)	(19.49)	(1.77)	19.41	5.98	17.99	25.13	24.14	13.09	5.87
Cash Earning per Share (Year end)	(31.01)	(15.53)	12.74	3.03	22.17	32.23	29.94	18.26	10.88
Book value per Share	194.92	201.32	239.78	228.34	83.47	122.48	108.70	85.63	51.54
Debt (including Working capital) Equity Ratio	1.36	1.26	1.01	1.06	0.01	0.23	0.21	0.32	0.46
EBDITA / Sales - %	-2.21%	0.26	23.83%	21.14%	29%	30%	28%	23%	16%
Net Profit Margin - %	-14.02%	-4.30%	19.82%	10%	21%	22%	20%	14%	7%
Return on year end Net Worth %	-10.02%	-0.88%	8.09%	3%	22%	21%	22%	15%	11%
Return on year end Capital Employed %	-0.67%	2%	4.84%	3%	30%	23%	26%	20%	18%

Note: Earning per share, cash earning per share and book value of share are in Rupees.

7. COMMENTARY ON FINANCIAL STATEMENTS

7.1 Share capital

7.1.1 Of the equity paid-up capital, the company had issued the following shares towards consideration other than cash.

- 115,000 shares of Rs.10/- each, towards the balances in the current account of partners, Mr. Subash Menon and Mr. Alex J. Puthenchira, on the takeover of Subex Systems, a partnership firm, by the company during 1993-94.
- 4,626,940 Shares of Rs.10/- each to all eligible shareholders as on March 31, 1999 in the ratio of 1:1 by capitalizing the General Reserves.
- 12,840 shares of Rs.10/- each to the erstwhile owners of M/s. IVth Generation Inc., towards part consideration of the cost of acquisition of that company at Rs.1,023/- per share during 1999-2000.
- 10,878,784 shares of Rs.10/- each to all eligible shareholders as on January 6, 2006 in the ratio of 1:1 by capitalizing the securities premium.
- 1,109,878 shares of Rs.10/- each to the GDR holders as on April 7, 2006 @ Rs.400/-.
- 11,728,728 shares of Rs.10/- each to the GDR holders as on June 22, 2006 towards consideration of the cost of acquisition of Azure Solutions Ltd at Rs.532.24.

7.1.2 During 2006-07 the Company issued 219,551 (including Bonus shares, wherever options are eligible) shares of Rs. 10/- each to various employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

7.1.3 During 2007-08, the Company issued 31,364 (including bonus shares, wherever options are eligible) shares of Rs. 10/- each to various employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

7.1.4 There are no calls in arrears.

7.1.5 During 2007-08, the Company allotted 2,230,000 warrants to promoters/ promoters group, entitling each holder to obtain allotment of one equity share against each such warrant on a preferential basis at a price of Rs. 630.31. Under the terms of issue, the company received 10% of the total consideration amounting to Rs. 140.55 Million.

7.2 Reserves And Surplus

7.2.1 Capital Reserve of Rs.13.00 Million was created by credit of the notional premium on 12,840 equity shares of Rs.10/- each valued at a price of Rs.1,023/- per share and issued to the owners of IVth Generation Inc, USA as part consideration for the transfer of their shareholding to Subex Systems Ltd.

7.2.2 Securities Premium Account represents the premium collected on:

- 971,000 equity shares issued at a premium of Rs.65/- per share through an Initial Public Offer in 1999-2000.
- 330,800 equity shares issued at a premium of Rs.740/- per share to Mutual Funds and Bodies Corporate on a preferential basis during 1999-2000.
- 1,887,000 equity shares issued at a premium of Rs. 88/- per share to holders of ROCCPS on conversion of preferential shares of Rs 98/- each, namely Intel Capital, Toronto Dominion Bank and UTI Venture Funds.
- 1,538,459 equity shares issued at a premium of Rs.290/- per share to holders of FCCBs on conversion of the bonds at a price of Rs.300/- per share.
- 1,109,878 equity shares issued at a premium of Rs.390/- per share to holders of GDR at a price of Rs.400/-.
- 11,728,728 equity shares issued at a premium of Rs.522.24 per share to holders of GDR at price of Rs.532.24
- 250,915 (including Bonus shares, wherever options are eligible) equity shares allotted to the employees under ESOP II & III Scheme as per the provisions of the Scheme at various premiums.

7.2.3 The Company has transferred Rs. Nil (previous year: Rs.23.2 million) to General Reserves during the year.

7.2.4 In accordance with the guidelines issued by the Institute of Chartered Accountants of India on Accounting for Deferred Taxes, a net gain / (charges) of Rs.7.26 million on stand alone basis and Rs.(37.33) million on consolidated basis have been recorded in the P&L A/c, due to recognition of deferred tax asset as at year end amounting to Rs.124.08 million on consolidated basis and Rs.24.18 million on stand alone basis.

7.2.5 In accordance with the guidelines issued by SEBI under the ESOS & ESPS Scheme 1999, the Company has created a Reserve towards the excess of market price of the underlying equity shares as on the date of the grant of the option over the exercise price of the option, to be adjusted over the period of vesting. The amount adjusted and credited to reserves on a net basis as at March 31, 2008 is Rs.69.65 million (previous year: Rs.19.64 million).

7.3 Secured Loans

On consolidated basis, the secured loan of Rs. 1,150.16 million (previous year: Rs.635.17 million) and on stand alone basis, the secured loan of Rs.737.23 million (previous year: Rs.583.76 million) outstanding in the books as at March 31, 2008 consists of Rs.22.16 million pertaining to motorcars financed by the Company through hire purchase scheme with the financiers and is secured by hypothecation of the vehicles and Rs.715.07 million pertaining to the working capital loan from Axis Bank Ltd and State Bank of India, which is secured by Receivables.

7.4 Unsecured Loans

The unsecured loan of Rs.7,200.00 million (previous year: Rs. 7,807.50) outstanding in the books as at March 31, 2008 pertains to Foreign Currency Convertible Bonds issued during the previous year. The bonds carry interest of 2% per annum and are redeemable by March 9, 2012 if not converted into equity shares as per terms of issue. These bonds are listed in the Professional

Securities Market of London Stock Exchange. The movement in the year relates to unrealised gains.

7.5 Fixed Assets

7.5.1 The value of intangible assets, based on the valuation report by independent valuers, is being depreciated over 5 years in accordance with the company's assessment of useful life thereof.

7.5.2 During the year, the Company added Rs.152.80 million on consolidated basis and Rs.89.74 million on stand alone basis, to its gross block. The Company disposed off certain assets no longer required. The Company has net assets worth Rs.388.77 million (previous year: Rs. 358.55 million) on consolidated basis and Rs.265.97 million (previous year: Rs. 306.44 million) on stand-alone basis.

7.6 Investments

7.6.1 During 1999, the Company had acquired the whole of the outstanding common stocks numbering 3,000 of no par value of IVth Generation, Inc., New Jersey, USA. Consequent to the acquisition, IVth Generation Inc, a wholly owned subsidiary of the Company, has been renamed as "Subex Technologies Inc." The investments are carried at cost, including advisory fees, brokerage and syndication fees for facilitating the investment. During the year, the Company filed an application with Hon'ble High Court of Karnataka to transfer the Services Business Division to Subex Technologies Ltd, a wholly owned subsidiary of Subex Ltd under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company has transferred the Services business to Subex Technologies Ltd with effect from September 1, 2007 (appointed date) at an aggregate consideration of Rs.310,000,000. In accordance with the order of the Hon'ble High Court, the Company shall receive 3,000,000 shares of Subex Technologies Ltd valued at Rs.30,000,000 in settlement of the consideration with the balance Rs. 280,000,000 being treated as unsecured loan taken by the subsidiary from the Company.

7.6.2 The Company has subscribed to the entire share capital of Subex Technologies Ltd, a wholly owned subsidiary Company for a cost of Rs 10 million and as mentioned in 7.6.1 above, is to receive shares worth Rs. 30,000,000.

7.6.3 On June 23, 2006, the Company acquired the entire share holding of Azure Solutions Ltd, UK. The consideration was discharged by issued of 11,728,728 GDRs each representing one equity share of Rs.10/- at a premium of Rs.522.24 per share and cash of Rs.214.57 million.

7.6.4 During the year, the Company completed the acquisition of Syndesis Ltd, Canada, a Company engaged in service assurance and fulfillment space in the telecom service industry. The investment carrying value of Rs. 7,749,575,428 includes the incidental costs of acquisition. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

7.7 Sundry Debtors

7.7.1 At the year end, the Company has securitized a portion of its receivables amounting to Rs. 133.36 million (previous year: Rs.416.66 million) with Axis Bank Ltd.

7.7.2 The major customers of the Company are the telecom and cellular operators overseas and in India. The receivables are spread over a large customer base. There is no significant concentration of credit risk on a single customer, but for the majority of the services business coming from AT&T, USA.

7.7.3 All the debtors are generally considered good and realizable and necessary provision has been made for debts considered to be bad and doubtful. The level of sundry debtors is normal and is in tune with business trends requirements.

7.7.4 Sundry Debtors as a percentage of total revenue is 28% as against 36% in the previous year.

7.7.5 The age profile on consolidated basis is as given below:

Amount in Rs. million

Particulars	2007-2008		2006-2007	
	Value	%	Value	%
Less than 180 days	1040.10	79	760.45	62.49
More than 180 days	273.21	21	456.37	37.51
Total	1,313.31	100.00	1,216.82	100.00

The age profile on stand-alone basis is as given below:

Amount in Rs. million

Particulars	2007-2008		2006-2007	
	Value	%	Value	%
Less than 180 days	324.96	95.39	452.37	58.30
More than 180 days	15.71	4.61	323.57	41.70
Total	340.67	100.00	775.94	100.00

7.7.6 The management believes that the overall composition and condition of sundry debtors is satisfactory. The Company has made fresh provisions for doubtful debts during the year amounting to Rs.290.35 million (previous year: Rs.150.62 million) on consolidated basis and Rs.288.69 million (previous year: Rs.150.00 million) on stand alone basis.

7.8 Cash and Bank Balances

7.8.1 The bank balances in India includes both rupee accounts and foreign currency accounts. The fixed deposit of Rs.27.99 million on consolidated basis and Rs.17.42 million on standalone basis is the margin money with the bankers for establishing bank guarantee/ issuing corporate credit cards.

7.8.2 Cash and Bank balances constitute 1.38% of the total assets (previous year: 5.36%) on consolidated basis and 0.56% of the total assets (previous year: 4.9%) on stand alone basis.

7.9 Loans and Advances

7.9.1 Advances recoverable in cash, kind or value to be received are primarily towards prepayments for value to be received. Advance income tax, net of provision for taxation represents payments made towards tax liability pending assessment and refunds due.

7.9.2 Deposits represent rent deposit, electricity deposit, telephone deposits and advances of like nature.

7.9.3 Dues from Companies under the same management

Rs.394.61 million from Subex Technologies Limited (previous year: Rs.12.91 million), Rs.597.31 million (previous year: Rs. 351.86 million) due from Subex (UK) Ltd, Rs.330.40 million (previous year: Rs. 249.85 million) due from Subex Inc, Rs.39.76 million (previous year: Rs. 10.67 million) due from Subex (Asia Pacific) Pte Ltd and Rs. 341.13 million (previous year: nil) due from Subex Americas Inc.

7.10 Current Liabilities

7.10.1 Sundry creditors for capital goods represent amount payable to vendors for supply of capital assets and to financiers for supply of capital assets on hire purchase basis, amount payable to vendors for supply of goods, creditors for operational expenses, accrued salaries and benefits and advances received from clients for delivery of future sales.

7.11 Provisions

Provisions for taxation represent income tax, dividend tax and wealth tax liability. The provision would be set off upon payment of tax.

7.12 Financial Instruments

7.12.1 Letters of Credit

The company has an outstanding Letters of credit amounting to Rs.26.05 million (previous year: Rs.29.99 million) on consolidated and standalone basis. These letters of credit are in the nature of procurement of capex/ corporate credit card.

7.12.2 Guarantees

The company has outstanding guarantees amounting to Rs.22.41 million (previous year: Rs.5.24 million). These guarantees are in the nature of performance guarantees and bid bonds and are subject to the risk of performance by the Company.

The company has provided a Corporate Guarantee to ABN Amro Bank, Bangalore to provide credit facilities to Subex Americas Inc. Canada and Subex (UK) Ltd, London amounting to Rs. 500,000,000 (previous year: nil).

7.13 Profit & Loss Account

7.13.1 Income

The Company derives its income from providing Software Development Services, and licensing of Software Products.

The segment wise break up of income on consolidated basis is given below:

Amount in Rs. million except percentages

Particulars	2007-08		2006-07	
	Value	%	Value	%
Software Services	1,237.43	25.48	1,121.33	32.89
Software Products	3,618.48	74.52	2,287.67	67.11
Total	4,855.91	100.00	3,409.00	100.00

The segment wise break up of income on stand-alone basis is given below:

Amount in Rs. million except percentages

Particulars	2007-08		2006-07	
	Value	%	Value	%
Software Services	523.96	36.42	1116.15	52.68
Software Products	914.73	63.58	1002.47	47.32
Total	1,438.69	100.00	1812.16	100.00

7.13.2 Geographically, the Company earns income from export of software services to USA and software products to various countries in EMEA and Americas.

7.14 Other income

7.14.1 Other income consists of income derived by the Company from, interest on deposit with Bank, insurance claims received towards damages of assets, VAT refund and exchange fluctuation (including exchange gain on restatement of FCCB)

7.15 Expenditure

7.15.1 The staff cost increased to Rs.4,022.37 million (previous year: Rs.2,079.88 million) on consolidated basis and decreased to Rs.944.48 million (previous year: Rs.1,436.97 million) on stand alone basis on account of integration of Syndesis Limited, Canada, new recruitment, increments and increase in onsite consultancy services in US.

7.15.2 The Company incurred administration and other expenses at 26.06% of its total Income during the year as compared to 19.10% during the previous year on consolidated basis and 29.95% of its total Income during the year as compared to 16.45 % during the previous year on a stand-alone basis.

7.16 Operating Profits

During the year, on consolidated basis, the company earned an Operating Profit/(Loss) (before interest, depreciation and tax) of Rs.(107.54) million being 1.99% of total income as against Rs.812.46 million at 21.89% during the previous year. On a stand-alone basis, the Company earned an Operating Profit (before interest, depreciation and tax) of Rs.369.08 million being 18.41% of total income as against Rs.447.83 million at 18.96% during the previous year.

7.17 Interest & Bank Charges

The Company incurred an expenditure of Rs.325.47 million (previous year: Rs.87.31million) on consolidated basis and Rs.296.10 million (previous year: Rs.75.35 million) on stand-alone basis. The interest paid is related to temporary overdrawals and securitized receivables. The interest on FCCBs provided alone amounted to Rs.160.77 million

7.18 Depreciation

7.18.1 The provision for depreciation for the year amounted to

Rs.172.32 million (previous year: Rs.125.56 million) on consolidated basis and Rs.123.10 million (previous year: Rs.113.39 million) on stand alone basis. The increase in provision on consolidated basis is mainly on account of the depreciation on the assets of Syndesis Group.

7.18.2 The intangible assets i.e. IPRs and goodwill are being depreciated over 5 years in accordance with the company's assessment of useful life thereof. Accordingly, an amount of Rs.84.36 million (previous year: Rs.82.42 million) has been depreciated in the financial year under review.

7.19 Provision for Tax

The Company has provided for its tax liability in India and overseas after considering the exemptions for income from software services and products under the various applicable tax enactments.

7.20 Net Profit

On consolidated basis, the net profit/(loss) of the Company amounted to Rs.(680.72) million as against Rs. 675.66 million during the previous year. On stand-alone basis, the net profit/(loss) of the Company amounted to Rs.(61.89) million as against Rs. 208.14 million during the previous year.

