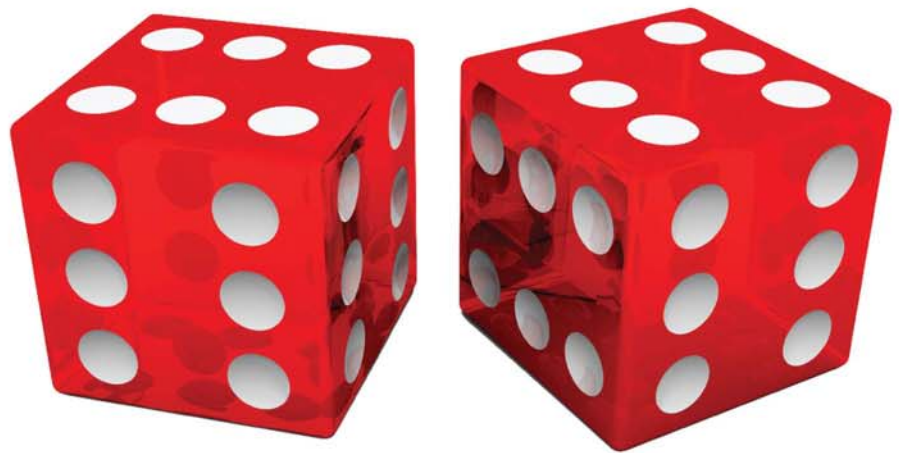


positive thinking...



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subex limited

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key financials

the key financial ratios of the year

| Particulars (Consolidated) | Figures in Rs. Million except Key Indicators |
|---|---|
| Total Income | 6,034.80 |
| Export Sales | 2,233.06 |
| Operating Profits (EBITDA) Before Exceptional Items | 971.30 |
| Depreciation & Amortization | 228.83 |
| Profit/(Loss) Before Tax & Exceptional Items | 307.66 |
| Profit/(Loss) After Tax & Exceptional Items | (1,883.63) |
| Share Capital | 348.47 |
| Reserves & Surplus | 3,464.34 |
| Net Worth | 3,844.51 |
| Gross Fixed Assets | 1,746.33 |
| Net Fixed Assets | 306.65 |
| Total Assets | 15,902.45 |
| Key Indicators | |
| Earning Per Share (Year End) | Rs. (54.05) |
| Cash Earning Per Share (Year End) | Rs. (2.12) |
| Book Value Per Share | Rs. 110.33 |
| Debt (Including Working Capital) Equity Ratio | 2.83 |
| EBITDA / Sales - % | 17.39% |
| Net Profit Margin - % | (33.73)% |
| Return On Year End Net Worth % | (49.00)% |
| Return On Year End Capital Employed % | (12.78)% |

chairman's letter

After a disastrous FY08, the just concluded financial year, FY09, has been a year of turn around. I had written last year that our endeavour in FY09 will be to turn the tide. It indeed gives me immense pleasure to report that the company has turned the corner completely and that is amply demonstrated in the financial figures recorded for FY09. Let us take a look at those numbers.

While the total revenue of the company increased by 15% to reach Rs.5584.89 million, product revenue recorded a growth of 21% in Rupee terms. The contribution of products to the total revenue stood at 79% and the company made a net profit (excluding Exceptional Items) of Rs. 143.20 million. In FY08, Product EBITDA was negative Rs. 803.21 million (-22%) and in FY09, that changed to positive Rs. 848.44 million (+19%), a swing of Rs. 1,651.65 million. More importantly, the company reported positive EBITDA and positive Profit After Tax. While the profitability is still quite low, the significant point is that we have turned the company around.

THE TURN AROUND

A pertinent question at this juncture is how the turn around was achieved. In order to understand that fully, we need to first recollect the reasons behind the downfall. The two fundamental issues was a reduction in sales from the expected level and a dis-proportionate quantum of cost. There were several reasons behind the latter. One was the technological challenges faced during the integration of Syndesis with the rest of the business in India and the consequent escalation in cost. Once these challenges were identified and understood, we could fix them thereby containing costs on that front. The second element was the cost efficiency of the organisation. Due to the fast growth of the yester years coupled with a series of acquisitions, our cost structure had ballooned. Cost per Subexian, the most critical element in cost due to the fact that Personnel cost is the largest head, had increased from an average of US\$ 38,000 per annum prior to the acquisition of Syndesis to US\$ 55,000 per annum in FY08. This has since been brought down to US\$ 42,000 per annum. Needless to say, this one metric has had a salutary effect on the cost of operation. It is worth noting that such reduction in

personnel cost was achieved while revenue moved north. This reduction was achieved by adopting a two-pronged approach. We shifted additional work from high cost geographies in India on one hand while improving the operational efficiency resulting in lower number of personnel for a higher quantum of work, on the other hand. The latter had a knock on effect on recruiting and training cost. Further, other operating costs like travel, communication etc. were reined in. Thus, total cost of operation was reduced by almost 15 to 20% in FY09.

The next issue was revenue. Here the key metric is Revenue per Subexian. Unlike cost, which is easier to handle, revenue takes longer to correct as it depends on several external agencies. The downturn in the economy also took a toll on that front. Notwithstanding the challenges being faced by the global economy, we managed to increase the Revenue per Subexian from US\$ 76,000 in FY08 to US\$ 90,000 in FY09. This was achieved through increased focus on specific sales opportunities and by launching a variety of new offerings. The latter included new offerings for the mobile markets in the Fulfillment space, Data Integrity Management to improve the quality of network inventory database, bundled solutions for Tier 2 and Tier 3 service providers, an expanding and deepening Revenue Operations Centre etc. Despite the lengthening sales cycle, revenue increased by about 3% in constant currency US Dollar terms, as compared to FY08.

SUSTAINING THE TURN AROUND

Now that a convincing turn around has been accomplished, an even more pertinent question is the sustainability of this progress. Let me explain why I believe that this turn around will not only be sustained,

but will actually be improved upon in the new financial year. On the revenue front, we have re-built the order backlog which had collapsed owing to the drop in sales in the Fulfillment and Assurance Solutions Business Unit after the Syndesis acquisition. Our focus on certain products and target market segments is the reason behind this improvement. Given the expected growth in the targeted markets and the significance of the products to the telcos, we believe that the current pipeline will continue to grow at a steady pace and conversion to orders will improve. Some offerings like Moneta Revenue Assurance solution and True Source Data Integrity Management solution are quite critical for the service providers in the current economic climate. These solutions help the telcos to improve their operational efficiency and to reduce cost while improving profitability. Further, we have stepped up our efforts in the Managed Services area resulting in an increase in the number and size of the contracts for that offering. Most major telcos have started exploring Managed Services as a way to align their cost structure with the realities of the market. We expect to maintain our leadership in Business Optimization through a combination of advanced technology, an innovative delivery model and world class offerings leading to higher Revenue per Subexian.