7.21 Earning per Share

Earning/(loss) per share computed on the basis of number of common stock outstanding, as on the Balance Sheet date was Rs.(19.49) per share (previous year: Rs.21.1per share) on consolidated basis and Rs.(1.77) per share (previous year: Rs. 6.50 per share) on stand-alone basis. The diluted Earnings per share for the year was Rs.(19.49) per share (previous year: Rs. 21.02 per share) as on consolidated basis and Rs.(1.77) per share (previous year: Rs. 6.48 per share) on stand-alone basis.

7.22 Foreign Exchange Difference

An amount of Rs.528.66 million has been accounted for as gain during the current year compared to an amount of Rs.217.26 million during the previous year on consolidated basis and an amount of Rs.547.00 million has been accounted for as gain during the current year compared to an amount of Rs.207.20 million during the previous year on stand alone basis, on account of foreign exchange differences arising due to timing differences between accrual of income / expense and receipt / payment of the same.

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.

Subexians

As of March 31, 2008, we had over 1175 Subexians on our rolls. They are highly trained and motivated people and are critical to the success of our business. We focus on attracting and retaining the best talent with us.

Our human resources department is centralized at our corporate headquarters in Bangalore and oversees HR functions across all the geographies where the company operates. The HR team aims at providing a competitive edge to the business through a qualified and motivated workforce by recruiting, developing and retaining the best in the Industry. It consistently strives to drive and implement Subex HR strategy in areas of recruitment, compensation benefits, subexian relations, retention strategies, performance management processes, M&A integration strategies, HR processes and policies.

Recruiting

Subex hires entry level graduates from the top engineering and management universities in India. The company has created and implemented high quality, repeatable recruiting practices and procedures to attract the best talent. The main sources of its hires come through Subexians referral programs, advertisements, placement consultants, website postings and walk-ins. All jobs would require a strong focus on both technology and domain in order to analyze the customer requirements. They also get exposure to Heterogeneous, Multi-technology, and Multi-vendor OSS/NMS/EMS/FMS/RA domain as compared to Homogenous, Single-vendor, and Single-vendor scenarios offered by most companies.

Training

Each of our new recruits must attend a compulsory induction program when they begin working with us. New or recent graduates must also attend additional training programs that are tailored to their area of technology. We also have a training program for all subexians to improve their technical as well as their soft skills. We supplement continuing education program by sponsoring special programs for Subexians at leading educational institutions, such as the Birla Institute of Technology & Science, Pilani, to provide them cutting-edge skill sets.

Performance Management System

Subexian Development System or Performance Management System focuses on the evaluation of the key result area set for Subexians at the start of the appraisal cycle and the competencies they require to execute their tasks in a given role. The process comprises a series of steps like self, peers and managers appraisals and also involves normalization and moderation process to ensure an unbiased appraisal system.

Compensation

Subex continually provides Subexians with competitive and innovative compensation packages. The packages include a combination of salary, stock options, health and disability insurance. The company measures its compensation packages against industry standards and strives to match or exceed the same.

Financial Review

Subex Limited (Standalone)

1. We have audited the attached Balance Sheet of Subex Limited (formerly Subex Azure Limited), as at March 31, 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India, in terms of Section 227 (4A) of the Companies Act 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to this Company.

4. Further, to our comments in the Annexure referred to above, we report that:

(a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 the books and proper returns adequate for the purpose of our audit have been received from the Company's branch, in the United States of America (US Branch) not visited by us.

(c) the report on the accounts of the US Branch audited by the Branch Auditors' has been forwarded to us and has been dealt with by us in preparing this report.

(d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(e) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited branch returns.

(f) on the basis of written representations received from the directors of the Company, as at March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.

(g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act 1956, 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 March 31, 2008; and

   (ii) in the case of the Profit and Loss Account of the loss for the year ended on that date,

   (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

V.Srikumar
Partner
M. No. 84494

Place: Bangalore
Date: June 30, 2008

ANNEXURE TO THE AUDITORS' REPORT (REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF SUBEX LIMITED)

1. The provisions of clauses ii, iii (d) to (g), (viii), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix), (xx) as contained in para 4 and 5 of the Companies (Auditors' Report) Order, 2003, are not applicable to the Company for the current year.

2. In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

3. In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) the Company has granted loans to four parties. At the year end, the outstanding balances of such loans granted aggregated to Rs. 1,603,737,888 and the maximum amount involved during the year was Rs. 1,603,737,888.

(b) in our opinion, having regard to the explanation that the loans are granted to wholly owned subsidiaries with an intention of providing financial support, the terms and conditions of the interest free loans are, prima facie, prejudicial to the interest of the Company.

(c) in terms of the loans granted, no principal was due for repayment during the year ending.

4. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the Company's transactions of (a) purchases of goods and services and (b) services rendered, are of a specialized nature for which comparable quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.

5. In respect of contracts and arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief, and according to the information and explanations given to us:

(a) the particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.

(b) where each of such transactions (excluding loans reported under paragraph 3 above), made in pursuance of contracts or arrangements, is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted deposits from the public.

7. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management has been commensurate with the size of the Company and the nature of its business.

8. In respect of Statutory dues:

(a) according to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Sales Tax, cess and any other material statutory dues with the appropriate authorities during the year and there were no such dues that were outstanding at March 31, 2008 for a period of more than six months from the date they became payable.

(b) according to the information and explanations given to us, details of disputed sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited as on March 31, 2008, on account of any dispute are given below:

Name of statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	5,357,900	2003-04	Income Tax Appelate Tribunal

9. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the (re)payment of dues to financial institutions and banks.

10. In our opinion and according to the information and explanations given to us, the term and conditions of the guarantees given by the Company to financial institutions for loans taken by its subsidiaries are not, prima facie, prejudicial to the interests of the Company.

11. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

12. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.

13. According to the information and explanations given to us, the price at which the Company has made preferential allotment of warrants to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 is not prima facie prejudicial to the interest of the Company.

14. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

V.Srikumar
Partner
M. No. 84494

Place: Bangalore
Date: June 30, 2008

BALANCE SHEET AS AT

Amount in Rs.

	Schedule	March 31, 2008		March 31, 2007	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	A	348,470,890		348,157,250	
Monies received pending allotment		140,559,130		-	
[Refer Note II.7, Schedule P]					
Reserves and Surplus	B	7,241,001,219	7,730,031,239	7,614,743,935	7,962,901,185
LOAN FUNDS					
Secured Loans	C	737,232,874		583,759,501	
Unsecured Loans	D	8,114,824,891	8,852,057,765	7,807,500,000	8,391,259,501
Total			16,582,089,004		16,354,160,686
APPLICATION OF FUNDS					
FIXED ASSETS	E				
Gross Block		742,708,202		662,665,154	
Less : Depreciation		476,733,586		360,261,651	
Net Block		265,974,616		302,403,503	
Capital work in progress		-	265,974,616	4,037,627	306,441,130
INVESTMENTS	F		14,263,443,608		14,195,582,212
DEFERRED TAX ASSET (Net)			24,176,011		16,917,000
CURRENT ASSETS, LOANS & ADVANCES					
Sundry Debtors	G	340,670,191		775,941,945	
Cash & Bank balances	H	92,874,559		801,158,095	
Loans & Advances	I	1,980,223,013		768,268,999	
Unbilled Revenue		152,302,809		224,571,526	
		2,566,070,572		2,569,940,565	
Less: Current Liabilities & Provisions	J				
Current liabilities		425,292,788		538,913,980	
Provisions		112,283,015		195,806,241	
		537,575,803		734,720,221	
Net Current Assets			2,028,494,769		1,835,220,344
Total			16,582,089,004		16,354,160,686
Significant Accounting policies & Notes to the accounts	P				

The Schedules referred to above form an integral part of the Balance Sheet

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
June 30, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

	Schedule	March 31, 2008		March 31, 2007	
Income					
Sales & Services			1,438,684,166		2,118,612,682
Other Income	K		565,904,838		243,226,341
Total			**2,004,589,004**		**2,361,839,023**
EXPENDITURE :					
Direct Cost	L		90,691,643		88,596,558
Personnel Costs	M		944,484,923		1,436,970,428
Other Operating, Selling and Administrative Expenses	N		600,336,524		388,438,521
Financial Costs	O		296,098,176		75,345,976
Depreciation	E		123,103,856		113,394,684
Total			**2,054,715,122**		**2,102,746,167**
Profit/(Loss) Before Taxation			**(50,126,118)**		**259,092,856**
Provision for taxation for continuing operations					
- Current		17,129,780		66,195,845	
- MAT Credit carried forward		(10,042,000)		(11,128,731)	
- Fringe Benefit Tax		11,930,660		4,887,171	
- Deferred		(7,259,005)	11,759,435	(9,005,000)	50,949,285
Profit/(Loss) After Taxation			**(61,885,553)**		**208,143,571**
Profit/(Loss) before tax from continuing operations			(76,648,345)		158,797,599
Tax Expenses			4,756,955		7,957,397
			(81,405,300)		150,840,202
Profit/(Loss) before tax from discontinued operations [Refer Note II.5 & II.14 and Schedule P]			26,522,227		100,295,257
Provision for Current Taxes			7,002,480		42,991,888
			19,519,747		57,303,369
Profit/(Loss) After Taxation			**(61,885,553)**		**208,143,571**
Balance brought forward from Previous year			785,666,570		756,300,496
Profit Available for Appropriation			723,781,017		964,444,067
APPROPRIATION :					
Transfer to General Reserve			-		23,200,000
Dividend					
- Equity Shares - Proposed Final Dividend 2006-07		-		69,631,450	
- Equity Shares - Interim Dividend 2006-07		-		52,113,210	
- Equity Shares - Final Dividend 2005-06		-		12,883,222	
- Equity Shares - Final Dividend 2006-07		26,412	26,412	-	134,627,882
Tax on distributed profits			4,489		20,949,615
Surplus carried to Balance Sheet			723,750,116		785,666,570
			723,781,017		964,444,067
Earnings/(Loss) Per Share (Face value of Rs.10/- each)					
- Basic			(1.77)		6.50
- Diluted			(1.77)		6.48
Significant Accounting policies & Notes to the accounts	P				

The Schedules referred to above form an integral part of the Profit and Loss account

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
June 30, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED

Amount in Rs.

		March 31, 2008	March 31, 2007
Cash flow from operating activities			
Net Profit/(Loss) before Tax		(50,126,118)	259,092,856
Adjustments for :			
a) Depreciation and amortization		123,103,856	113,394,684
b) Interest		(17,129,916)	(33,843,931)
c) Interest and bank charges		296,098,176	75,345,976
d) Assets written off / Loss on sale		-	3,761,806
e) Profit on sale of assets		(1,096,373)	(463,514)
f) Employee compensation Expenses		50,005,707	10,760,906
g) Provision for doubtful debts		288,690,000	150,000,000
h) Unrealised exchange fluctuations		(595,294,231)	(208,784,608)
i) Direct Taxes paid		(101,006,118)	(39,652,428)
Operating Profit before Working Capital Changes		**(6,755,017)**	**329,611,747**
Adjustments for :			
a) Sundry Debtors		(482,878,101)	7,989,734
b) Loans and advances		314,435,696	(265,278,984)
c) Trade and other payables		277,466,684	289,321,484
Cash generated from/(used in) operations	A	**102,269,262**	**361,643,981**
Cash Flow from Investing activities			
a) Purchase of Fixed Assets		(87,261,489)	(40,389,091)
b) Sale / disposal of fixed assets		5,720,518	8,864,512
c) Cash flows on acqusitions of subsidiaries		(345,879,403)	(7,635,103,606)
d) Interest received		17,129,916	33,843,931
e) Loans to Subsidiaries		(1,275,166,676)	(615,260,873)
Net Cash from Investing Activities	B	**(1,685,457,134)**	**(8,248,045,127)**
Cash Flow from Financing Activities			
a) Proceeds/(Utilisation) from issue of Share Capital/ Options/Warrants		145,225,998	457,173,808
b) Proceeds from/(repayment) of short term borrowings - Net		304,409,517	570,247,932
c) Proceeds from Long term borrowings		764,496,174	8,049,544,180
d) Repayment of Long term borrowings		-	(4,752,531)
e) Dividends & Dividend tax paid		(81,503,996)	(98,720,943)
f) Interest and bank charges paid		(296,098,176)	(75,345,976)
g) Incidental expenses on issue of FCCB & GDR, (incurred)/refunded		38,374,819	(616,265,172)
Net Cash from Financing Activities	C	**874,904,336**	**8,281,881,298**
Net increase in Cash or Cash equivalents [A + B + C]		(708,283,536)	395,480,152
Cash or Cash equivalents at the start of the year		801,158,095	405,677,943
Cash or Cash equivalents at the close of the year		**92,874,559**	**801,158,095**

Note : Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs.702,822 (PY : Rs.839,784), fixed deposit of Rs.17,424,597 (PY : Rs.320,425,029) which are not available for use by the Company.

Significant Accounting policies & Notes to the accounts P

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
June 30, 2008

Amount in Rs.

		March 31, 2008		March 31, 2007
Schedule - A				
Share capital				
Authorised				
48,040,000 (previous year, 48,040,000) equity shares of Rs. 10 each		480,400,000		480,400,000
200,000 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs. 98 each		19,600,000		19,600,000
Total		500,000,000		500,000,000
Issued, subscribed and paid up				
Equity				
34,847,089 (previous year, 34,815,725) equity shares of Rs.10 each		348,470,890		348,157,250
Of the above				
a) 115,000 shares of Rs. 10 each were allotted for consideration other than for cash;				
b) 4,626,940 shares of Rs. 10 each are allotted as Bonus shares by capitalisation of General Reserve;				
c) 12,840 shares of Rs. 10 each are allotted in part settlement of cost of acquisition of subsidiary				
d) 10,878,784 shares of Rs. 10 each are allotted as bonus shares by capitalisation of securities premium;				
e) 11,728,728 shares (GDRs) of Rs. 10 each are allotted in full settlement of cost of acquisition of Azure Solutions (UK) Ltd				
Total		348,470,890		348,157,250
Schedule - B				
Reserves & Surplus				
Capital Reserve		13,006,920		13,006,920
General Reserve - opening balance	177,975,580		163,302,608	
Add : Additions during the year	-		23,200,000	
Less : Adjustment in pursuance of transitional provisions of Accounting Standard-15 [Refer Note II.16.7]	-	177,975,580	8,527,028	177,975,580
Securities premium account - opening balance	6,576,304,853		656,262,011	
Add : Additions during the year	4,353,213		6,578,458,014	
Add/(Less) : Reversal of/(Utilised towards) incidental costs of issue of FCCBs & GDRs (Refer Note II.6, Schedule P)	38,374,819		(616,265,172)	
Less : Redemption premium on FCCBs [Refer Note II.6, Schedule P]	589,904,656		42,150,000	
Less: Adjustments on account of Demerger Scheme [Refer Note II.5, Schedule P]	404,560,001	5,624,568,228	-	6,576,304,853
Employees Stock Options outstanding	162,476,740		52,775,309	
Less: Deferred employees compensation expenses	92,831,021	69,645,719	33,135,297	19,640,012
FCCB Redemption reserve - opening balance	42,150,000			
Add : Additions during the year [Refer Note II.6, Schedule P]	589,904,656	632,054,656		42,150,000
Profit & Loss Account		723,750,116		785,666,570
Total		7,241,001,219		7,614,743,935
Schedule - C				
Secured loans				
Short Term				
Working capital loans from banks (Secured by charge on fixed assets and receivables)		715,073,869		570,247,932
Other loans from banks (Secured by hypothecation of assets financed by these loans)		22,159,005		13,511,569
[Amount repayable within one year: Rs.7,334,336/-, Previous year, Rs.4,335,771)				
Total		737,232,874		583,759,501
Schedule - D				
Unsecured loans				
Short Term				
Working capital loans from banks		158,976,153		-
Other loans from banks		755,848,738		-
[Amount repayable within one year: NIL, PY : NIL] (Refer Note II.16.10, Schedule P)				
Foreign Currency Convertible Bonds (Note II.6, Schedule P)		7,200,000,000		7,807,500,000
Total		8,114,824,891		7,807,500,000

Schedule - E

Fixed assets

Amount in Rs.