On the cost front, while substantial progress has already been made, there is further scope for improvement. SG&A costs are being pruned and the current delivery model is being overhauled to reduce cost of delivery while ensuring superior quality. These efforts will result in an even lower Cost per Subexian. The combined effect of higher Revenue per Subexian and lower Cost per Subexian will be enhanced profitability in the products business.

THE FUTURE

Adversity is a great opportunity to introspect and improve. I am glad to report that we have not wasted the past two years of trials and tribulations. On the contrary, we have re-structured the operations in every aspect including product offering, cost structure, delivery model, operational efficiency, sales process etc. with a view to create a vibrant business. We are quite confident of achieving our objective of building a strong company with an unbeatable business model in the telecom OSS/BSS space. You will witness this in the new financial year, FY10, and in the years to come. I thank every one of you and my colleagues for supporting the company. Aristotle said that "The future is not something true men enter. The future is something they shape with their own hands". Subexians are building that future for themselves and for our shareholders.

building that future for themselves and for our shareholders.



SUBASH MENON
Founder Chairman, Managing Director & CEO

business optimization

The mantra for most business organizations is to maximize revenue and profits – with a corresponding minimization of costs. To maximize profit, operators need to utilize the network well, select the best inter operator carriers, offer good products to the customers, ensure correct revenue, ensure there is no loss of revenue etc. And most vendors offer software products and/or services that help to do it.

“Currently the Business Optimization space is full of solutions which are reactive. Subex product suites are already thinking in terms of being proactive and predictive”

What is the reality? Most of them who deliver solutions are rather simplistic – i.e. they provide solutions that are correct but are also sub-optimal. Most of these solutions consider only the business processes, financial aspects as reflected in the P&L statements or the balance sheets – in terms of capital, spend, and other fixed costs and the revenues earned thereof.

They miss out on the heart beats and pulse - the network itself.

THE ANSWER: BUSINESS OPTIMIZATION

In squeezing the last dollar out of the current network – by optimizing business and financial process, and maximizing network utilization under the constraints of capacity, price, and quality.

BUSINESS OPTIMIZATION – THE NEED

This has been a perennial need – yet brought out into full focus by the current global recessionary crisis. With reduced buying power, customers are hard to come by. The major problem that Telcos need to answer is - How can we offer optimal solutions to our customers – maximizing utilization of existing assets, delivering quality without burning a hole in their pockets – and yet derive decent profitability?

THE ART AND SCIENCE OF BUSINESS OPTIMIZATION

Deriving optimal solutions is a very complex task indeed. On the one hand, it involves the science of building accurate models and extensible architecture. On the other, it requires in-depth understanding of customer specific data and constraints – and

the judgment to blend them into solutions that deliver. There is no ONE size that fits all.

SUBEX PORTFOLIO FOR BUSINESS OPTIMIZATION – A BLEND OF SCIENCE AND ART

- **The Science:** Subex has an entire suite of specialized products that are built on science of optimization – on the foundations of network modeling. These products cover the entire spectrum of the telecom revenue life-cycle – from provisioning of a service to its eventual billing and revenue collection. Since the products have all data, be it call records or be it subscriber information or be it processed information, Subex is best poised to offer a holistic solution than the point solution. ROC ensures that it solves the blend of many sub problems which are offered as point solutions by competition. The understanding of network and what is happening in the operator network is a key to providing the holistic solution. In addition the science behind Engineering ensures that the solutions are robust and scalable. The optimal utilization of HW to provide solutions which perform at all loads.
- **The Art:** Subex brings its immense domain and customer experience in offering consultative offerings that help to tailor the products to the specific needs of different customers – thereby offering true solutions for Business Optimization.

Currently the Business Optimization space is full of solutions which are reactive. Subex product suites are already thinking in terms of being proactive and predictive. This in turn means that there is a union of Business Intelligence with the Revenue maximization aspects.

The Business Intelligence aspects here can be harnessing the data, applying models and techniques for forecasting and “what-if” analysis, giving data points to aid decision making etc. This would also mean doing a significant amount of analysis of the traffic data and the patterns thereof. Harnessed data could also point to area of under utilization vis a vis demand and thereby maximizing the revenue.

Subex, with its revolutionary path of addressing the needs of Business Optimization on a holistic front – from networks to processes – is a pioneer indeed. As evidence, Subex has been named as the market leader in the area of Business Optimization as per the OSS Observer’s recently released report titled Billing and Customer Care Market Review 2008.



Anuradha
Senior Vice President - Engineering

the downturn and beyond - continuous business optimization within service providers

The telecoms industry is going through a dual transformation. One, a capital intensive transformation from the aging switched telephone network into a high capacity, flexible IP network capable of transporting the entire gamut of current and future digital services.

Second, an operations expense intensive transformation of the organization structures, business processes, skill sets and systems to provide these new residential and enterprise services. These transformations need to happen 'live' with no pauses or stopping of the global communications network, no interruption of business operations and no material impact to customers.

So how does the industry achieve this undertaking? From a financial perspective, the goal is to generate the maximum free cash flow from existing businesses that will fund an ideally accelerated transformation. Profitable revenue, managed costs and healthy returns on investments need to be keenly addressed while simultaneously managing two different business models - a high capital velocity retail business and low capital velocity infrastructure business. From an operational perspective this means transforming while optimizing existing operations and maximizing profitable revenue. From a customer perspective, the experience they receive should be second-to-none; building trust and loyalty, reducing their propensity to churn, while also creating a level of tolerance for the evitable service hiccups that will occur as a result of the transformation. This is a phenomenal undertaking for the world's largest and most complex man-made machine that will require the cooperation of service providers, their partners, suppliers, customers and their governments.

To make efficient, a detailed understanding of the current state is required. To make better or optimize, an understanding of the improved end-state and what has to be changed in order to get there is also required. In a service provider's operational environment, those 'understandings' are difficult to achieve due to the following reasons:

- 1 Large, function-based versus process-based organization structures supporting many diverse retail and infrastructure operating processes
- 2 Significant numbers of legacy systems and processes that manage up to 90% of revenue and costs

- 3 Multiple, and in many cases, separate operating entities due to mergers and acquisitions

- 4 A changing operations landscape as new products and technologies are introduced and old ones retired.

Given the complexity, service providers not only need to develop a comprehensive enterprise-wide approach but also break it down into incremental initiatives and projects that work towards the overall goals.

Subex has responded to this challenge with an industry-wide initiative called the Revenue Operations Centre or the 'ROC'. This a centralized function where service providers gauge the health of their end-to-end business operations in financial terms such as revenue, cost, and ultimately profit, as well as value drivers such as customer satisfaction, quality and innovation. Simply put, in a complex operational environment spanning large function-based departments and third parties, the ROC enables the service provider to answer the question, "How are we doing today, this week, this month?" and related questions regarding profit levels, risks to the revenue chain, cost overruns, operational process problems and so on. The ROC is not just a reporting tool. It goes beyond reporting status, performance indicators and measures. It identifies problems rapidly - allows efficient root-cause analysis to determine the cause of the operational issue - enables a rapid fix such that the operational issue does not escalate or become a crisis - and coordinates a system or process change such that the issue does not arise in the future. Finally, based on the unique end-to-end business process understanding and operational intelligence housed in the ROC it enables business optimization with significant focus on the operations level.

Departments such as fulfillment, billing, customer care, workforce management and dispatch manage their systems, processes and

people today very effectively. They have volumes of accurate operational intelligence from complex analytical platforms. Their people are well trained and manage tens of millions of subscribers, thousands of products and services and hundreds of thousands of network devices. These strengths are also the reason the ROC is required. Operational processes traverse those departments and require significant coordination across the many existing systems and work groups. However, each handoff is prone to error due to cross-department data inconsistencies and systems integration issues. In addition, as each department has a detailed understanding of its piece, it is difficult to get an independent, 'bird's eye view' of the end-to-end process – this, the ROC provides. It has an understanding and model of what the end-to-end process should be and gathers information from strategic control points embedded in each department's systems and databases such that it can monitor progress and identify issues rapidly. It is staffed either virtually e.g. secondment or physically with employees transferred from the various departments such that it houses valuable cross-department and cross-function expertise. In effect, the ROC assures end-to-end operations i.e. it provides an independent operational assurance and governance capability.

Profit and customer satisfaction are a few results of well-coordinated underlying functions. Operational assurance aims to understand the effects that all functions and processes have on a company's finances. It then distils the data into information that's actionable at multiple levels. 'Actionable' in operational parlance can mean many things. However, from Subex's perspective it means the early identification of operational issues, their rapid diagnosis, and timely correction (ideally before the customer even knows). In this sense, it's appropriate to consider operational assurance as an extension of business intelligence and analytics, albeit with one important distinction. Operational assurance in service providers makes data and KPIs available in real-time or near-real-time. This eliminates

the need to rely on old, questionable or high-level information that might not paint a true picture of current operational processes. Diagnosing and fixing need to be highly accurate and that can only happen with accurate and timely information; if we are fixing issues from one of today's billing runs or fixing an issue associated with a 39 minute-old complaint from a high-value customer, data needs to be current.

The principle of operational assurance promises to evolve a ROC in many directions, touching virtually every aspect of fulfillment, assurance and billing. Safeguards in the order-to-cash process identify any bottlenecks that threaten service revenue. Similar safeguards in the trouble-to-resolution process identify issues that may prevent a customer from getting the service they expect and threaten customer satisfaction. This is where the 'live' or 'real-time' aspects of the ROC concept are most valuable.

For the modern communications service provider, the need for a holistic enterprise-wide operational view supported with timely and accurate data has never been more critical. Service providers need new levels of operational assurance so they can beat the competition, take advantage of new market opportunities and keep customers via excellence in their experience. Building a ROC helps accomplish that mission.



Mark Nicholson
Chief Technology Officer

oss transformation gets pragmatic

OSS Transformation is about completely optimizing the way service providers create, fulfill and assure telecom offerings. Benefits of this optimization are enormous and include long term differentiation through rapid time to market of new products and services, a much greater degree of back-office automation and higher customer satisfaction.

The question remains, with such strategic benefits, why haven't all service providers globally already transformed and optimized their OSS? The reality remains that service providers have hundreds, if not thousands of OSS systems, each oriented for their own silo function and often integrated together through custom interfaces and/or manual processes. Many transformation projects that have started are multiple year, massive IT projects in the \$100M range that often end up partially implemented and over-budget due to the complexity of the challenge.

As the global economy worsens, service providers are re-focusing on today, conserving cash, cutting operational and capital expenses and attempting to drive every bit of revenue out of existing service offerings. New money is spent on new products and services that show a rapid return on investment.

Service provider executives are faced with that age-old question: how do I balance meeting the challenges of today while still enabling strategic differentiation in the future? Even in these difficult economic times, transformation cannot be ignored. Instead transformation needs to get pragmatic.

Pragmatic transformation is all about incremental evolution and optimization of OSS versus wholesale system replacement. Each step of the transformation process offers an immediate return on investment and optimizes a critical part of the back-office systems while step-wise leading the service provider towards a transformed target state. The sections below describe key pragmatic strategies that service providers should adopt to

optimize today while still enabling strategic differentiation into the future.

1. OPTIMIZE MOST CRITICAL FUNCTIONS FIRST

Ultimately the needs of the business should drive the OSS evolution. Often introducing a new product that increases ARPU and subscriber loyalty derives the most immediate and significant return on investment. It is critical that fulfilling these offerings is not put on hold due other longer-term initiatives such as a major Inventory consolidation heart transplant. Successful strategies enable the needs of the business while working in tandem with other transformational objectives.

2. DON'T CREATE THE OSS SILOS ACROSS NEXT GENERATION NETWORKS AND SERVICES

As service providers deploy fulfillment solutions for next generation services over IP such as IP-VPN, Voice over IP and IPTV, it is vital that they implement a platform that can support any service over IP. In the future, service providers will offer hundreds of content-based applications over IP and if not implemented correctly next-generation OSS silos could lead to an inability to get these new services to market and a crisis of complexity. Decisions made today on the OSS infrastructure for these next generation networks and initial IP-based services will set the stage for the transformed OSS of the future.