		Gross block				Depreciation				Net block	
Sl. No.	Particulars	As at April 1, 2007	Additions during the year	Deletions during year	As at March 31, 2008	Upto March 31, 2007	For the year	Withdrawn On deletions	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
1	Computer Hardware	144,649,407	26,778,790	-	171,428,197	102,785,785	23,191,634	-	125,977,419	45,450,778	41,863,622
2	Computer Software	62,172,865	23,540,839	-	85,713,704	56,659,294	5,795,380	-	62,454,674	23,259,030	5,513,571
3	Furniture & Fixtures	8,335,253	3,005,760	-	11,341,013	6,079,241	1,268,472	-	7,347,713	3,993,300	2,256,012
4	Vehicles	30,038,773	22,422,127	9,603,501	42,857,399	13,460,105	6,994,204	5,025,296	15,429,013	27,428,386	16,578,668
5	Office Equipments	6,306,829	13,997,373	98,340	20,205,862	4,051,908	1,935,810	52,401	5,935,317	14,270,545	2,254,921
6	Goodwill	13,766,918	-	-	13,766,918	4,718,509	2,757,791	-	7,476,300	6,290,618	9,048,409
7	Intellectual Property Rights	397,395,109	-	-	397,395,109	172,506,809	79,606,341	-	252,113,150	145,281,959	224,888,300
	Total	**662,665,154**	**89,744,889**	**9,701,841**	**742,708,202**	**360,261,651**	**121,549,632**	**5,077,697**	**476,733,586**	**265,974,616**	**302,403,503**
	Previous Year	**653,064,906**	**37,229,664**	**27,629,416**	**662,665,154**	**265,950,677**	**113,075,878**	**18,764,904**	**360,261,651**	**302,403,503**	**387,114,229**

[Note : Depreciation as per Profit & Loss account for the current year is higher to the extent of Rs. 1,554,224 (Previous year, Rs. 318,806) due to allocable expense from Subex Technologies Ltd.]

SCHEDULES TO THE BALANCE SHEET AS AT

Amount in Rs.

		March 31, 2008		March 31, 2007
Schedule - F				
Investments				
(Long term, trade, unquoted)				
In wholly owned subsidiaries				
Subex Technologies Inc		-		308,018,007
Current Year : NIL (Previous year-incorporated in U.S.A, common stock 3,000 shares, fully paid up, of no par value)				
[Refer Note II.5, Schedule P]				
Subex Technologies Ltd		9,999,940		9,999,940
incorporated in India, common stock 999,994 (Previous year, 999,994)shares, fully paid up, at par value of Rs.10/- each)				
Advance for Share Capital in Subex Technologies Ltd		30,000,000		-
[Refer Note II.5, Schedule P]				
Subex (UK) Ltd		6,473,868,240		6,473,868,240
incorporated in UK, (common shares 5,039,565,245 fully paid, at par value of GBP0.00001 each)				
Subex Americas Inc		7,749,575,428		-
incorporated in Canada, (common stocks 100 shares fully paid, at no par value)				
[Refer II.4, Schedule P]				
Advance for acquisition		-		7,403,696,025
Total		**14,263,443,608**		**14,195,582,212**
Schedule - G				
Sundry debtors				
(Unsecured)				
Outstanding for more than six months				
- Considered good	15,707,751		323,569,496	-
- Considered doubtful	260,449,673		203,788,312	
		276,157,424		527,357,808
Others				
- Considered good	324,962,440		452,372,449	
- Considered doubtful	28,690,000		-	
		353,652,440		452,372,449
		629,809,864		979,730,257
Less: Provision for doubtful debts		289,139,673		203,788,312
Total (considered good)		**340,670,191**		**775,941,945**
Schedule - H				
Cash & bank balances				
Cash on hand		22,470		61,435
Balance with scheduled banks				
- in Current account in Indian Rupees		1,619,419		8,509,020
- in Deposit account in Indian Rupees		17,424,597		403,750,607
- in Exchange Earner's Foreign Currency account		69,088,130		21,921,738
Balance with non-scheduled banks				
- Deposit with Royal Bank of Canada		64		937,379
- in Current account with Royal Bank of Canada, Canada (Maximum outstanding during the year Rs. 1,182,120)		875,319		917,455
- in Checking account with First Union Bank, New Jersey (Maximum outstanding during the year Rs. 43,396,115)		211,549		2,156,371
- ABN Amro Bank - Dubai (Maximum outstanding during the year Rs. 4,364,000)		1,337,294		-
- in Bank of China - RMB account - China (Maximum outstanding during the year Rs.2,180,181)		144,955		1,465,235
- in HSBC Bank - PARIS (Maximum outstanding during the year Rs.19,045,600)		458,672		-
- Wachovia Bank, USA (Maximum outstanding during the Year Rs. 360,362,605)		-		360,362,605
- Wachovia Bank, USA (Maximum outstanding during the year Rs.1,076,250)		-		1,076,250
- HSBC Bank - Dubai (Maximum outstanding during the year Rs.5,272,524)		1,692,090		
Total		**92,874,559**		**801,158,095**

Amount in Rs.

		March 31, 2008		March 31, 2007
Schedule - I				
Loans & Advances				
(Unsecured, considered good, subject to confirmation)				
Loans and advances recoverable in cash or in kind or for value to be received		172,657,203		43,545,621
Loans and advances to wholly owned subsidiaries		1,603,737,888		625,303,150
Advance Income Tax including TDS		111,730,708		42,535,399
MAT credit entitlement		21,170,731		11,128,731
Other Deposits		70,926,483		45,756,098
Total		**1,980,223,013**		**768,268,999**
Schedule - J				
Current Liabilities & Provisions				
Current Liabilities:				
Sundry Creditors	149,303,457		300,145,835	
(other than dues to Micro & Small Enterprises) (Note II.16.8, Schedule P)				
Advance received from Customers	99,439,197		88,675,783	
Deferred Income	152,316,742		3,346,731	
Duties & Taxes	23,428,378		18,397,515	
Subex Technologies Inc. (Net) (Wholly owned Subsidiary)	-		127,535,322	
Unclaimed Dividends	805,014	425,292,788	812,794	538,913,980
Provisions:				
Taxation	70,997,989		93,606,845	
Dividends	-		69,631,450	
Tax on proposed dividends	-		11,833,865	
Employee Benefits	32,505,652		17,750,427	
Warranty	2,866,506		2,983,654	
Others	5,912,868	112,283,015	-	195,806,241
Total		**537,575,803**		**734,720,221**
Schedule - K				
Other income				
Interest Income (Gross of TDS of Rs.3,329,016, Previous year, Rs.3,794,118)		17,129,916		33,843,931
Other income		681,256		2,182,173
Profit on sale of Fixed Assets (Net)		1,096,373		-
Exchange Fluctuation gain (Net)		546,997,293		207,200,237
Total		**565,904,838**		**243,226,341**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

	March 31, 2008		March 31, 2007	
Schedule - L				
Direct cost				
Purchased systems & solutions	35,868,381		52,187,455	
Support expenses	54,823,262	90,691,643	36,409,103	88,596,558
Total		90,691,643		88,596,558
Schedule - M				
Personnel costs				
Salaries, wages & allowances		444,550,710		396,828,475
Contribution to provident fund and other funds		22,156,844		13,751,205
Other staff related costs		50,141,769		26,451,102
Sub contract charges		427,635,600		999,939,646
Total		944,484,923		1,436,970,428
Schedule - N				
Other operating, selling and administration expenses				
Software purchases		6,812,885		4,767,391
Rent		48,113,674		30,639,977
Power, fuel and water charges		7,829,648		7,048,363
Repairs & Maintenance		19,425,600		8,099,126
Insurance		4,551,036		3,713,714
Communication Costs		19,452,011		14,804,483
Printing & Stationery		3,195,818		2,759,106
Travelling & Conveyance		105,148,445		106,177,110
Directors sitting fees		22,500		42,500
Rates & Taxes including filing fees		18,568,491		2,749,911
Commission on sales		4,841,236		22,267,351
Advertisement & Business promotion		50,372,193		16,860,387
Consultancy charges		17,990,158		9,026,377
Provision for doubtful debts		288,690,000		150,000,000
Loss on sale of Assets & Assets written off (Net)		-		3,298,292
Miscellaneous expenses		5,322,829		6,184,433
Total		600,336,524		388,438,521
Schedule - O				
Financial costs				
Interest on FCCBs and other term loans		179,306,882		11,566,667
Other interest & bank charges		116,791,294		63,779,309
Total		296,098,176		75,345,976

Schedule – P

I. SIGNIFICANT ACCOUNTING POLICIES

I.1. Basis for preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with the applicable Accounting Principles in India, the Accounting Standards issued under the Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956, as adopted consistently by the Company. Revenues are recognised and expenses accounted on their accrual, including provisions / adjustments for committed obligations and amounts determined as payable or receivable during the year.

I.2. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

I.3. Revenue recognition

Revenue from Contracts for software product licences includes fees for transfer of licences, installation and commissioning. This revenue is recognized under the percentage completion method based on the extent of work determined to have been completed as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of additional software licences are recognized on transfer.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Interest on investments and deposits are booked on a time proportion basis taking into account the amount invested and the rate of interest.

Maintenance and service income is recognised on accrual basis.

I.4. Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and interest on borrowed money allocated to and utilised for fixed assets up to the date of capitalisation and other direct expenditure incurred on ongoing projects. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

I.5. Depreciation

Fixed assets are depreciated using the straight-line method over the useful lives of assets. Depreciation is charged on pro-rata basis for assets purchased/sold during the year.

The rates of depreciation adopted are as under:

Particulars	Depreciation Rates %
Computers (including Software)	25.00
Furniture & Fixtures	20.00
Vehicles	20.00
Office equipments	20.00
Intellectual Property Rights	20.00
Goodwill	20.00

Individual assets costing less than Rs. 5,000 are depreciated in full, in the year of purchase.

I.6. Employee Stock Option Plans

For the shares granted /allocated under Employee Stock Option Plan - I (ESOP-I), the Securities Exchange Board of India (SEBI) guidelines are not followed, since the scheme was formulated prior to the promulgation of the guidelines.

Employee Stock Option under Employees Stock Option Plan – II and Plan-III (ESOP-II and ESOP-III) are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed as "Employees Compensation" over the period of vesting.

I.7. Employee Benefits

The Company's contribution to provident fund, a defined contribution scheme, is charged to the profit and loss account on accrual basis.

Liability for gratuity is funded with Life Insurance Corporation of India (LIC). Gratuity expense for the year has been accounted based on actuarial valuation carried out at the end of the financial year. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reduction in future contributions to the scheme.

Liability for encashment of leave considered to be long term liability is accounted for on the basis of an actuarial valuation. Provision for outstanding leave credits considered as short term liability is as estimated by the management and accrued for based on last month's salary. Other short term employee benefits like medical, leave travel etc are accrued based on the terms of employment on a time proportion basis

I.8. Research and development

Expenses incurred on research and development is charged to revenue in the same year. Fixed asset purchased for research and development are capitalized and depreciated as per the Company's policy.

I.9. Foreign currency transactions and translation

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate on the date of the Balance Sheet. Non-monetary items denominated in foreign currencies are carried at cost. Exchange differences on settlement or restatement are adjusted in the Profit & Loss account. Premium or discount on forward contracts is amortized over the life of such contract and is recognized as income or expense, in the Profit and Loss account. Any profit or loss arising on cancellation or renewal or retirement of forward contract is recognized in profit and loss account .

Assets (other than fixed assets) and liabilities of the foreign branches are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet date. Fixed Assets of foreign branches are restated at the exchange rate prevailing on the date of transaction. Revenue and expenses are translated into Indian rupees at average/ daily exchange rates prevailing during the year.

I.10. Investments

Long term Investments are stated at cost. Diminution in the value of investments other than temporary in nature is provided for.

I.11. Income Taxes

Income Tax comprises the current tax provision under the tax payable method and the net change in the deferred tax asset or liability in the year. Deferred Tax Assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable / virtual certainty, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

I.12. Cash Flow Statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3, issued under the Companies (Accounting Standard) Rules 2006.

I.13. Preliminary and Share issue expenses

Expenses incurred during the Initial Public Offer, follow on offer and issue of Bonus Shares are amortised over 5 years. Other issue expenses are charged to the securities premium account.

I.14. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

I.15 Impairment Of Fixed Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment losses recognized in prior years, if any, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

II. NOTES TO ACCOUNTS

II.1. Deferred income taxes

a) Provision for income taxes has been made in terms of Accounting Standard 22 'Accounting for Taxes on Income' issued by Institute of Chartered Accountants of India.

Amount in Rs.

Movement in deferred tax asset (Liability)

Particulars	2007-08	2006-07
Net deferred tax asset at beginning of the year	16,917,000	7,912,000
Add: Impact of timing difference for the year	7,259,010	9,005,000
Net deferred tax asset at end of the year	**24,176,010**	**16,917,000**

b) The net deferred tax asset as at March 31, 2008 comprises the tax impact arising from timing differences on account of:

Amount in Rs.

Particulars	As at March 31, 2008	As at March 31, 2007
Depreciation	24,176,010	16,917,000

II.2. Contingent liabilities

Receivables factored – Rs. 133,367,178 (previous year: Rs. 416,664,307)

Claims against the Company not acknowledged as debt – Rs. 24,365,085 (previous year: Rs. 39,136,631). These claims relate to income tax demands pertaining to FY 2002-03 & 2003-04. The demands are being contested by the Company.

The Company has provided a Corporate Guarantee to ABN Amro Bank, Bangalore to provide credit facilities to Subex Americas Inc, Canada and Subex (UK) Ltd, London – Rs. 500,000,000 (previous year: Nil)

II.3. The Company has made 2 issues of Global Depository receipts (GDRs) in April 2006 and June 2006. The details of these issues are as given below :

Amount in Rs.

Sl No.	Month of Issue	Equivalent Equity shares	Issue price per GDR (Rs.)	No. of GDRs issued
1	April 2006	1 of Rs. 10 each	400.00	1,109,878
2	June 2006	1 of Rs. 10 each	532.24	11,728,728

In addition, the Company has completed a programme of sponsored GDR offerings, whereby an option has been offered to the existing share holders of the Company to transfer their holdings in favour of Institutional Investors.

All the above GDR's are listed on the Professional Securities Market of the London Stock Exchange.

II.4. Acquisition of Subex Americas Inc (formerly Syndesis Ltd, Canada)

During the year, the Company completed the acquisition of Syndesis Ltd, Canada, a Company engaged in Service Assurance and fulfillment space in the Telecom service industry. The investment carrying value of Rs. 7,749,575,428 includes the incidental costs of acquisition. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

II.5. Scheme of Arrangement – Services Business

During the year, the Company filed an application with Hon'ble High Court of Karnataka to transfer the Services Business Division to Subex Technologies Ltd, a wholly owned subsidiary of Subex Ltd under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company has transferred the Services business to Subex Technologies Ltd with effect from 1st September 2007 (appointed date) at an aggregate consideration of Rs.310,000,000. In accordance with the order of the Hon'ble High Court the Company shall receive 3,000,000 shares of Subex Technologies Ltd valued at Rs.30,000,000 in settlement of the consideration with the balance Rs. 280,000,000 being treated as unsecured loan taken by the subsidiary from the Company. The deficit arising out of the transfer amounting to Rs 404,560,001 as detailed below has been charged to the Securities Premium account, in accordance with the order of the Court.

Amount in Rs.

Particulars of assets and liabilities transferred	
Net current assets	406,541,994
Investments in Subex Technologies Inc	308,018,007
Book value of assets transferred	714,560,001
Consideration received	(310,000,000)
Amount written off to Securities premium	404,560,001

Also refer Note II.14, Schedule P.

II.6. Foreign Currency Convertible Bonds (FCCB)

During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (FCCBs) aggregating to US$ 180 million to Institutional Investors. The bonds carry an initial interest rate of 2% per annum and are redeemable by March 9, 2012, if not converted in to equity shares as per terms of issue.

Other terms and conditions governing the bonds are as follows:

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after 18th April 2007

b) Conversion Price – Rs.656.20 per share

c) Exchange Rate for purpose of conversion - 1 US$ = Rs.44.08

d) Interest of 2% per annum payable semi-annually in arrears

e) Redemption with yield to maturity guaranteed return of 8% per annum, calculated on semi-annual basis

f) The Company can exercise an option to redeem the bonds in whole or in part on or any time after 9th March 2010, but prior to 29th January 2011, subject to appropriate approvals at a price determined on the terms defined in the offer document.

g) Listing on the Professional Securities Market of London Stock Exchange

The difference between the yield to maturity guaranteed rate of return of 8% and the coupon rate of 2% represents the due premium payable on redemption and is charged to Securities Premium over the life of the bonds.

II.7. Monies received pending allotment

During the year, the company allotted 2,230,000 warrants to promoters/ promoters group, entitling each holder to obtain allotment of one equity share against each such warrant on a preferential basis at a price of Rs.630.31. Under the terms of issue, the Company has received 10% of the total consideration amounting to Rs.140.55 Million. To obtain the underlying equity shares, the balance 90% shall be paid within 18 months from the date of allotment of the warrants in one or more tranches. The money received by the Company has been utilized for long term working capital requirements.

II.8. Operating leases

The Company has various operating leases for office facilities and residential premises for employees which include leases that are renewable on a yearly basis, cancelable at its option and other long term leases. Rental expenses for operating leases included in the Income statement for the year is Rs.48,113,674 (previous year: Rs. 29,915,778)

As of March 31, 2008 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are:

Amount in Rs.

	March 31, 2008	March 31, 2007
Within one year	81,377,844	32,478,686
Due in a period between one year and five years	132,917,145	55,814,278
Due after five years	-	-

II.9. Employees Stock Option Plan (ESOP)

ESOP – II

During 1999-2000, the Company established a Stock Option Scheme 2000 under which 500,000 options have been allocated for grant to the employees of the Company and its subsidiaries. Each option comprises of one underlying equity share of Rs.10/- each and carries an entitlement of bonus shares if and when declared. This scheme has been formulated in accordance with the SEBI guidelines on ESOP & ESPS dated June 19, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose.

The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

Under this scheme 449,271 net options have been granted to 540 employees as at March 31, 2008. Out of the above 73,798 options have been vested. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a debit of Rs.19,082,165 (Previous year: Debit of Rs. 2,238,027) to the Profit & Loss account for the year.

ESOP – III

During 2005-2006, the Company established a new Stock Option Scheme 2005 under which 500,000 options have been allocated for grant to the employees. Subsequently, during the year 2006-2007, the number of options allocated for grant to the employees was increased to 2,000,000 options. Each option comprises of one underlying equity share of Rs.10/- each. This scheme has been formulated in accordance with the SEBI guidelines on ESOP & ESPS dated June 19, 1999. As per the scheme, the compensatory committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the traded volume is the highest for the 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years can be exercised over a maximum period of 3 years from the date of vesting.

As on March 31, 2008, 1,724,969 (net) options have been granted to 1,253 employees under this scheme. Out of the above 105,539 options have been vested. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants resulted in a debit of Rs.4,236,147 (Previous year: Debit of Rs. 11,981,639) to the Profit & Loss account for the year.

Employee Stock Options details as on the balance sheet date are :

ESOP – II :

	As at March 31, 2008	As at March 31, 2007
Options outstanding at the beginning of the year	261,202	364,027
Granted during the year	-	112,200
Forfeited/ cancelled	16,237	108,393
Exercised	30,927	106,632
Balance at end of the year	**214,038**	**261,202**

ESOP – III :

	As at March 31, 2008	As at March 31, 2007
Options outstanding at the beginning of the year	422,533	70,380
Granted during the year	1,671,700	382,800
Forfeited/ cancelled	375,551	24,360
Exercised	437	6,287
Balance at end of the year	**1,718,245**	**422,533**

Method used for accounting for share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

	2007-08		2006-07	
Particulars	Options (Nos)	Weighted average exercise price per stock options (Rs.)	Options (Nos)	Weighted average exercise price per stock options (Rs.)
Options outstanding at the beginning of the year				
ESOP – II	261,202	408.57	364,027	284.25
ESOP – III	422,533	429.37	70,380	342.55
Granted during the year				
ESOP – II	-	-	112,200	522.32
ESOP – III	1,671,700	380.31	382,800	442.38
Exercised during the year				
ESOP – II	30,927		106,632	
ESOP – III	437		6,287	
Cancelled & Lapsed during the year				
ESOP – II	16,237		108,393	
ESOP – III	375,551		24,360	
Options outstanding at the end of the year				
ESOP – II	214,038	427.48	261,202	408.57
ESOP – III	1,718,245	366.67	422,533	429.37
Options exercisable at the end of the year				
ESOP – II	73,798		24,634	
ESOP – III	105,539		2,963	

Fair value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is : risk-free interest rate of 6.50%, expected life : 3 years, expected volatility of share : 63.92% and expected dividend yield: 0.28%. The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

The impact on the EPS of the Company if fair value method is adopted is given below:

Amount in Rs.

Particulars	March 31, 2008	March 31, 2007
Net profit/(loss) (as reported)	(61,885,553)	208,143,571
Add: Stock-based employee compensation relating to grants after April 1, 2006	23,318,312	14,219,667
Less: Stock based compensation expenses determined under fair value based method for the above grants	62,566,550	22,757,321
Net Profit/(loss) (proforma)	(101,133,791)	199,605,917
Basic Earning per share (as reported)	(1.77)	6.50
Basic Earning per share (proforma)	(2.90)	6.23
Diluted Earning per share (as reported)	(1.77)	6.48
Diluted Earning per share (proforma)	(2.90)	6.41

II.10. Related party information

A) Related parties

Wholly owned subsidiaries controlled by the company:

Subex Technologies Inc., USA

Subex Technologies Ltd, India

Subex (UK) Ltd

Subex Inc, USA

Subex (Asia Pacific) Pte Ltd

Subex America Inc.,

Subex Azure (U.S) Inc.

Subex Azure Holdings Inc

Subex Azure (Delaware) Inc

Syndesis Development India Private Ltd

Syndesis IP Holdings Limited, Canada

2101874 Ontario Inc

Subex Azure (GB) Ltd

Subex Azure (Ireland) Ltd

Enterprises over which some of the directors exercise significant infulence

Cellcomm Solutions Ltd

Subex Holdings Private Limited (SHPL)

Key Management Personnel

Subash Menon, Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath, Whole Time Director

B) Details of the transactions with the related parties other than employees who are related to the Directors of the company are as under:

Amount in Rs.

Nature of Transaction	Subsidiaries		Enterprises over which some of the directors exercise significant infulence		Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
a) Purchase of services:						
i) STI*	463,299,185	999,939,646	-	-	-	-
ii) STL**	-	36,687,827	-	-	-	-
iii) Subex (UK) Ltd	50,165,299	28,286,929	-	-	-	-
iv) Subex Inc	3,354,235	-	-	-	-	-
b) Purchase of hardware from Cellcomm Solutions Ltd	-	-	-	693,243	-	-
c) Sale of services:						
i) Subex (UK) Ltd	89,642,235	49,777,248	-	-	-	-
ii) Subex Inc	37,085,234	13,323,908	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	17,864,752	3,021,228	-	-	-	-
d) Royalty Received from:						
i) Subex (UK) Ltd	55,597,295	-	-	-	-	-
ii) Subex Inc	155,426,129	-	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	939,972	-	-	-	-	-
e) Salary, Perquisites, Commission etc. (Refer Note: II.12, Schedule P)	-	-	-	-	12,180,000	24,946,139
f) Amount due as at year end from						
i) STI*	-	144,231,174	-	-	-	-
ii) STL**	394,612,450	12,911,455	-	-	-	-
iii) Subex (UK) Ltd	597,305,795	351,862,273	-	-	-	-
iv) Subex Inc	330,403,496	249,856,467	-	-	-	-
v) Subex (Asia Pacific) Pte Ltd	39,759,581	10,672,956	-	-	-	-
vi) Subex Americas Inc, Canada	341,125,764	-	-	-	-	-
g) Expenses incurred on behalf of Subex Americas Inc, Canada (see Note 3)	162,975,799	-	-	-	-	-
h) Amount due as at year end to	-	-	-	-	-	-
i) STI*	-	271,766,496				
ii) Cellcomm Solutions Ltd	-	-	-	330,496	-	-
i) Sharing of expenses related to services business (STL) see Note – 1	7,593,353	5,616,032	-	-	-	-
j) Expenses allocated to						
i) Subex (UK) Ltd	27,326,167	20,302,150	-	-	-	-
ii) Subex Inc	10,574,251	17,636,896	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	3,725,496	3,413,161	-	-	-	-
iv) Subex Americas Inc	61,645,149	-	-	-	-	-
v) Subex Technologies Ltd (see Note 2)	35,663,585	-	-	-	-	-
k) Commission paid on service business	-	1,405,562	-	-	-	-
l) Transfer of Service Business to STL						
i) Shares alloted from STL	30,000,000	-	-	-	-	-
ii) Loan to STL	280,000,000	-	-	-	-	-
m) Money received against warrants issued	-	-	113,455,800	-	27,103,330	-
n) Corporate Guarantee provided by Company to financial institutions in respect of finances availed by Subsidiaries	500,000,000	-	-	-	-	-

* STI = Subex Technologies, Inc.

** STL = Subex Technologies Ltd

Note-1 – Sharing of expenses is in relation to expenses borne by Subex Technologies Ltd towards software service business of Subex Limited as agreed between both companies. These have been accounted under depreciation, personnel cost and various heads included under Schedule-N

Note -2 – Sub Contract charges under schedule M is net of costs allocated to STL of Rs.35,663,585 (Previous year : Nil)

Note – 3- the Personnel costs under schedule M is net of recovery of costs of Rs.162,975,799 (Previous year : Nil) incurred on behalf of Subex Americas Inc

II.11. Earnings/(Loss) per share (EPS):

Amount in Rs.

	2007-08	2006-07
Profits after tax attributable to shareholders	(61,885,553)	208,143,571
Weighted average number of shares for basic EPS	34,930,103	32,020,111
Weighted average number of shares for diluted EPS	35,237,883	32,145,562
Earnings per share – basic	**(1.77)**	**6.50**
Earnings per share – diluted	**(1.77)**	**6.48**

Face value of shares : Rs. 10 each

The difference in the number of shares information used for calculation of diluted EPS as compared to that used for computing Basic EPS is due to outstanding stock options that are granted to employees.

The Company issued certain warrants during the year which are outstanding at the end of the year. Considering the issue price of these warrants are higher than the fair value of the underlying shares at the end of the year, they are ignored for computing number of shares for purpose of diluted earnings per share.

The options and warrants outstanding at March 31, 2008 are anti-dilutive at the date and hence ignored for purposes of computing Diluted EPS.

II.12. a) Remuneration to Directors;

Amount in Rs.

		2007-08	2006-07
A.	Remuneration to Whole-time directors		
	Salary and allowances (including perqusites of Rs. 1,305,906 (2006-07 – Rs. 522,143)	9,600,000	23,242,139
	Contribution to Provident Fund	2,580,000	1,704,000
	Total (A)	12,180,000	24,946,139
B.	Remuneration to Non-Executive directors		
	Sitting fees paid to Non-executive directors	22,500	42,500
	Commision paid to Non-executive Directors	-	2,000,000
	Total (B)	22,500	2,042,500
	Total (A+B)	12,202,500	26,988,639

b) Computation of Net Profit in accordance with Section 198 / 349 of the Companies Act, 1956

Amount in Rs.

Particulars	2007-08	2006-07
Profit / (Loss) before tax as per the Profit & Loss Account	(50,126,118)	259,092,856
Remuneration to Directors (Including Commission & Sitting fees) - See (a) above	12,202,500	26,988,639
Add/(Less): Surplus/(Loss) on sale of Fixed Assets (Net)	1,096,373	(3,298,292)
Net Profit / (Loss) u/s 198 / 349 of the Companies Act, 1956	(36,827,245)	282,783,203
Maximum Remuneration of Whole-time Directors under provisions of the Companies Act	9,600,000*	28,278,320
Remuneration to Whole-time Directors included in the Profit and Loss account (including Commission Rs. Nil, Previous Year : Nil)	9,600,000	24,946,139
Maximum Commission to Non-executive directors under the Companies Act	Nil	2,847,832
Commission Paid	Nil	2,000,000

* In view of the inadequacy of profits in Year ending March 31, 2008, the maximum remuneration is based on Schedule XIII to the Companies Act, 1956 and excludes Contribution to Provident Fund.

c) During the year ended March 31, 2008, the Company has paid an amount of Rs. 38,285,906 to its Whole-time directors towards remuneration and has applied to the Central government for approval of payments that are in excess of the maximum remuneration payable under the Companies Act, 1956. Pending the Central government's approval, such excess is treated as monies due from the Whole-time directors being held by them in trust for the Company and is included under Loans and advances (Schedule I to the financial statements).

II.13. Auditors remuneration

Amount in Rs.

	2007-08	2006-07
Audit fees (including fees for audit of consolidated account & issuance of report on the corporate governance and tax audit) (including service tax as applicable)	2,150,000	2,413,160
For tax matters (including service tax as applicable)	200,000	224,480
Other services	-	7,888,654*
Reimbursement of expenses	-	260,247*

* Represents fees and out of pocket expenses towards work done in connection with issue of FCCBs and GDRs. These amounts have been debited to the securities premium.

II.14. Pursuant to court order, the Company has transferred Service business to its wholly-owned subsidiary, Subex Technologies Ltd. The disclosure required under the Accounting Standard 24 "Discontinuing Operations", with regard to the Service business are as follows:

Amount in Rs.

	for the year ended	
Particulars	March 31, 2008	March 31, 2007
Revenue from discontinued operations	523,956,263	1,116,146,027
Expenses from discontinued operations	497,434,036	1,015,850,770
Net Cash flow from operating activities	(139,400,000)	100,080,000
Net Cash flow from Investing activities	-	-
Net Cash flow from financing activities	-	-

The Service division was a separate business segment as per AS 17 segment reporting.

II.15. Details of warranty

Amount in Rs.

Year	Opening balance	Additions during the year	Utilisation / (reversal) during the year	Closing balance
2007-08	2,983,654	2,866,506	(2,983,654)	2,866,506
2006-07	3,157,312	2,983,654	(3,157,312)	2,983,654

Probable period of outflow in case of warranty is 6-12 months.

II.16. Others

1 The Company is availing non-fund based limits and overdrafts against lien on the fixed deposits. Amount of such non-fund based limits utilized as on March 31, 2008 is Rs.48,463,522 (previous year: Rs. 343,017,163)

2. Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs.5,199,547 (previous year: Rs. 9,277,855)

3. Unclaimed dividend of Rs.805,014 represent dividends not claimed for the period from 2001-2008. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'.

4. Personnel Cost for the year includes expenditure on Research and Development of Rs.66,755,179 (previous year: Rs. 44,871,701). This is as certified by the management and relied upon by the auditors.

5. As per the recent guidelines on accounting for Derivatives issued by the Institute of Chartered Accountants of India, the Company has provided for Mark to Market losses of Rs. 5,912,868 (included in Other provisions under Schedule J) in respect of the derivative contracts outstanding at the end of the year.