3. OPTIMIZE AND AUTOMATE MANUAL FULFILLMENT PROCESSES

Manual process result in high operational costs, dependency on highly skilled IP knowledgeable technicians, rework due to fulfillment errors, revenue leakage, and customer satisfaction issues due to fulfillment delays. Automation of highly error-prone repetitive fulfillment processes can significantly reduce operational costs and enable instant delivery of subscriber services.

4. EXTEND THE LIFE OF LEGACY SYSTEMS WITH ENTERPRISE-WIDE DATA INTEGRITY MANAGEMENT

Legacy systems are a reality in almost all service providers today. Systems used to plan, build, design and configure the legacy networks are massive and complex. Transforming the terabytes of data and thousands of custom manual processes embedded in these systems is a major contributor to failed transformation projects and often benefits of doing this doesn't outweigh the costs. An alternate strategy for pragmatic service providers is to extend the life of these legacy OSS systems with enterprise-wide data integrity management. This allows service providers to synchronize the OSS systems with the actual equipment and configuration in the network thereby reducing rework due to fulfillment errors, deferring capital spend through asset assurance and increasing customer satisfaction with first time right service fulfillment.

The Subex FAS suite is a highly productized next generation

fulfillment platform, which provides the industry's fastest path to return on investment for fulfillment of next generation services. Subex enables automation of the service fulfillment functions, which in turn decreases operational costs and improves customer satisfaction. By deploying Subex's next generation OSS platform, service providers can quickly roll out new products and services without introducing new OSS silos. With Subex, service providers can optimize systems and processes today while simultaneously meeting their strategic future objectives. In short, Subex enables pragmatic transformation.



Stephen Cooper
Vice President - Product Management

subexian pride award winners

“Instead of giving myself reasons why I can’t, I give myself reasons why I can.” - ANONYMOUS

subexians who did us proud

| NAME | MAIN FUNCTION | REGION |
|---------------------------|-----------------------|---------------|
| Abid Anjum Kazi | Engineering(P) | Global |
| Arun Kumar K | Engineering(P) | Global |
| Arun R | Engineering(P) | Global |
| Arunava Sinha | Engineering(P) | Global |
| Arvind M | Product Management(P) | Global |
| Belinda Tindall | BT | BT |
| Birashis Sarkar | Engineering(P) | Global |
| Blaze Thomas | PSO(P) | APAC |
| Chandan P | Engineering(P) | Global |
| Colin Evans | BT | BT |
| Debajyoti Mukherjee | PSO(P) | EMEA |
| Geetanjali Harshad Sovani | Engineering(P) | Global |
| Girish Suresh Uttarkar | Engineering(P) | Global |
| Gourav Sahu | Engineering(P) | Global |
| Hari Kumar V | Engineering(P) | Global |
| Hari Prasad R | Engineering(P) | Global |
| Jithu Thomas | Engineering(P) | Global |
| Julie Craig | BT | BT |

| | | | | | |
|--|----------------|--------|------------------------------|----------------|--------|
| Nataraja Prathab D | Engineering(P) | Global | Sathyabodh V Mudhol | Engineering(P) | Global |
| Nishanth V Krishna | Engineering(P) | Global | Shiva Prakasha L | Engineering(P) | Global |
| Parthiban G Pillai | Engineering(P) | Global | Siddalingeshwar Patil | Engineering(P) | Global |
| Pat Brown | BT | BT | Sivabalan K | Engineering(P) | Global |
| Pavan Kumar GV | PSO(P) | APAC | Subhadip Duttagupta | PSO(P) | APAC |
| Peeyush Aggarwal | Engineering(P) | Global | Subhasis Nayak | Engineering(P) | Global |
| Praveen Kulkarni | Engineering(P) | Global | Sumith Varghese | Engineering(P) | Global |
| Priyadarshini B | Engineering(P) | Global | Suneet T Sugunan | Engineering(P) | Global |
| Raghu Theja Setlem | Engineering(P) | Global | Syed Nayeemuddin | Engineering(P) | Global |
| Rahul R Kurpad | Engineering(P) | Global | Syed Rehan Sajjad | Engineering(P) | Global |
| Rajesh Kumar Padihary | Engineering(P) | Global | Thangaraj Sengoden | Engineering(P) | Global |
| Rama Krishna Aluru | Engineering(P) | Global | Upendra K B | Engineering(P) | Global |
| Roji Varghese Abraham | PSO(P) | APAC | Veeresh Kanavalli | Engineering(P) | Global |
| Sangappa S Desai | Engineering(P) | Global | Vishal M | Engineering(P) | Global |
| Santhosh Srinivasaiah | Engineering(P) | Global | | | |
| Santhosh Vellore Rajendramudaliar | Engineering(P) | Global | | | |

subex charitable trust

“The true measure of a man is how he treats someone who can do him absolutely no good.” - SAMUEL JOHNSON



Inmates of Prerana Resource Centre

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.

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, 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 their water and electricity bills. SCT also pitches in by bearing the cost of the medical bills of the inmates.



School Kit Sponsorship Program

YOUTH FOR SEVA

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

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

BLOOD DONATION CAMP

Rotary – ttk Blood Bank had conducted a blood donation camp in Subex.

It was a positive turn out and a total of 80 Subexians donated blood on that day.

NURTURE MERIT

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 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 also invited nominations 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



HARRY BERRY
Director



ANDREW GARMAN
Director

management team



SUBASH MENON
Founder Chairman,
Managing Director & CEO



SUDEESH YEZHUVATH
Chief Operating Officer



MARK NICHOLSON
Chief Technology Officer



VINOD KUMAR
Group President



ANURADHA
Senior Vice President –
Engineering



SANJAY PAUL ANTHONY
Senior Vice President –
Human Resources



GREG LENEVEU
President – Americas



PAUL SKILLEN
President - EMEA & BT



SEKHARAN Y MENON
President - APAC



COLIN HALES
Vice President – Global
Alliances



RAJ KUMAR
Chief Counsel & Company
Secretary



STEPHEN COOPER
Vice President – Product
Management

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general review &
accountability

Your Directors have pleasure in presenting the 15th Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2009.

FINANCIAL RESULTS

Amount in Rs. million

| | Consolidated | | Standalone | |
|---|--------------|------------|------------|----------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| Total revenue | 5,584.89 | 4,855.91 | 3,011.05 | 1,438.69 |
| Profit/(Loss) before Interest, Depreciation, Tax & Amortization | 971.30 | (730.20) | 766.03 | (251.60) |
| Interest, Depreciation & Amortization | 663.64 | 488.84 | 489.03 | 400.52 |
| Profit/(Loss) before Exceptional items & tax | 307.66 | (1,219.04) | 276.99 | (652.12) |
| Exceptional Items | (2,026.83) | 602.00 | (2,026.83) | 602.00 |
| Profit/(Loss) before tax | (1,719.17) | (617.04) | (1,749.84) | (50.12) |
| Provision for taxes | 164.46 | 63.66 | 32.27 | 11.76 |
| Profit/(Loss) after tax | (1,883.63) | (680.71) | (1,782.11) | (61.88) |
| APPROPRIATIONS | | | | |
| Interim Dividend | - | - | - | - |
| Preference Dividend | - | - | - | - |
| Dividend proposed on equity shares | - | - | - | - |
| Provision for tax on Dividends | - | - | - | - |
| Transfer to General Reserve | - | - | - | - |
| Surplus/(Deficit) carried to Balance Sheet | (1,883.63) | (680.71) | (1,782.11) | (61.88) |

RESULTS OF OPERATIONS

During the financial year ended March 31, 2009, the total revenue on a consolidated basis grew by 15% to reach Rs.5,584.89 million. The Company has incurred a loss of Rs.1,883.63 million for the financial year 2008-09 as against the loss of Rs.680.71 million in the previous year.

On a stand-alone basis, the total revenue stood at Rs.3,011.05 million. The net loss for the financial year 2008-09 was Rs.1,782.11 million.

BUSINESS

Your Company is a provider of solutions in the Operations Support Systems area for telecom applications. This area can be broadly classified into Service Fulfillment, Service Assurance and Revenue Maximization or Business Optimization. The Company operates in Business Optimization and Service Fulfillment areas. While Business Optimization 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, Singapore and Australia. Subex is the global leader in Business Optimization for communications service providers.

Given the global economic scenario, carriers 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 that adequate service levels are achieved.

CHANGES IN SHARE CAPITAL

During the year, your Company has not made any allotments of equity shares. The Company has also not received any requests for exercise of Employee Stock Options.

CANCELLATION OF WARRANTS

The Board of Directors had vide its resolution passed on April 30, 2007 decided to issue and allot upto 2,230,000 warrants to Promoters/Promoter Group, which was subsequently approved by the members in the Extra-ordinary General Meeting held on June 4, 2007. Pursuant to this resolution, the Company had issued 2,230,000 warrants on June 18, 2007 at a purchase price of Rs. 630.31/- per share. Since the warrants were not exercised within the period of 18 months from the date of issue, the same were forfeited in accordance with the provisions of chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, and the amount of Rs. 140,559,130/-, being 10% of the total consideration for the warrants received upfront from the warrant holders, was transferred to Capital Reserve.

SUBSIDIARIES

SUBEX TECHNOLOGIES LIMITED

For the year ended March 31, 2009, Subex Technologies Limited earned an income of Rs.1,200.08 million, on a consolidated basis, as against Rs.713.41 million last year and a net profit of Rs.68.54 million as against Rs.34.65 million last year.

Pursuant to the demerger in 2007-08, Subex Technologies Inc became a direct subsidiary of Subex Technologies Limited.

SUBEX (UK) LIMITED

For the year ended March 31, 2009, the consolidated income of Subex (UK) Limited was Rs. 3,113.66 million and the net profit was Rs. 223.27 million.

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

SUBEX AMERICAS INC

For the year ended March 31, 2009, the consolidated income of Subex Americas Inc was Rs.1,481.16 million and net loss was Rs.401.19 million.

During the year, the Company had taken steps to close down few of its dormant subsidiaries. Syndesis IP Holdings Limited Partnership, a subsidiary of 2101874 Ontario Inc, was dissolved w.e.f. March 3, 2009. 2101874 Ontario Inc, a subsidiary of Subex Americas Inc, was dissolved w.e.f. May 12, 2009.

Presently, Subex Americas Inc has 6 subsidiaries. Subex Azure Holdings Inc, Subex Azure (GB) Limited, and Syndesis Development India Private Limited are direct 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.

COMPLIANCE UNDER SECTION 212

Ministry of Corporate Affairs, Government of India, vide order No. 47/241/2009-CL-III dated April 24, 2009, has granted approval under section 212(8) of the Companies Act, 1956 stating that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company for the financial year ended March 31, 2009. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said order, is disclosed under Annexure I to this report. The Company will make available the Annual Accounts of the subsidiary companies and the related information to any investor of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

EMPLOYEE STOCK OPTIONS 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.

EMPLOYEE STOCK OPTION PLAN-1999 (ESOP - I)

This scheme was instituted during 1999 and managed by Subex Foundation with a corpus of 120,000 equity shares initially.

Since the scheme was formulated prior to the promulgation of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company has discontinued the scheme.

EMPLOYEE STOCK OPTION PLAN-2000 (ESOP- II)

During 1999-2000, the Company established the Employee Stock Option Plan 2000, under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing upto a maximum of 883,750 shares to be allotted pursuant to exercise of options granted under the scheme. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

As per the scheme, a Compensation Committee has been 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.

During the year, the Company amended the ESOP-II scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 156,211 options were surrendered by 122 employees during the said period.

EMPLOYEE STOCK OPTION PLAN - 2005 (ESOP-III)

Under this scheme, a corpus of 500,000 options was created for grant to the eligible employees, with each option convertible into one fully paid-up equity share of Rs.10/-. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The corpus of the scheme was further enhanced by 1,500,000 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.

During the year, the Company amended the ESOP-III scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 1,069,407 options were surrendered by 538 employees during the said period.

EMPLOYEE STOCK OPTION PLAN -2008 (ESOP-IV)

Your Company has instituted a new Employee Stock Option Plan – Employee Stock Option Plan-2008, vide approval of shareholders through the postal ballot mechanism. A corpus of 2,000,000 options has been created for grant to the eligible employees under the scheme. The Scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of shares arising out of exercise of options granted under the scheme. Hitherto, no options have been granted under this scheme.

Additional information as at March 31, 2009 required as per Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999 is given as Annexure II to this report.