6. The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures as at March 31, 2008:

(i) Forward/Option Contracts (Also refer Note II.16.5, Schedule P)

	March 31, 2008			March 31, 2007		
Particulars	US$	Buy/Sell	Amount (INR)	US$	Buy/Sell	Amount (INR)
Forward contracts	1,400,000	Sell	55,987,000	800,000	Sell	37,238,000
Option contracts	5,000,000	Sell	202,244,000	Nil	Nil	Nil

(ii) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	March 31, 2008		March 31, 2007	
Receivable towards	Rs.	Foreign currency	Rs.	Foreign currency
Export of Goods & Services	4,581,770	GBP 56,893	9,972,165	GBP 118,480
	71,011,476	Euro 1,120,828	47,465,366	Euro 830,250
	77,350,790	US$ 1,929,140	862,864,309	US$ 19,971,259
	3,393	AED 311	1,502,028	CAD 40,551
	2,246,915	AUD 60,874		
Net Receivable from wholly owned subsidiaries	597,305,795	GBP 7,415,031	351,862,273	GBP 4,253,265
	671,529,260	USD 16,748,037	249,856,467	US$ 5,519,653
	39,759,581	SGD 1,367,613	10,672,955	SGD 374,097

Amounts payable in foreign currency on account of:

	March 31, 2008		March 31, 2007	
	Rs.	Foreign currency	Rs.	Foreign currency
Import of Goods & Services	19,697,427	US$ 491,257	137,695,655	US$ 3,149,436
	-	-	2,263,268	Euro 39,000
	305,021	GBP 3,787	-	-
Capital imports [including intangibles]	355,359	US$ 8,863	2,160,075	US$ 49,800
Foreign Currency Convertible Bonds	7,200,000,000	US$ 180,000,000	7,807,500,000	US$ 180,000,000

7. The Company adopted the Revised Accounting Standard 15 on employee benefits with effect from April 1, 2006. The net incremental liability towards leave salary and gratuity amounting to Rs. 8,527,028 has been adjusted against the opening balance of reserves at April 1, 2006.

The Company offers the following employee benefit schemes to it's employees. The following table sets out the funded status of the defined Benefit Schemes and the amount recognized in the financial statements as of March 31, 2008.

Amount in Rupees

		Gratuity	
		March 31,2008	March 31,2007
I	**Components of employer expense**		
1	Current Service cost	2,487,700	3,426,895
2	Interest cost	529,720	333,852
3	Expected return on plan assets	(91,370)	98,418
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	1,221,020	(72,395)
8	Total expense recognized in the Statement of Profit & Loss Account	4,147,070	3,786,772
II	**Actual Contribution and Benefit Payments for year ended 31 March 2008**		
1	Actual benefit payments	1,215,060	632,474
2	Actual Contributions	1,102,330	366,658
III	**Net asset/(liability) recognized in Balance Sheet as at March 31, 2008**		
1	Present value of Defined Benefit Obligation (DBO)	10,295,070	7,229,036
2	Fair value of plan assets	1,092,920	1,062,832
3	Funded status [Surplus/(Deficit)]	(9,202,150)	(6,166,204)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(9,202,150)	(6,166,204)
IV	**Change in Defined Benefit Obligations during the year ended March 31, 2008**		
1	Present Value of DBO at beginning of year	7,229,036	4,173,156
2	Current Service cost	2,487,700	3,426,895
3	Interest cost	529,720	333,852
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	1,263,670	(72,393)
9	Benefits paid	(1,215,060)	(632,474)
10	Present Value of DBO at the end of year	10,295,070	7,229,036
V	**Change in Fair Value of Assets during the year ended March 31, 2008**		
1	Plan assets at beginning of year	1,062,832	1,230,230
2	Acquisition Adjustment	-	-
3	Actual return on plan assets(estimated)	91,370	98,418
4	Actuarial Gain/(Loss)	51,440	-
5	Actual Company contributions(less risk premium, ST)	1,102,330	366,658
6	Benefits paid	(1,215,060)	(632,474)
7	Plan assets at the end of period	1,092,920	1,062,832
VI	**Actuarial Assumptions**		
1	Discount Rate	8.70%	8.00%
2	Expected Return on plan assets	9.00%	8.00%
3	Salary escalation	5.00%	5.00%
4	Attrition Rate	5.00%	5.00%

8. Based on information available with the Company there are no dues to Small Scale Industries and Micro and Small enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006. This has not been verified by the auditors.

9. During the year, the Company revised its accounting policy for accounting exchange gain/loss on liabilities incurred in acquiring fixed assets. Exchange differences on settlement/payment of such liabilities are being charged to profit and loss account pursuant to the revised policy, in line with the Companies (Accounting Standard) Rules 2006. Such differences were adjusted to the cost of fixed assets in earlier years. The impact on the results for the year on account of the change in the accounting policy was not significant.

10. A director of the Company has provided a personal guarantee in respect of long term loans from Banks of Rs.755,848,738 included in schedule D of the financial statements. Further, the promoters' shares have also been pledged towards these loans.

11. Since the Company prepares consolidated financial statements, no segment information is disclosed in these financial statements.

12. Previous year's figures have been regrouped to conform to the classifications for the current year.

II.17. Other information pursuant to Schedule VI of the Companies Act, 1956.

Amount in Rs.

		Year ended March 31, 2008	Year ended March 31, 2007
CIF value of imports :			
Import of systems and solutions		19,315,371	1,883,954
Capital goods		31,589,202	20,793,484
Expenditure in foreign currency			
Traveling expenses		49,994,507	49,433,888
Interest expenses		147,893,999	-
Consideration for acquired assets		670,332	-
Product marketing expense and other expenditure incurred overseas for software development		194,844,732	1,456,331,194
Earnings in foreign exchange			
Income from software development services and products on receipt basis		1,489,211,407	1,825,734,725
Remittance in foreign currency on account of dividend			
Amount remitted during the year in foreign currency on account of dividends for the year	2006-07	415,754	-
	2005-06	-	464,490
No. of non-resident shareholders for the year	2007-08	3	-
	2006-07	-	3
Shares held by non-resident shareholders on which dividend was due for the year	2007-08	-	-
	2006-07	-	311,077

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

COMPANY: SUBEX AZURE LIMITED YEAR : 2007-2008

I. Registration details

Registration No.	16663	State code	08
Balance sheet date	31-03-2008		

II. Capital raised during the year (Rupees in thousands)

Public issue	-	Rights issues	-
Bonus issue	-	Private placements - Equity	-
		- Preference	-
Preferential offer of shares under Employee Stock Option Plan scheme* - Equity			313.64

III. Position of the mobilisation and development of funds (Rupees in thousands)

Total liabilities	16582089.00	Total assets	16582089.00

Source of funds

Paid up capital	348470.89	Share application money	140559.13
Secured loans	737232.87	Reserves & surplus	7241001.22
		Unsecured loans	8114824.89
		Deferred tax liability	-

Application of funds

Net fixed assets	265974.62	Investments	14263443.61
Net current assets	2028494.77	Deferred tax assets	24176.01
Miscellaneous expenditure	-	Accumulated lossess	-

IV. Performance of Company (Rupees in thousands)

Turnover	2004589.00	Total expenditure	2054715.12
Profit/(Loss) before tax	(50126.12)	Profit/(loss) after tax	(61885.55)
Earning per share from ordinary activities (basic) (Rs.)	(1.77)	Earning per share from ordinary activities (diluted) (Rs.)	(1.77)
Interim dividend rate %	-		
Final dividend rate %	-		

V. Generic name of three principal products/ services of the Company (As per monetary terms)

Item code no. (ITC code no.)	85/24	Product Description	COMPUTER SOFTWARE

*Issue of shares arising of the exercise of option granted to employees under the Company's ESOP II (2000)

Subash Menon
Founder Chairman & Managing Director

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Place : Bangalore
Date : June 30, 2008

Raj Kumar
Chief Counsel & Company Secretary

Financial Review

Subex Limited (Consolidated)

1. We have audited the attached Consolidated Balance Sheet of Subex Limited, formerly Subex Azure Limited, ("the Company") and it's subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect gross total assets of Rs. 4,968,761,974 as at March 31, 2008, total revenues of Rs. 4,854,259,919 and net cash outflows of Rs. 79,565,647 for the year then ended and the financial statements of the Company's branch, in the United States of America (US branch). These financial statements and other financial information have been audited by other auditors and where applicable, their conversion based on accounting principles generally accepted in India have been reported on by other accountants. These report/returns have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries and the US branch, is based solely on the report of the other auditors/accountants.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', issued under the Companies (Accounting Standard) Rules, 2006.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit and accountants reports on individual financial statements and on the other financial information of the components of Subex Limited and its subsidiaries, we are of the opinion that the attached consolidated financial statements 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 March 31, 2008;

b) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year then ended;

c) in the case of the consolidated Cash Flow Statement of the cash flows of the Group for the year then ended.

For Deloitte Haskins & Sells
Chartered Accountants

V Srikumar
Partner
M. No. 84494

Place : Bangalore
Date : June 30, 2008

CONSOLIDATED BALANCE SHEET AS AT

Amount in Rs.

	Schedule	March 31, 2008		March 31, 2007	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	A	348,470,890		348,157,250	
Monies received pending allotment [Refer Note II.7, Schedule P]		140,559,130		-	
Reserves and Surplus	B	7,050,658,948	7,539,688,968	8,059,119,459	8,407,276,709
LOAN FUNDS					
Secured Loans	C	1,150,161,402		635,166,392	
Unsecured Loans	D	8,120,839,291	9,271,000,693	7,807,500,000	8,442,666,392
Total			16,810,689,661		16,849,943,101
APPLICATION OF FUNDS					
Fixed assets	E				
Gross Block		1,505,824,566		821,726,754	
Less : Depreciation		1,118,734,067		467,212,184	
Net Block		387,090,499		354,514,570	
Capital work in progress		1,682,246		4,037,627	
			388,772,745		358,552,197
Investments	F		-		7,403,696,025
Goodwill			15,293,562,487		7,021,229,033
Deferred tax assets (Net)			124,078,067		168,488,974
Current assets, Loans & Advances					
Sundry Debtors	G	1,313,308,647		1,216,826,081	
Cash & Bank balances	H	231,185,346		903,476,921	
Loans & Advances	I	493,494,014		245,646,663	
Unbilled Revenue		586,456,946		423,896,364	
		2,624,444,953		2,789,846,029	
Less: Current liabilities & Provisions	J				
Current liabilities		1,440,554,624		740,373,039	
Provisions		212,076,170		197,662,665	
		1,652,630,794		938,035,704	
Net Current Assets			971,814,159		1,851,810,325
Miscellaneous expenditure (To the extent not written off or adjusted) [Refer Note II.13.7, Schedule P]			32,462,203		46,166,547
Total			16,810,689,661		16,849,943,101
Significant Accounting policies & Notes to the accounts	P				

The Schedules referred to above form an integral part of the Balance Sheet

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
June 30, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

	Schedule		March 31, 2008		March 31, 2007
INCOME					
Sales & Services			4,855,907,768		3,409,002,598
Other income	K		552,991,366		301,915,848
Total			5,408,899,134		3,710,918,446
EXPENDITURE					
Direct cost	L		84,469,871		89,965,014
Personnel costs	M		4,022,373,009		2,079,876,888
Other operating, selling and administrative expenses	N		1,409,600,242		728,621,337
Financial costs	O		325,465,007		87,318,294
Miscellaneous expenses amortised			11,721,965		22,964,112
Depreciation	E		172,319,419		125,563,180
Total			6,025,949,513		3,134,308,825
Profit / (Loss) before taxation			(617,050,379)		576,609,621
Provision for taxation					
- Current		24,444,655		70,226,003	
- MAT credit carried forward		(10,042,000)		(11,128,731)	
- Fringe benefit tax		11,930,660		5,107,115	
- Deferred		37,331,677	63,664,992	(163,255,141)	(99,050,754)
Profit / (Loss) after taxation			(680,715,371)		675,660,375
Add: Balance brought forward from previous year			1,238,020,941		741,138,063
Profit available for appropriation			557,305,570		1,416,798,438
APPROPRIATION					
Transfer to general reserve			-		23,200,000
Dividend					
- Equity shares - proposed final dividend 2006-07		-		69,631,450	
- Equity shares - interim dividend 2006-07		-		52,113,210	
- Equity shares - final dividend 2005-06		-		12,883,222	
- Equity shares - final dividend 2006-07		26,412	26,412	-	134,627,882
Tax on distributed profits			4,489		20,949,615
Surplus carried to balance sheet			557,274,669		1,238,020,941
			557,305,570		1,416,798,438
Earning / (Loss) Per Share (Face value of Rs.10 each)					
- Basic			(19.49)		21.10
- Diluted			(19.49)		21.02

Significant Accounting policies & Notes to the accounts P

The Schedules referred to above form an integral part of the Profit and Loss account

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
June 30, 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

Amount in Rs.

		March 31, 2008	March 31, 2007
Cash flow from operating activities			
Net Profit/(Loss) before Tax		(617,050,379)	576,609,621
Adjustments for :			
a) Depreciation and amortization		186,023,763	148,527,292
b) Interest / Dividend Income		(20,661,716)	(35,339,870)
c) Interest and bank charges		325,465,007	87,318,294
d) Assets written off / Loss on sale		-	3,761,806
e) Profit on sale of assets		(1,096,373)	(463,514)
f) Employee compensation Expenses		50,005,707	10,760,906
g) Provision for doubtful debts & debts written off		293,139,148	150,629,851
h) Unrealised exchange fluctuations		(621,437,873)	(208,784,608)
i) Termination Benefits paid		-	(69,130,659)
j) Direct Taxes paid		(140,247,795)	(42,560,496)
Operating Profit before Working Capital Changes		**(545,860,511)**	**621,328,623**
Adjustments for :			
a) Sundry Debtors		(50,412,652)	(340,619,544)
b) Loans and advances		(16,606,390)	(447,547,258)
c) Trade and other payables		(565,912,690)	(3,608,669)
Cash generated from operations	A	**(1,178,792,243)**	**(170,446,848)**
Cash Flow from Investing activities			
a) Purchase of Fixed Assets		(146,208,824)	(73,393,930)
b) Sale / disposal of fixed assets		8,611,552	10,045,172
c) Cash flows on acquisitions of subsidiaries		(275,884,850)	(7,664,757,570)
d) Interest received		20,661,716	35,339,870
e) Adjustments on account of Demerger (Refer Note II.5, Schedule P)		(404,560,001)	-
Net Cash from Investing Activities	B	**(797,380,407)**	**(7,692,766,458)**
Cash Flow from Financing Activities			
a) Proceeds from issue of Share Capital/Options/Warrants		145,225,998	457,173,808
b) Proceeds from/(repayment) of short term borrowings - Net		666,416,047	618,894,432
c) Proceeds from Long term borrowings		769,213,190	8,049,728,942
d) Repayment of Long term borrowings		-	(4,752,531)
e) Dividends & Dividend tax paid		(81,503,996)	(98,720,943)
f) Interest and bank charges		(325,465,007)	(87,318,294)
g) Incidental expenses on issue of FCCBs & GDR (incurred)/refunded		38,374,819	(616,265,172)
Net Cash from Financing Activities	C	**1,212,261,051**	**8,318,740,242**
Exchange fluctuation reserve on consolidation		(15,887,977)	(18,075,084)
Net increase/(decrease) in Cash or Cash equivalents [A + B + C]		(763,911,599)	455,526,936
Consolidation Adjustments		107,508,001	60,010,315
Cash or Cash equivalents at the start of the year		903,476,921	406,014,754
Cash or Cash equivalents at the close of the year		**231,185,346**	**903,476,921**

Note : Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs.702,822 (PY : Rs.692,487), and fixed deposit of Rs. 17,424,597 (PY : Rs.320,425,029) which are not available for use by the Company.

Significant Accounting policies & Notes to the accounts P

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Srikumar
Partner
Membership No. 84494

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
June 30, 2008

Amount in Rs.

	March 31, 2008		March 31, 2007	
Schedule - A				
Share capital				
Authorised :				
48,040,000 (previous year, 48,040,000) Equity Shares of Rs. 10 each		480,400,000		480,400,000
200,000 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs.98/- each		19,600,000		19,600,000
Total		500,000,000		500,000,000
Issued, subscibed and paid up:				
Equity :				
34,847,089 (previous year, 34,815,725) Equity Shares of Rs. 10 each		348,470,890		348,157,250
of the above:				
a) 115,000 shares of Rs.10 each were allotted for consideration other than for cash;				
b) 4,626,940 shares of Rs.10 each are allotted as Bonus shares by capitalisation of General Reserve;				
c) 12,840 shares of Rs.10 each are allotted in part settlement of cost of acquisition of Subsidiary				
d) 10,878,784 (PY: Nil) shares of Rs.10 each are allotted as Bonus shares by capitalisation of Securities premium;				
e) 11,728,728 shares (GDRs) of Rs.10 each are allotted in full settlement of cost of acquisition of Azure Solutions (UK) Ltd				
Total		348,470,890		348,157,250
Schedule - B				
Reserves & Surplus				
Capital Reserve		13,006,920		13,006,920
General Reserve - Opening Balance	177,975,580		163,302,608	
Add: Additions during the year	-		23,200,000	
Less: Adjustment in pursuance of transitional provisions of Accounting Standard-15 [Refer Note II.13.7, Schedule P]	-	177,975,580	8,527,028	177,975,580
Securities Premium Account - Opening Balance	6,576,304,853		656,262,011	
Add : Additions during the year	4,353,213		6,578,458,014	
Add/(Less) : Reversal of/(Utilised towards) incidental costs of issue of FCCBs & GDRs(Refer Note II.6, Schedule P)	38,374,819		(616,265,172)	
Less: Redemption premium on FCCBs [Refer Note II.6, Schedule P]	589,904,656		42,150,000	
Less : Adjustments on account of Demerger Scheme (Refer Note II.5, Schedule P)	404,560,001	5,624,568,228	-	6,576,304,853
Employees Stock Options Outstanding	162,476,740		52,775,309	
Less: Deferred Employees Compensation Expenses	92,831,021	69,645,719	33,135,297	19,640,012
FCCB Redemption Reserve - Opening Balance	42,150,000			
Add : Additions during the year (Refer Note II.6, Schedule P)	589,904,656	632,054,656	-	42,150,000
Exchange Reserve on Consolidation		(23,866,824)		(7,978,847)
Profit & Loss Account		557,274,669		1,238,020,941
Total		7,050,658,948		8,059,119,459
Schedule - C				
Secured Loans				
Short Term:				
Working Capital Loans from Banks (Secured by charge on Receivables and fixed assets)		1,126,539,390		618,894,432
Other Loans from Banks (Secured by Hypothecation of Assets financed by these loans) *[Amount repayable within one year: Rs.7,334,336/- (Previous year, Rs.5,261,159/-)*		23,622,012		16,271,960
Total		1,150,161,402		635,166,392
Schedule - D				
Unsecured Loans				
Short Term:				
Working Capital Loans from Banks		158,976,153		-
Other Loans from Banks *[Amount repayable within one year: NIL, PY : NIL]* (Refer Note II.13.5, Schedule P)		761,863,138		-
Foreign Currency Convertible Bonds (Refer Note II.6, Schedule P)		7,200,000,000		7,807,500,000
Total		8,120,839,291		7,807,500,000

Schedule - E

Fixed assets

Amount in Rs.

		GROSS BLOCK					DEPRECIATION					NET BLOCK	
Sl. No.	Particulars	As at April 1, 2007	Adjustment	Additions during the year	Deletions during year	As at March 31, 2008	Upto March 31, 2007	Adjustment	For the Year	Withdrawn on deletions	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
1	Computer Hardware	247,204,273	322,028,912	87,697,383	2,390,604	654,539,964	178,057,360	272,327,730	57,623,091	115,236	507,892,945	146,647,019	69,146,913
2	Computer Software	64,276,139	98,553,236	23,828,936	-	186,658,311	57,841,930	91,877,946	10,656,173	-	160,376,049	26,282,262	6,434,209
3	Furniture & Fixtures	21,057,834	59,897,919	4,388,524	5,070,625	80,273,652	11,943,328	59,830,843	5,992,861	5,036,864	72,730,168	7,543,484	9,114,506
4	Vehicles	34,144,973	-	22,422,127	10,393,086	46,174,014	14,428,584	-	7,774,625	5,324,704	16,878,505	29,295,509	19,716,389
5	Office Equipments	30,656,208	32,076,419	14,458,110	591,831	76,598,906	26,613,558	29,549,144	3,315,436	454,162	59,023,976	17,574,930	4,042,650
6	Goodwill	13,766,918	-	-	-	13,766,918	4,718,509	-	2,757,794	-	7,476,303	6,290,615	9,048,409
7	Intellectual Property Rights	397,395,109	-	-	-	397,395,109	172,506,809	-	79,606,391	-	252,113,201	145,281,909	224,888,300
8	Lease Hold Improvements	13,225,300	37,192,392	-	-	50,417,692	1,102,107	36,547,766	4,593,048	-	42,242,941	8,174,771	12,123,194
	TOTAL	821,726,754	549,748,878	152,795,080	18,446,146	1,505,824,566	467,212,184	490,133,430	172,319,419	10,930,966	1,118,734,067	387,090,499	354,514,570
	PREVIOUS YEAR	665,735,874	116,134,076	69,107,169	29,250,365	821,726,754	272,803,176	88,051,021	125,563,180	19,205,194	467,212,185	354,514,570	392,932,698

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT

Amount in Rs.

		March 31, 2008		March 31, 2007
Schedule - F				
Investments (Long term, trade)				
Advance for Acquisition [Refer Note II.4, Schedule P]		-		7,403,696,025
		-		7,403,696,025
Schedule - G				
Sundry debtors				
(Unsecured)				
Outstanding for more than six months				
- considered good	273,209,491		456,366,957	
- considered doubtful	280,451,408		203,788,312	
		553,660,899		660,155,269
Others				
- considered good	1,040,099,156		760,459,124	
- considered doubtful	28,690,000		-	
		1,068,789,156		760,459,124
		1,622,450,055		1,420,614,393
Less: Provision for Doubtful Debts		309,141,408		203,788,312
Total (considered good)		1,313,308,647		1,216,826,081
Schedule - H				
Cash & Bank Balances				
Cash on hand		38,939		61,435
Balance with Scheduled Banks				
- in Current Account in Indian Rupees		3,048,916		110,750,716
- in Deposit Account in Indian Rupees		27,992,954		403,815,607
- in Exchange Earner's Foreign Currency account		69,100,260		21,933,868
Balance with Non Scheduled Banks		131,004,277		366,915,295
Total		231,185,346		903,476,921
Schedule - I				
Loans & Advances				
(Unsecured, considered good, subject to confirmation)				
Loans and advances recoverable in cash or in kind or for value to be received		182,363,905		80,808,673
Advance Income Tax including TDS		195,166,695		44,601,158
MAT credit entitlement		21,170,731		11,128,731
Other Deposits		94,792,683		109,108,101
Total		493,494,014		245,646,663

Amount in Rs.

	March 31, 2008		March 31, 2007	
Schedule - J				
Current Liabilities & Provisions				
Sundry Creditors	694,172,865		489,919,581	
Advance received from Customers	100,140,877		88,675,783	
Deferred Income	575,530,366		93,920,975	
Duties & Taxes	69,905,502		67,043,906	
Unclaimed Dividends	805,014	1,440,554,624	812,794	740,373,039
Provisions :				
Taxation	134,408,936		94,795,108	
Dividends	-		69,631,450	
Tax on proposed dividends	-		11,833,865	
Employee Benefits	68,887,860		18,418,588	
Warranty	2,866,506		2,983,654	
Others	5,912,868	212,076,170	-	197,662,665
Total		**1,652,630,794**		**938,035,704**
Schedule - K				
Other Income				
Interest Income		20,661,716		35,339,870
Other income		2,574,816		31,533,710
Profit on sale of Fixed Assets (Net)		1,096,373		-
Provisions written back		-		17,780,065
Exchange Fluctuation account (net)		528,658,461		217,262,203
Total		**552,991,366**		**301,915,848**
Schedule - L				
Direct costs				
Purchased Systems & Solutions		84,469,871		89,965,014
Total		**84,469,871**		**89,965,014**
Schedule - M				
Personnel costs				
Salaries, Wages & Allowances		3,414,127,688		1,755,513,817
Contribution to Provident Fund and Other Funds		167,099,066		133,362,412
Other staff related costs		193,665,785		52,065,472
Sub Contract Charges		247,480,470		138,935,187
Total		**4,022,373,009**		**2,079,876,888**

Amount in Rs.

	March 31, 2008	March 31, 2007
Schedule - N		
OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES :		
Software Purchases	16,645,747	27,604,255
Rent	185,993,051	91,352,573
Power, Fuel and Water Charges	32,437,542	7,745,824
Repairs & Maintenance Others	88,153,952	16,060,108
Insurance	13,896,389	17,631,573
Communication Costs	117,545,832	46,644,945
Printing & Stationery	11,582,357	8,781,492
Travelling & Conveyance	356,019,968	191,080,568
Directors sitting fees	22,500	42,500
Rates & Taxes Including Filing Fees	26,591,206	7,605,983
Advertisement & Business Promotion	95,665,156	35,403,762
Consultancy Charges	108,735,957	62,857,794
Bad Debts Written Off	2,785,990	24,983,956
Provision for Doubtful Debts	290,353,158	150,629,851
Commission on Sales	13,997,278	22,272,447
Loss on sale of Assets & Assets Written Off (Net)	-	3,337,815
Miscellaneous Expenses	49,174,159	14,585,891
Total	1,409,600,242	728,621,337
Schedule - O		
Financial costs		
Interest on FCCBs and other term loans	294,331,303	11,566,667
Interest & Bank Charges	31,133,704	75,751,627
Total	325,465,007	87,318,294

SCHEDULE – P

I. SIGNIFICANT ACCOUNTING POLICIES

I.1. Basis for preparation of consolidated financial statements

The consolidated financial statements relate to Subex Limited (the Company) and its wholly owned subsidiaries.

The consolidated financial statements have been prepared under the historical cost convention in accordance with the applicable Accounting Principles in India, the Accounting Standards issued under the Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956, as adopted consistently by the Company. Revenues are recognised and expenses accounted on their accrual, including provisions / adjustments for committed obligations and amounts determined as payable or receivable during the year.

I.2. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

I.3. Principles of Consolidation

The financial statements of the Company and it's wholly owned subsidiaries have been combined on a line by line basis by adding together like items of assets, liabilities, income and expense. The intra-group balances and intra-group transactions are eliminated.

The excess of cost to the Company of its investments in the subsidiary over it's share of the equity of the subsidiary, at the date on which the investments in the subsidiary company was made, is recognized as 'goodwill' being an asset in the consolidated financial statements.

The following entities are considered in the consolidated financial statements.

Sl. no.	Name of entity	Country of incorporation	% of ownership held at March 31, 2008	% of ownership held at March 31, 2007
1	Subex Technologies Inc.	U S A	100	100
2	Subex Technologies Ltd. India	India	100	100
3	Subex (UK) Ltd.	UK	100	100
4	Subex Inc.(wholly owned subsidiary of Subex (UK) Ltd.)	USA	100	100
5	Subex (Asia Pacific) Pte. Ltd, (wholly owned subsidiary of Subex (UK) Ltd.)	Singapore	100	100
6	Subex Inc (wholly owned subsidiary of Subex Americas Inc)	USA	100	Nil
7	Subex Holdings Inc (wholly owned subsidiary of Subex Americas Inc)	USA	100	Nil
8	Subex (Delaware) Inc (wholly owned subsidiary of Subex Americas Inc)	USA	100	Nil
9	Syndesis Development India Pvt Ltd (wholly owned subsidiary of Subex Americas Inc)	India	100	Nil
10	Syndesis IP Holdings Ltd (wholly owned subsidiary of Subex Americas Inc)	Canada	100	Nil
11	2101874 Ontario Inc (wholly owned subsidiary of Subex Americas Inc)	USA	100	Nil
12	Subex Americas Inc	Canada	100	Nil
13	Subex (GB) Ltd (wholly owned subsidiary of Subex Americas Inc)	UK	100	Nil
14	Subex (Ireland) Ltd (wholly owned subsidiary of Subex Americas Inc)	Ireland	100	Nil

The financial statements of the Company and its subsidiaries are prepared under uniform accounting policies in accordance with the generally accepted accounting principles in India.

During the year, the Company acquired Syndesis Ltd, Toronto, Canada [Now known as Subex Americas Inc] and its subsidiaries. The consolidated financial statements include the balances disclosed in the table relating to the consolidated financial statements of Syndesis Ltd at the Balance Sheet date.

Amount in Rs. million

Date of Acquisition	March 31, 2008
Liabilities	
Current liabilities	706.80
Secured loans	336.07
Assets	
Fixed assets	47.87
Net current assets	692.30
Revenue	1,525.76
Expenditure	1,864.49
Profit / (loss) after tax	(338.73)

Figures pertaining to subsidiaries were reclassified to bring them in line with company's financial statements.

I.4. Revenue recognition

Revenue from Contracts for software product licences includes fees for transfer of licences, installation and commissioning.

This revenue is recognized under the percentage completion method based on the extent of work determined to have been completed as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of additional software licences are recognized on transfer.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Interest on investments and deposits are booked on a time proportion basis taking into account the amount invested and the rate of interest.

Maintenance and service income is recognised on accrual basis.

I.5. Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and interest on borrowed money allocated to and utilised for fixed assets up to the date of capitalisation and other direct expenditure incurred on ongoing projects. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

I.6. Depreciation

Fixed assets are depreciated using the straight-line method over the useful lives of assets. Depreciation is charged on pro-rata basis for assets purchased/sold during the year.

The rates of depreciation adopted are as under:

Particulars	Depreciation Rates %
Computers (including Software)	25.00
Furniture & Fixtures	20.00
Vehicles	20.00
Office equipments	20.00
Intellectual Property Rights	20.00
Goodwill	20.00

Individual assets costing less than Rs. 5,000 are depreciated in full, in the year of purchase.

I.7. Employee Stock Option

Employee Stock Option under Employees Stock Option Plan – II (ESOP-II) are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed as "Employees Compensation" over the period of vesting.

Company has floated ESOP III in the financial year 2005-06, which is on the same lines as ESOP II.

I.8. Employee Benefits

The company's contribution to provident fund, a defined contribution scheme, is charged to the profit and loss account on accrual basis.

Liability for gratuity is funded with Life Insurance Corporation of India (LIC). Gratuity expense for the year has been accounted based on actuarial valuation carried out at the end of the financial year. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reduction in future contributions to the scheme.

Liability for encashment of leave considered to be long term liability is accounted for on the basis of an actuarial valuation. Provision for outstanding leave credits considered are short term liability is as estimated by the management and accrued for, based on last month's salary. Other short term employee benefits like medical, leave travel etc are accrued based on the terms of employment on a time proportion basis

Other companies in the group run defined contribution schemes, the cost of which is fully provided for and charged to expenditure. Accrued leave is accounted for fully and charged to the profit & loss account.

I.9. Research and development

Expenses incurred on research and development is charged to revenue in the same year. Fixed asset purchased for research and development are capitalized and depreciated as per the Company's policy.

I.10. Foreign currency transactions and translation

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate on the date of the Balance Sheet. Non-monetary items denominated in foreign currencies are carried at cost. Exchange differences on settlement or restatement are adjusted in the profit & loss account Premium or discount on forward contracts is amortized over the life of such contract and is recognized as income or expense to the Profit and Loss account. Any profit or loss arising on cancellation or renewal or retirement of forward contract is recognized in profit and loss account as appropriate.