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. Your 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 Clause 49 of the listing agreement of the Stock Exchanges, as amended from time to time. The Auditor's certificate on compliance with Clause 49 is included elsewhere in the Annual 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 as a part of this report.

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 for Mr. Subash Menon, all other members of the Audit Committee are Independent Directors. Mr. V 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 section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Further details of the Audit Committee have been provided in the report on Corporate Governance forming part of 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 Section 224(1B) of the Companies Act, 1956 and their willingness to accept office, if re-appointed.

There were no qualifications observed in the Auditor's report for the Financial Year 2008-09.

DIRECTORS

As per Article 87 of the Articles of Association of the Company, atleast two-third of the Directors shall be subject to retirement by rotation. One-third of such Directors must retire from office at each Annual General Meeting of the shareholders. A retiring director is eligible for re-election. Mr. Sudeesh Yezhuvath and Mr. V Balaji Bhat retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

Mr. P P Prabhu resigned from the Board of Directors of your Company on May 26, 2009 due to health reasons. The Board places on record his immense contributions to the Company.

FIXED DEPOSITS

Your Company has not accepted any 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 at Annexure III appended hereto 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 (DISCLOSURE 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 2008-09 total foreign exchange inflow and outflow was as follows:

| | |
|---|---|
| i) Foreign Exchange earnings | Rs. 2,975.37 Million (previous year: Rs.1,436.95 Million) |
| ii) Foreign Exchange outgo | |
| Travelling expenses | Rs. 37.60 Million (previous year: Rs. 50.00 Million) |
| Interest expense | Rs. 173.15 Million (previous year: Rs. 147.89 Million) |
| Consideration for acquired assets: | Nil (previous year: Rs. 0.67 Million) |
| Product marketing expense and other expenditure incurred overseas for software development | Rs. 85.21 Million (previous year: Rs. 194.84 Million) |

SOCIAL RESPONSIBILITIES - SUBEX CHARITABLE TRUST

The trust was set up to provide for welfare activities for under privileged and the needy in the society. The trust is managed by Trustees elected amongst the employees of the Company. 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

At Subex, the endeavor has always been to create a global organization. The objective is not to build yet another software company but to create a respectable and admired telecom software product company. Naturally this mission calls for a different outlook to the most important asset- our human resources.

The year ended March 31, 2009 was no doubt, a challenging year for your Company as well. However, your Company has successfully streamlined its HR processes by adopting best known HR practices across the group.

Your Company adopted a new competency framework to assess the performance of its employees. This model is aimed to align the competency model with Company's vision, values and traits. The HR processes have also been fully automated.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- That in the preparation of the accounts for the year ended March 31, 2009, the applicable accounting standards have been followed and there are no material departures therefrom.
- That the accounting policies have been selected and applied consistently and it has 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, 2009 and of the profit of the Company for the year ended on that date.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the accounts for the year ended March 31, 2009 have been prepared on a going concern basis.

APPRECIATION/ACKNOWLEDGEMENTS

We thank our clients, vendors, investors and bankers for their 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, SEZ authorities, 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

Place : Bangalore
Date : May 26, 2009

Subash Menon
*Founder Chairman,
Managing Director & CEO*

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956, relating to subsidiary companies for FY 2008-09

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 Azure Holdings Inc.** | Subex Azure (GB) Limited** | Subex Azure (US) Inc** | Subex Azure (Ireland) Ltd** | Subex Azure (Delaware) Inc.** | Syndesis Development India Pvt Ltd** | 2101874 Ontario Inc #** |
|--|----------------------------|---------------------------|--------------------|----------------|--------------------------------|--------------------|-----------------------------|----------------------------|------------------------|-----------------------------|-------------------------------|--------------------------------------|-------------------------|
| Financial period ended | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 |
| 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 |
| Holding company's interest | 3999,994 | 3000 of | 5,039,565,245 | 1,000 of | 2 of | 100 at | - | - | - | - | - | - | - |
| Shares held by the holding company in the subsidiary | of Rs.10/- each | USD0.67 each | of GBP0.00001 each | USD 0.01 each | SGD 1 each | 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 in the accounts of the holding company | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b. not dealt with or provided for in the accounts of the holding company | 19,080,156 | 49,458,108 | 191,202,705 | 16,248,953 | 15,813,852 | (269,645,551) | (130,334,592) | - | (118,918,604) | - | (11,415,988) | (1,208,314) | - |
| 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 accounts 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) | (8,411,640) | 4,593,325 | 17,580,365 | 2,319,098 | (25,992,005) | (2,301,934) | - |
| Issued & Subscribed share capital | 40,000,000 | 209,053,688 | 4,059,539 | 392 | 58 | 3,533,849,725 | 40 | 60 | 40,096 | 48,230 | 293,471,525 | 40 | - |
| Reserves | 15,014,558 | 19,496,172 | 426,818,538 | (365,235,363) | (157,459,878) | (4,083,159,081) | (80,316,067) | (649,312) | (26,750,149) | (411,892) | (53,565,918) | (9,629,873) | - |
| Loans | - | - | 71,893,178 | - | - | 428,989,872 | 5,072,000 | - | - | - | 5,072,000 | - | - |
| Total assets | 143,538,629 | 408,853,457 | 793,838,126 | 89,444,740 | 42,742,559 | 836,415,784 | 331,994,592 | 48,230 | 8,655,727 | - | 323,338,825 | 2,823,031 | - |
| Total liabilities | 143,538,629 | 408,853,457 | 793,838,126 | 89,444,740 | 42,742,559 | 836,415,784 | 331,994,592 | 48,230 | 8,655,727 | - | 323,338,825 | 2,823,031 | - |
| Investments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Long Term | 246,402,895 | - | 495 | - | - | 293,511,737 | - | 48,230 | - | - | - | - | - |
| Current | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 246,402,895 | - | 495 | - | - | 293,511,737 | - | 48,230 | - | - | - | - | - |

ANNEXURE - I (Contd...)

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956, relating to subsidiary companies for FY 2008-09

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 Azure Holdings Inc.** | Subex Azure (GB) Limited** | Subex Azure (US) Inc** | Subex Azure (Ireland) Ltd** | Subex Azure (Delaware) Inc.** | Synesis Development India Pvt Ltd** | 2101874 Ontario Inc#** |
|--------------------------------|----------------------------|---------------------------|--------------------|----------------|-------------------------------|--------------------|-----------------------------|----------------------------|------------------------|-----------------------------|-------------------------------|-------------------------------------|------------------------|
| Financial period ended | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 |
| Turnover | 13,315,725 | 1,186,768,321 | 1,045,398,866 | 393,089,215 | 167,543,752 | 1,459,975,271 | - | - | - | - | - | - | - |
| Profit/(Loss) before taxation | 38,040,745 | 83,558,584 | 270,332,705 | 16,248,953 | 15,813,852 | [269,645,551] | [130,334,592] | - | (118,918,604) | - | (11,415,988) | (1,208,314) | - |
| Provision for taxation | 18,960,588 | 34,100,476 | 79,130,000 | - | - | - | - | - | - | - | - | - | - |
| Profit / (Loss) after taxation | 19,080,156 | 49,458,108 | 191,202,705 | 16,248,953 | 15,813,852 | [269,645,551] | [130,334,592] | - | (118,918,604) | - | (11,415,988) | (1,208,314) | - |
| Proposed dividend | - | - | - | - | - | - | - | - | - | - | - | - | - |

Conversion Rates from Reporting Currency to INR

| | | | | | | | | | | | | | |
|---|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|
| Reporting Currency | INR | USD | GBP | USD | SGD | USD | USD | USD | USD | USD | USD | USD | USD |
| Exchange rate adopted for Profit & Loss account related items | 1 | 46.47 | 79.13 | 46.47 | 32.22 | 46.47 | 46.47 | 46.47 | 46.47 | 46.47 | 46.47 | 46.47 | - |
| Exchange rate adopted for Balance Sheet related items | 1 | 50.72 | 72.47 | 50.72 | 33.35 | 50.72 | 50.72 | 50.72 | 50.72 | 50.72 | 50.72 | 50.72 | - |

* Wholly owned subsidiaries of Subex (UK) Limited

** Wholly owned subsidiaries of Subex Americas Inc

*** Wholly owned subsidiary of Subex Technologies Limited

The information for the entity is not given as it is non operational and has been consolidated with the overseas parent company. The entity was dissolved on May 12, 2009.

Note: Synesis IP Holdings Limited Partnership was dissolved on March 3, 2009. As at March 31, 2009 the entity was a not a subsidiary of Subex Limited. Hence, details have not been provided in the statement.

For and on behalf of the Board

Place : Bangalore
Date : May 26, 2009

Subash Menon
Founder, Chairman,
Managing Director & CEO

ANNEXURE - II
ADDITIONAL INFORMATION AS AT MARCH 31, 2009 AS PER SECURITIES AND EXCHANGE BOARD OF INDIA (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999

| SL.NO | PARTICULARS | ESOP 2000 | ESOP 2005 |
|-------|---|---|--|
| 1 | Net options granted as on March 31, 2009 | 726,567 | 1,801,106 |
| | Options granted during the year | 362,072 | 1,764,397 |
| 2 | Pricing formula | As mentioned earlier in the report | As mentioned earlier in the report |
| 3 | Options vested but not exercised as on March 31, 2009 | 9,930 | 62,100 |
| 4 | Options exercised as on March 31, 2009 | 2,35,233 | 6,724 |
| | Options exercised during the year | - | - |
| 5 | Money realized by exercise of options during the year | - | - |
| 6 | The total number of shares arising as a result of exercise of options as on March 31, 2009 | - | - |
| 7 | Options lapsed / cancelled/ surrendered as on March 31, 2009 | 879,389 | 2,088,171 |
| | Options lapsed /cancelled during the year | 217,993 | 1,688,260 |
| 8 | Variation of terms of options | None | None |
| 9 | No. of employees covered | 624 | 1,511 |
| 10 | Employee wise details of options granted during the year under review to: | | |
| | (i) Senior managerial personnel | | |
| | Mr. Saul Nurtman | - | 10,000 |
| | Mr. Mark Nicholson | - | - |
| | Mr. Dean Smith | - | 57,000 |
| | Mr. Greg LeNeveu | 29,500 | 41,000 |
| | Mr. Paul Skillen | - | 54,400 |
| | Mr. Stephen Cooper | - | 21,500 |
| | Mr. Colin Hales | - | 16,000 |
| | Mr. Raj Kumar C | - | 12,190 |
| | Mr. Ramanathan J | 4,000 | 5,500 |
| | Mr. Sekharan Y Menon | 29,074 | 10,950 |
| | Mr. Vinodkumar P | 28,170 | 11,725 |
| | Ms. Anuradha | 21,300 | 11,006 |
| | Mr. Sanjay Paul Antony | 26,400 | - |
| | (ii) other employee receiving a grant in the 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. (51.14) | Rs. (51.14) |
| 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.121,818,708 Basic and Diluted EPS would have been lower by Rs.3.50 | |
| 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. 66.75 | Weighted average exercise price is Rs. 74.80 |
| 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 | |
| | i. risk-free interest rate | 6.50% | |
| | ii. expected life | 3 Years | |
| | iii. expected volatility | 58.98% | |
| | iv. expected dividends and | 1.19% | |
| | v. market price on grant date | 67.11 | |

For and on behalf of the Board

Place : Bangalore
Date : May 26, 2009

Subash Menon
Founder Chairman,
Managing Director & CEO

I. COMPANY'S PHILOSOPHY ON CODE OF 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 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 investors' 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's 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) in its meeting held on January 25, 2000 and amendments made thereto.

II. BOARD OF DIRECTORS

The Board of Directors of Subex Limited comprises 7 Directors out of which 2 are Executive Directors and 5 are 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 May 26, 2009

| Category | No. of directors | % |
|----------------------------------|------------------|---------|
| Independent Directors | 5 | 71.44% |
| Promoter and Executive Directors | 1 | 14.28% |
| Other Executive Directors | 1 | 14.28% |
| Total | 7 | 100.00% |

B. Attendance of Directors at the Board Meetings and the last AGM and details about Directorships and memberships in committees as on March 31, 2009.

| 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 | 5 | 5 | Yes | 1 | - | 1 |
| Mr. Sudeesh Yezhuvath | Chief Operating Officer & Wholetime Director | 5 | 5 | No | 1 | - | 1 |
| Mr. V. Balaji Bhat | Independent Director | 5 | 4 | Yes | 4 | 3 | 3 |
| Mr. Vinod R. Sethi | Independent Director | 5 | 3 | Yes | 11 | - | 7 |
| Mr. K. Bala Chandran | Independent Director | 5 | 2 | No | 1 | 1 | 3 |
| Mr. P.P. Prabhu* | Independent Director | 5 | 3 | Yes | 3 | 1 | 2 |
| Mr. Harry Berry | Independent Director | 5 | 3 | No | - | - | - |
| Mr. Andrew Garman | Independent Director | 5 | 3 | No | - | - | 1 |

▲ Excluding private limited companies & overseas companies.