On Consolidation,

- In the case of non-integral operations, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of theses translations are included in 'Exchange Reserve' under Reserves & Surplus.
- In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the balance sheet date. Non monetary items are carried at historical cost. Revenue and expenses are translated at yearly average exchange rates prevailing during the year. Exchange differences arising out of these translations have been charged to the Profit and Loss account.

I.11. Investments

Long term Investments are stated at cost. Diminution in the value of investments other than temporary in nature is provided for.

I.12. Income Taxes

Income tax comprises of the current tax provision under the tax payable method and the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable / virtual certainty as applicable that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

I.13. Cash Flow Statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3, issued under the Companies (Accounting Standard) Rules 2006.

I.14. Preliminary and Share issue expenses

Expenses incurred during the Initial Public Offer, follow on offer and issue of Bonus Shares are amortised over 5 years. Other issue expenses are charged to the securities premium account.

I.15. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

I.16 Impairment Of Fixed Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment losses recognized in prior years, if any, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

II. NOTES TO ACCOUNTS

II.1. Deferred income taxes

a) Provision for income taxes has been made in terms of Accounting Standard 22 "Accounting for Taxes on Income" issued by Institute of Chartered Accountants of India.

Movement in deferred tax asset (Liability)

Amount in Rs.

	2007-08	2006-07
Net deferred tax asset at the beginning of the year	168,488,974	7,727,514
Add: Input of timing differences for current year	(44,410,906)	160,761,460
Net deferred tax asset at the end of the year	124,078,066	168,488,974

b) The net deferred tax asset as at March 31, 2008 comprises the tax impact arising from the timing differences on account of:

Amount in Rs.

Particulars	As at March 31, 2008	As at March 31, 2007
- Depreciation	23,111,851	13,353,449
- Business loss	100,966,217	155,135,525
Net deferred asset	124,078,068	168,488,974

Deferred tax assets recognized on unabsorbed tax losses at March 31, 2008, pertain to the company's subsidiary, Subex (UK) Ltd. The recognition is restricted to the extent that there is virtual certainty of future taxable incomes arising and is supported by the business achieved subsequent to the year end and on the basis of confirmed orders on hand in the subsidiary.

II.2. Contingent liabilities

Receivables factored – Rs. 133,367,178 (previous year: Rs. 416,664,307)

Claims against the company not acknowledged as debts:

Income tax matters under appeal – Rs. 24,365,085 (previous year: Rs. 39,136,631)

Claim from erstwhile employees – approximately Rs. 48,000,000 (previous year: Rs. Nil)

Others – approximately Rs.50,000,000 (previous year: Rs. Nil)

II.3. The Company has made 2 issues of Global Depository receipts (GDRs) in April 2006 and June 2006. The details of these issues are as given below :

Amount in Rs.

Sl No.	Month of issue	Equivalent equity shares	Issue price per GDR (Rs.)	No. of GDRs issued
1	April 2006	1 of Rs. 10 each	400.00	1,109,878
2	June 2006	1 of Rs. 10 each	532.24	11,728,728

In addition, the company has completed a programme of sponsored GDR offerings, whereby an option has been offered to the existing share holders of the company to transfer their holdings in favour of Institutional Investors.

All the above GDR's are listed on the Professional Securities Market of the London Stock Exchange

II.4. Acquisition of Subex Americas Inc (formerly Syndesis Ltd, Canada)

During the year, the Company completed the acquisition of Syndesis Ltd, Canada, a Company engaged in Service Assurance and fulfillment space in the Telecom service industry. The acquisition was effective April 1, 2007 and as at March 31, 2007, the Company had incurred an amount of Rs. 7403.69 million (including advances paid to erstwhile owners of Syndesis Limited). Syndesis Limited has been renamed as Subex Americas Inc during the year.

II.5. Scheme of Arrangement – Services Business

During the year, the Company filed an application with Hon'ble High Court of Karnataka to transfer the Services Business Division to Subex Technologies Ltd, a wholly owned subsidiary of Subex Ltd under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company has transferred the Services business to Subex Technologies Ltd with effect from 1st September 2007 (appointed date) at an aggregate consideration of Rs.310,000,000. The deficit arising out of the transfer amounting to Rs. 404,560,001 as detailed below has been charged to the Securities Premium account, in accordance with the order of the Court.

Amount In Rs.

Particulars of assets and liabilities transferred	Amount (Rs.)
Net current assets	406,541,994
Investments in Subex Technologies Inc	308,018,007
Book value of assets transferred	714,560,001
Consideration received	310,000,000
Amount written off to Securities premium	404,560,001

II.6. Foreign Currency Convertible Bonds (FCCB)

During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (FCCBs) aggregating to US$ 180 million to Institutional Investors. The bonds carry an initial interest rate of 2% per annum and are redeemable by March 9, 2012, if not converted into equity shares as per terms of issue.

Other terms and conditions governing the bonds are as follows:

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after April 18, 2007

b) Conversion price – Rs. 656.20 per share

c) Exchange rate for purpose of conversion - 1 US$ = Rs. 44.08

d) Interest of 2% per annum payable semi-annually in arrears

e) Redemption with yield to maturity guaranteed return of 8% per annum, calculated on semi-annual basis

f) The Company can exercise an option to redeem the bonds in whole or in part, on or any time after March 9, 2010, but prior to January 29, 2011, subject to appropriate approvals at a price determined on the terms defined in the offer document

g) Listing on the Professional Securities Market of London Stock Exchange

The difference between the yield to maturity guaranteed rate of return of 8% and the coupon rate of 2% represents the premium payable on redemption for is charged to Securities Premium over the life of the bonds.

II.7. Monies received pending allotment

During the year, the company allotted 2,230,000 warrants to promoters/ promoters group, entitling each holder to obtain allotment of one equity share against each such warrant on a preferential basis at a price of Rs.630.31. Under the terms of issue, the Company has received 10% of the total consideration amounting to Rs.140.55 Million. To obtain the underlying equity share, the balance 90% shall be paid within 18 months from the date of allotment of the warrants in one or more tranches. The money received by the Company has been utilized for long term working capital requirements.

II.8. Operating leases

The Company has various operating leases for office facilities and residential premises for employees which include leases that are renewable on a yearly basis, cancelable at its option and other long term leases. Rental expenses for operating leases included in the Income statement for the year are Rs. 185,993,051 (previous year: Rs.91,352,573)

As of March 31, 2008 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are:

Amount In Rs.

Particulars	March 31, 2008	March 31, 2007
Within one year	175,042,669	104,428,881
Due in a period between one year and five years	320,237,727	140,026,532
Due after five years	12,796,360	-

II.9. Employee Stock Option Plan (ESOP)

ESOP – II

During 1999-2000, the Company established a Stock Option Scheme 2000 under which 500,000 options have been allocated for grant to the employees. Each option comprises of one underlying equity share of Rs.10/- each and carries an entitlement of bonus shares if and when declared. This scheme has been formulated in accordance with the SEBI guidelines on ESOP & ESPS dated June 19, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

Under this scheme 449,271 option have been granted to 538 employees as at March 31, 2008. Out of the above 73,798 options have been vested. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a debit of Rs.19,082,165 (Previous year: Debit of Rs. 2,238,027) to the Profit & Loss account for the year.

ESOP – III

During 2005-2006, the Company established a new Stock Option Scheme 2005 under which 5,00,000 options have been allocated for grant to the employees. Subsequently, during the year 2006-2007, the number of options allocated for grant to the employees was increased to 2,000,000 options. Each option comprises of one underlying equity share of Rs.10/- each. This scheme has been formulated in accordance with the SEBI guidelines on ESOP & ESPS dated June 19, 1999. As per the scheme, the compensatory committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the traded volume is the highest for the 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years can be exercised over a maximum period of 3 years from the date of vesting.

As on March 31, 2008, 1,724,969 (net) options have been granted to 989 employees under this scheme. Out of the above 105,539 options have been vested. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants resulted in a debit of Rs.4,236,147 (Previous year: Debit of Rs. 11,981,639) to the Profit & Loss account for the year.

Employee Stock Options details as on the balance sheet date are ;

ESOP – I : Nil

ESOP – II :

Amount In Rs.

	March 31, 2008	March 31, 2007
Options outstanding at the beginning of the year	261,202	364,027
Granted during the year	-	112,200
Forfeited/ cancelled	16,237	108,393
Exercised	30,927	106,632
Balance at end of the year	**214,038**	**261,202**

ESOP – III

	March 31, 2008	March 31, 2007
Options outstanding at the beginning of the year	422,533	70,380
Granted during the year	1,671,700	382,800
Forfeited/ cancelled	375,551	24,360
Exercised	437	6,287
Balance at end of the year	**1,718,245**	**422,533**

Method used for accounting for share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

	2007-08		2006-07	
Particulars	Options (Nos)	Weighted average exercise price per stock option (Rs.)	Options (Nos)	Weighted average exercise price per stock option (Rs.)
Options outstanding at the beginning of the year				
ESOP – II	261,202	408.57	364,027	284.25
ESOP – III	422,533	429.37	70,380	342.55
Granted during the year				
ESOP – II	-	-	112,200	522.32
ESOP – III	1,671,700	380.31	382,800	442.38
Exercised during the year				
ESOP – II	30,927		106,632	
ESOP – III	437		6,287	
Cancelled & Lapsed during the year				
ESOP – II	16,237		108,393	
ESOP – III	375,551		24,360	
Options outstanding at the end of the year				
ESOP – II	214,038	427.48	261,202	408.57
ESOP – III	1,718,245	366.67	422,533	429.37
Options exercisable at the end of the year				
ESOP – II	73,798		24,634	
ESOP – III	105,539		2,963	

Fair value methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is : risk-free interest rate of 6.50%, expected life :3 years, expected volatility of share : 63.92% and expected dividend yield : 0.63%. The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

The impact on the EPS of the Company if fair value method is adopted is given below:

Amounts in Rs.

Particulars	March 31, 2008	March 31, 2007
Net profit /(loss) (as reported)	(680,715,371)	675,660,375
Add: Stock-based employee compensation relating to grants after April 1, 2007	23,318,312	14,219,667
Less: Stock based compensation expenses determined under fair value based method for the above grants	62,566,550	22,757,321
Net profit /(loss) (proforma)	(719,963,609)	667,122,721
Basic Earning /(loss) per share (as reported)	(19.49)	21.10
Basic Earning /(loss) per share (proforma)	(20.61)	20.83
Diluted Earning /(loss) per share (as reported)	(19.49)	21.02
Diluted Earning /(loss) per share (proforma)	(20.61)	20.75

II.10. Related party information

A) Related parties

Enterprises over which some of the directors exercise significant influence: Cellcomm Solutions Ltd (formerly known as Subex Cellcomm Ltd), Subex Holdings Private Limited (SHPL)

Key management personnel

Subash Menon, Founder Chairman, Managing Director & CEO
Sudeesh Yezhuvath, Whole Time Director

B) Details of the transactions with the related parties other than employees who are related to the directors of the company are as under:

Amounts in Rs.

Nature of Transaction	Enterprises over which some of the directors exercise significant influence		Key management personnel	
	2007-08	2006-07	2007-08	2006-07
a) Salary, perquisites and commission etc.	-	-	12,180,000*	24,946,139
b) Purchase of hardware from Cellcomm Solutions Limited	-	693,243	-	-
c) Amount due to Cellcomm Solutions Limited as at year end	-	330,469	-	-
d) Money recieved against warrants issued	113,455,800	-	27,103,330	-

* During the year ended March 31, 2008, the Company has paid an amount of Rs. 38,285,906 to its Whole-time directors towards remuneration and has applied to the Central government for approval of payments that are in excess of the maximum remuneration payable under the Companies Act, 1956. Pending the Central government's approval, such excess is treated as monies due from the Whole-time directors being held by them in trust for the Company and is included under Loans and advances (Schedule I to the financial statements).

II.11. Earning per Share (EPS)

Amount in Rs.

	2007-08	2006-07
Profits /(loss) after tax attributable to shareholders	(680,715,371)	675,660,375
Weighted average number of shares for basic EPS	34,930,103	32,020,111
Weighted average number of shares for diluted EPS	35,237,883	32,145,562
Earning /(loss) per Share – basic	**(19.49)**	**21.10**
Earning /(loss) per Share – diluted	**(19.49)**	**21.02**

Face value of shares : Rs. 10 each

The difference in the number of shares information used for calculation of diluted EPS as compared to that used for computing Basic EPS is due to existence of stock options that are granted to employees.

The Company issued certain warrants during the year which are outstanding at the end of the year. Considering the issue price of these warrants are higher than the fair value of the underlying shares at the end of the year, they are ignored for computing number of shares for purpose of diluted earnings per share.

The options and warrants outstanding at March 31, 2008 are anti-dilutive at the date and hence ignored for purposes of computing Diluted EPS.

II.12. Segmental Reporting

The Group's operation comprises of software development and services. Primary segmental reporting comprises of products and services segment. Secondary segments are identified based on geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

In primary segment, revenue and direct expenses, which relate to particular segment and which are identifiable, are reported, while certain expenses such as depreciation and interest, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. The company believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Information about primary business segment:

Amounts in Rs.

Particulars	Products		Services		Consolidated	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Revenues	3,618,480,866	2,287,666,256	1,237,426,902	1,121,336,342	4,855,907,768	3,409,002,598
Segment results before interest, depreciation & taxes	(787,497,615)	453,574,552	72,453,627	123,980,655	(715,043,988)	577,555,207
Add: Unallocable Income, net of unallocable expense					607,500,000	234,900,000
Interest expense					325,465,007	87,318,294
Depreciation & Amortization					184,041,384	148,527,292
Profit before tax					(617,050,379)	576,609,621
Provision for taxation:						
Current					24,444,655	70,226,003
MAT carried forward					(10,042,000)	(11,128,731)
Fringe benefit tax					11,930,660	5,107,115
Deferred					37,331,677	(163,255,141)
Profit after tax					(680,715,371)	675,660,375

Particulars of Segment Assets & Liabilities

Amount in Rs.

	Products		Services		Unallocable		Consolidated	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Segment assets	1,602,065,947	1,245,949,317	297,699,646	394,773,128	918,285,409	1,451,945,892	2,818,051,002	3,092,668,337
Segment liabilities					1,518,221,858	843,240,596	1,518,221,858	843,240,596
Unallocable assets exclude								
Goodwill							15,293,562,487	7,021,229,033
Investments							-	7,403,696,025
Advance income taxes							195,166,695	55,729,889
Deferred tax asset							124,078,066	168,488,974
Total							15,612,807,248	14,649,143,921
Unallocable liabilities exclude								
Loans - secured							1,150,161,402	635,166,392
Loans – unsecured							8,120,839,291	7,807,500,000
Provisions							134,408,936	94,795,108
Total							9,405,409,629	8,537,461,500

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the primary reportable segments, as the fixed assets and services are used interchangeably between segments. Significantly all the fixed assets of the Company are located in India. The Company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Information about secondary business segment

Revenue attributable to location of customers is:

Amount in Rs.

	Products		Services		Consolidated	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
APAC, etc	561,219,422	440,139,320	-	-	561,219,422	437,522,649
AMERICAS	1,255,241,906	591,977,963	1,237,426,902	1,121,336,342	2,492,668,808	1,715,930,976
EMEA	1,802,019,538	1,255,548,973	-	-	1,802,019,538	1,255,548,973
Total	3,618,480,866	2,287,666.256	1,237,426,902	1,121,336,342	4,855,907,768	3,409,002,598

Segment assets based on their location

Amount in Rs.

	2007-08	2006-07
APAC	908,543,276	1,341,346,632
AMERICAS	1,075,479,416	780,896,007
EMEA	834,028,310	970,425,698
Total	2,818,051,002	3,092,668,337

II.13. Others

1. The Company is availing non-fund based limits and overdrafts against lien on the fixed deposits. Amount of such non-fund based limits utilized as on the balance sheet date is Rs. 48,463,522 (Previous year: Rs. 343,017,163).

2. Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs.5,199,547 (Previous year: Rs. 9,277,855)

3. Unclaimed dividend of Rs.805,014 represent dividends not claimed for the period from 2001-2008. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'.

4. Personnel Cost for the year includes expenditure on Research and Development of Rs.66,755,179 (Previous year: Rs. 44,871,701). This is as certified by the management and relied upon by the auditors.

5. A director of the Company has provided a personal guarantee in respect of long term loans from Banks of Rs.755,848,738 included in schedule D of the financial statements. Further, the promoters' shares have also been pledged towards these loans.

6. The Company has applied to the Central Government to regularize the excess managerial remuneration paid to whole time directors for the year ended March 31, 2008 amounting to Rs. 28,685,906. [Pending Central Government's approval, such excess is treated as monies due from the wholetime Directors held by them, in trust, for the Company and is included under loans & advances (Schedule I to the financial statements)].

7. The Company adopted the Accounting Standard 15 on Employee Benefits with effect from April 1, 2006. In accordance with the transitional provisions of the Standard.

   - The net Incremental Liability on account of gratuity and leave salary amount to Rs.8,527,028 has been charged to the balance of General Reserve at April 1, 2006.

   - Termination benefits (included under Miscellaneous expenditure in the balance sheet) incurred in respect of employees in Subex (UK) Limited in the financial year 2006-07 amounting to Rs.69,130,659 has been amortized over a period from the time such costs were incurred till March 31, 2010 on a prorata basis.

8. The Company offers the following employee benefit schemes to it's employees. The following table sets out the funded status of the defined Benefit Schemes and the amount recognized in the financial statements.

Amount in Rs.

		March 31 2008	March 31 2007
I	Components of employer expense		
1	Current Service cost	2,487,700	3,426,895
2	Interest cost	529,720	333,852
3	Expected return on plan assets	(91,370)	98,418
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	1,221,020	(72,395)
8	Total expense recognized in the Statement of Profit & Loss Account	4,147,070	3,786,772
II	Actual Contribution and Benefit Payments for year ended 31 March 2008		
1	Actual benefit payments	1,215,060	632,474
2	Actual Contributions	1,102,330	366,658
III	Net asset/(liability) recognized in Balance Sheet as at March 31, 2008		
1	Present value of Defined Benefit Obligation (DBO)	10,295,066	7,229,036
2	Fair value of plan assets	1,092,912	1,062,832
3	Funded status [Surplus/(Deficit)]	(9,202,154)	(6,166,204)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(9,202,154)	(6,166,204)
IV	Change in Defined Benefit Obligations during the year ended March 31, 2008		
1	Present Value of DBO at beginning of year	7,229,036	4,173,156
2	Current Service cost	2,487,700	3,426,895
3	Interest cost	529,720	333,852
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	1,263,670	(72,393)
9	Benefits paid	(1,215,060)	(632,474)
10	Present Value of DBO at the end of year	10,295,066	7,229,036
V	Change in Fair Value of Assets during the year ended March 31, 2008		
1	Plan assets at beginning of year	1,062,832	1,230,230
2	Acquisition Adjustment	-	-
3	Actual return on plan assets(estimated)	(91,370)	98,418
4	Actuarial Gain/(Loss)	51,440	-
5	Actual Company contributions(less risk premium, ST)	1,102,330	366,658
6	Benefits paid	(1,215,060)	(632,474)
7	Plan assets at the end of period	1,092,912	1,062,832
VI	Actuarial Assumptions		
1	Discount Rate	8.70%	8.00%
2	Expected Return on plan assets	9.00%	8.00%
3	Salary escalation	5.00%	5.00%
4	Attrition Rate	5.00%	5.00%

9. The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures as at March 31, 2008:

(i) Forward /Option Contracts:

Amount in Rs.

	March 31, 2008			March 31, 2007		
Particulars	US$	Buy/Sell	Amount (INR)	US$	Buy/Sell	Amount (INR)
Forward contracts	1,400,000	Sell	55,987,000	800,000	Sell	37,238,000
Option contracts	5,000,000	Sell	202,244,000	Nil	Nil	Nil

As per the recent guidelines on accounting for Derivatives issued by the Institute of Chartered Accountants of India, the Company has provided for Mark to Market losses of Rs. 5,912,868 (included in Other provisions under Schedule J) in respect of the derivative contracts outstanding at the end of the year.

10. Previous year's figures have been regrouped to conform to the classifications for the current year.

REGISTERED AND CORPORATE OFFICE

The Registered office of the company is at Adarsh Tech Park, Devarabisanahalli, Outer Ring Road, Bangalore – 560 037

DATE AND VENUE OF THE ANNUAL GENERAL MEETING (AGM)

Date : September 23, 2008

Venue : Adarsh Tech Park, Devarabisanahalli, Outer Ring Road, Bangalore – 560 037

Time : 4.00 P.M.

DATES OF BOOK CLOSURE

From September 22, 2008 to September 23, 2008 (both days inclusive)

BOARD MEETINGS & FINANCIAL CALENDAR

Financial year : April 1 to March 31

Calendar of board meetings to adopt the accounts (tentative and subject to change):

For quarter ending June 30, 2008 – on July 29, 2008

For quarter ending September 30, 2008 – on October 29, 2008

For quarter ending December 31, 2008 – on January 29, 2009

For the year ending March 31, 2009 – on April 29, 2009

DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2007 – 2008.

LISTING ON STOCK EXCHANGES

Shares of the Company are quoted on National Stock Exchange of India Limited (NSE) since September 5, 2003; on Bombay Stock Exchange Limited (BSE) since July 31, 2000 and the Global Depositary Receipts (GDRs) and Foreign Currency Convertible Bonds (FCCBs) of the company are listed at London Stock Exchange since March 9, 2007.

During the financial year 2007 – 2008, the company has voluntarily delisted from the Bangalore Stock Exchange Limited.

Listing Fees have been paid to all the above Stock Exchanges for 2008-09.

The stock codes of the Company at the Stock Exchanges are as follows:

Name and address of the stock exchange	Stock code
National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra Kurla Complex, Mumbai- 400051	SUBEX
Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400023	532348
London Stock Exchange 10 Paternoster Square London EC4M 7LS	SUBX

The International Securities Identification Number (ISIN) for the company's shares in dematerialized form is INE754A01014.

CUSTODIAL FEE

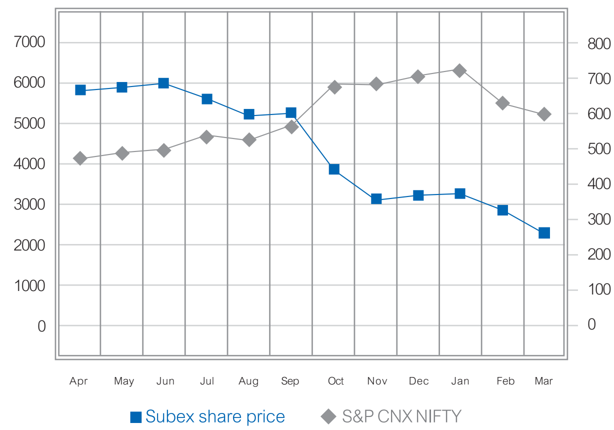
Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/Stock Exchange/DEP/CIR-4/2005 dated January 28, 2005 issuer companies are required to pay custodial fees to the depositories with effect from April 1, 2005. Accordingly, the company has paid custodial fees for the year 2008-09 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2008.

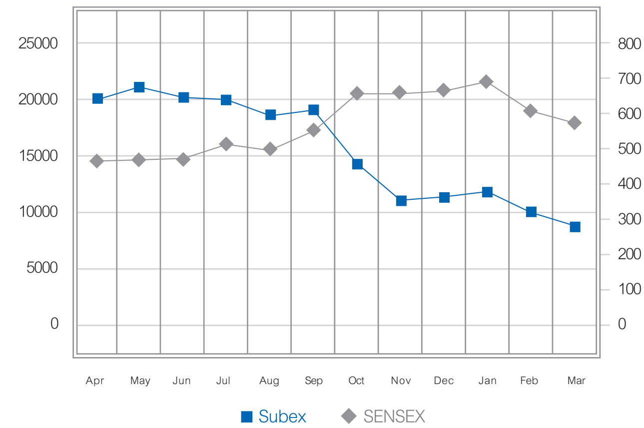
STOCK MARKET DATA RELATING TO SHARES LISTED IN INDIA

Monthly high and low quotations during each month in last financial year as well as the volume of shares traded at National Stock Exchange of India Limited and The Bombay Stock Exchange Limited are:

	NSE			BSE		
Month	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr '07	670.00	520.00	1149169	629.90	520.00	451256
May '07	675.00	556.00	891712	675.00	575.05	489335
Jun '07	687.00	577.05	775606	646.00	578.00	527022
Jul '07	644.00	575.25	893932	644.00	538.70	546409
Aug '07	600.00	505.00	500025	600.00	440.00	245720
Sep' 07	612.00	415.00	2814095	610.00	415.10	1276892
Oct '07	448.70	321.05	2555839	450.00	320.00	2165870
Nov '07	353.00	273.00	685313	357.95	273.00	379346
Dec '07	370.00	292.25	1468454	365.00	292.55	10166923
Jan '08	378.00	230.00	1364787	379.00	234.00	845169
Feb '08	328.00	248.00	333743	324.00	245.00	154867
Mar '08	269.90	138.00	1421973	270.00	139.20	813161
	TOTAL		14854648	TOTAL		18061970

SUBEX LIMITED SHARE PRICE VERSUS NSE S&P CNX NIFTY AND SENSEX





SHAREHOLDING PATTERN

Distribution of shareholding:

No. of Equity shares held	As on March 31, 2008		As on March 31, 2007	
	No. of shareholders	% of shareholders	No. of shareholders	% of shareholders
1 – 5000	15,748	91.86	9,735	87.35
5001 – 10000	660	3.84	699	6.27
10001 – 20000	342	1.99	303	2.72
20001 – 30000	89	0.51	94	0.84
30001 - 40000	65	0.37	74	0.66
40001 - 50000	42	0.24	36	0.32
50001 - 100000	70	0.40	70	0.63
100001 and above	127	0.74	134	1.20
	17,143	100	11,145	100

Categories of shareholders

	As on March 31, 2008			As on March 31, 2007		
Category	No. of share holders	Voting strength %	No. of shares held	No. of share holders	Voting strength	No. of shares held
Public & Others	16,331	40.77	1,42,08,388	10,312	18.93	65,91,762
Companies	694	5.86	20,43,775	685	3.87	13,46,948
Core Promoters	2	8.85	30,83,103	2	8.73	30,40,960
Mutual Funds	16	13.00	45,28,486	32	14.59	50,79,842
ESOP	60	0.40	1,38,234	77	0.52	1,81,885
FII	40	31.12	1,08,45,103	37	53.35	1,85,74,328
TOTAL	17,143	100.00	3,48,47,089	11,145	100.00	3,48,15,725

R&T AGENTS AND SHARE TRANSFER SYSTEM

By a tripartite agreement dated December 5, 2001 in respect of shares held with NSDL and by a tripartite agreement dated November 27, 2001 in respect of shares held with CDSL, Canbank Computers Services Limited, R & T Centre, Naveen Complex, 4th Floor, 14 M G Road, Bangalore –560 001, were appointed as 'Registrar and Transfer Agent' both in respect of shares held in physical form and dematerialized form.

Process for the transfer of shares:

Share transfers would be registered and returned within a period of 20 days from the date of receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee Meetings up to three times a month, as may be required, for approving the transfers / transmissions of equity shares.

Share transfers and other communication regarding Share certificates and change of address, etc., may be addressed to:

M/s Canbank Computer Services Ltd.,
R & T Centre
Naveen Complex, 4th Floor,
#14, M.G.Road,
Bangalore -560 001
Phone : 91-80-25320541 / 542 / 543
Fax : 91-80-25320544
Email : ccslrnt@vsnl.com
Website: www.canbankrta.com

SHARES HELD IN PHYSICAL AND DEMATERIALISED FORM

As on March 31, 2008, 99.80% of the company's shares were held in dematerialized form and the rest in physical form.

OUTSTANDING GDRs / ADRs / WARRANTS / CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

As on March 31, 2008, 9,601,964 GDRs issued by the company are outstanding. The company issued Foreign Currency Convertible Bonds amounting to US $ 180 Million in March 2007, which are outstanding as on March 31, 2008. The details of the warrants issued during the financial year are disclosed in Note II.7 Schedule P to the financial statements in the Annual Report.

LEGAL PROCEEDINGS

There are no legal proceedings against the company which are of material nature.

NOMINATION

Pursuant to the provisions of Section 109A of the Companies Act, 1956, members may file nomination in respect of their shareholdings. Any member willing to avail this facility may submit to the Company the prescribed Form 2B (in duplicate), if not already filed. Form 2B can be obtained with the help of the R&T Agents. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

PROCEDURE FOR CLAIMING UNPAID DIVIDEND

In terms of Section 205A (5) of the Companies Act, 1956, monies transferred to the Unpaid Dividend Account of the Company, which remain unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.

Brief particulars of dividend declared on the equity share capital are given below:

Which year the dividend pertains to	Declared at the AGM / Board meeting held on	Nature of dividend	% of dividend	Due date for transfer to the fund
1999-00	March 17, 2000	Interim	35	See note below*
	June 19, 2000	Final	5	See note below*
2000-01	July 13, 2001	Final	20	Before August 12, 2008
2001-02	November 15, 2002	Final	10	Before December14, 2009
2002-03	September 9, 2003	Final	10	Before October 8, 2010
2003-04	August 24, 2004	Final	20	Before September 23, 2011
2004-05	January 27, 2005	Interim	10	Before February 26, 2012
	July 28, 2005	Final	20	Before August 27, 2012
2005-06	October 28, 2005	Interim	15	Before November 27, 2012
	August 28, 2006	Final	10	Before September 27, 2013
2006-07	January 29, 2007	Interim	15	Before February 28, 2014
	July 26, 2007	Final	20	Before September 25, 2014

The Company declared bonus at 1:1 in the years 2000-01 and 2005-06.

* The interim dividend and final dividend declared for the FY 1999-00 which was unclaimed for 7 years from the date of payment being due, was transferred to the Investor Education and Protection Fund.

Members can claim the unpaid dividend from the Company before transfer to the Investors Education and Protection Fund. It may be noted that after the unpaid dividend is transferred to the said Fund, the same cannot be claimed.

INVESTOR GRIEVANCES

Investor grievances received from April 1, 2006 to March 31, 2007:

Nature of complaints	Received	Cleared
Non-receipt of share certificates/ refund orders/ call money notice/allotment advice/ dividend warrant	-	-
Letters from NSDL, Banks etc.	-	-
Correction/ change of bank mandate of refund order, change of address	-	-
Postal returns of cancelled stock invests/ refund orders/ share certificates/ dividend warrants	-	-
Other general query	5	5
Total	5	5

During the year ended March 31, 2008, the Company has attended to all the investors' grievances / correspondence within a period of 10 days from the date of receipt of the same.

ADDRESS FOR CORRESPONDENCE

For any queries, please write to:

Raj Kumar
Chief Counsel & Company Secretary
Subex Limited, Adarsh Tech Park,
Devarabisanahalli, Outer Ring Road,
Bangalore – 560 037, India.
Telephone: 91 80 6659 8700
Fax: 91 80 6696 3333
Email: rajkumar.c@subexworld.com
investorrelations@subexworld.com

WEBSITE

Company's website www.subexworld.com contains comprehensive information about the company, products, press releases and investor relations. It serves to inform the shareholders by providing key information like Board of Directors and the committees, financial results, shareholding pattern, distribution of shareholding, dividend etc.

SUBEX LIMITED, ADARSH TECH PARK, DEVARABISANAHALLI, OUTER RING ROAD, BANGALORE 560 037, INDIA

BROOMFIELD ●DUBAI ●LONDON ●IPSWICH ●MELBOURNE

ONTARIO ●OTTAWA ●PITTSBURGH ●SINGAPORE ●SYDNEY

www.subexworld.com

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