■ Includes only Audit Committee and Shareholder's Grievance Committee. Memberships in Committees in Subex Limited are included.

* Mr. P P Prabhu ceased to be a member of the Board of Directors consequent to his resignation on May 26, 2009.

C. Number and dates of Board meetings

5 (Five) Board meetings were held during the financial year 2008-09. The dates on which meetings were held are as follows: April 29, 2008; June 30, 2008; July 29, 2008; October 29, 2008; January 29, 2009.

D. Brief details of Directors seeking re-appointment

Mr. Sudeesh Yezhuvath

Mr. Sudeesh Yezhuvath heads the overall operations of Subex, excluding the legal and finance functions. He heads all the three Business Units of the Company – RMS (Revenue Maximization Solutions), FAS (Fulfillment and Assurance) and BT (British Telecom). He has been associated with Subex since 1993 and has been instrumental in building the software business of Subex. He has been closely involved in the Company's M&A activities, including the integration process post acquisitions.

Mr. Sudeesh Yezhuvath holds a Bachelors degree in Instrumentation and Control. Mr. Sudeesh Yezhuvath has over 18 years of experience in the telecom field and has presented various papers on telecom and business operations in different parts of the world.

Mr. Sudeesh Yezhuvath is the brother of Mr. Subash Menon, Founder Chairman, Managing Director & CEO. He holds 365,893 equity shares of the Company.

Mr. V Balaji Bhat

Mr. V Balaji Bhat is the Managing Director of Primus Retail Private Limited (formerly Gitanjali Lifestyle Products Private Limited). Primus Retail Private Limited is a leading player in the growing retailing sector in India, engaged in retailing and distribution of lifestyle products such as apparels, shoes and related accessories. Mr. V Balaji Bhat is a Chartered Accountant by profession.

Mr. V Balaji Bhat holds 31,000 equity shares of the Company.

III. AUDIT COMMITTEE

A. Terms of Reference

The Audit Committee has, inter alia, 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;

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Review of annual 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; and
- 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 | Independent Director |
| Mr. K.Bala Chandran | Independent Director |
| Mr. Vinod R Sethi | Independent Director |
| Mr. Andrew Garman | Independent Director |
| Mr. Subash Menon | Founder Chairman, Managing Director & CEO |

Mr. Raj Kumar, the Company Secretary, is the Secretary of the Audit Committee.

C. Meetings and attendance during the year

During the Financial Year 2008-09, five Audit Committee meetings were held on April 29, 2008, June 30, 2008, July 29, 2008, October 29, 2008, and January 29, 2009. The audited financial results for the Financial Year ended March 31, 2009 were taken on record at the meeting held on May 26, 2009. The quarterly results for the quarters April-June 2008, July-September 2008 and October-December 2008 were taken on record on July 29, 2008, October 29, 2008, and January 29, 2009 respectively.

Attendance of Committee members at the Audit Committee meetings held during the financial year 2008-09:

| Member | No. of Audit Committee meetings held | No. of Audit Committee meetings attended |
|----------------------|--------------------------------------|--|
| Mr. V. Balaji Bhat | 5 | 4 |
| Mr. K. Bala Chandran | 5 | 3 |
| Mr. Vinod R. Sethi | 5 | 3 |
| Mr. Andrew Garman | 5 | 3 |
| Mr. Subash Menon | 5 | 5 |

IV. REMUNERATION COMMITTEE

Composition of the Committee

| Composition | Category |
|-------------------------------|----------------------|
| Mr. Vinod R. Sethi - Chairman | Independent Director |
| Mr. K. Bala Chandran | Independent Director |
| Mr. V. Balaji Bhat | Independent Director |
| Mr. Harry Berry | Independent Director |

The Committee considers the performance of the Company as well as general industry trends while fixing the remuneration of Executive Directors. There were no meetings of the Committee held during the Financial Year.

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 & Wholetime Director | 4,800,000* | - | 4,800,000 |

* excludes contribution to Provident Fund

Note: During the year ended March 31, 2009, the Company has paid an amount of Rs. 39,750,760/- 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 Options vested and exercised as on March 31, 2009 |
|----------------------|----------------------|------------------------|--|
| Mr. K. Bala Chandran | Independent Director | 7,500 | 7,500 |
| Mr. V. Balaji Bhat | Independent Director | 7,500 | 7,500 |
| Mr. Vinod R. Sethi | Independent Director | 7,500 | 7,500 |
| Mr. P. P. Prabhu* | Independent Director | 7,500 | 4,875 |

* Mr. P P Prabhu ceased to be a member of the Board of Directors consequent to his resignation on May 26, 2009.

The above stock options were granted on the same terms and conditions as mentioned in the Employee Stock Option Plan-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 calendar 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. DETAILS OF SHAREHOLDING OF NON- EXECUTIVE DIRECTORS

In terms of Clause 49 (IV)(E)(iv) of the Listing Agreement, the details of shares held by Non- Executive Directors are as under:

| Name | No. of shares held as at March 31, 2009 |
|----------------------|---|
| Mr. Vinod R. Sethi | 19,000 |
| Mr. V. Balaji Bhat | 31,000 |
| Mr. K. Bala Chandran | 15,000 |
| Mr. P.P. Prabhu* | 9,750 |
| Mr. Andrew Garman | NIL |
| Mr. Harry Berry | NIL |

* Mr. P P Prabhu ceased to be a member of the Board of Directors consequent to his resignation on May 26, 2009.

VI. SHARE TRANSFER COMMITTEE

A. Composition of the Committee

| Composition | Category |
|---------------------------------|--|
| Mr. Sudeesh Yezhuvath, Chairman | Chief Operating Officer & Wholetime Director |
| Mr. Subash Menon | Founder Chairman, Managing Director & CEO |

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 November 6, 2001. The Share Transfer Committee has met three times during the financial year 2008-09 on the following dates:

| Date of the meeting | No. of transfer deeds received | Shares pursuant to the deeds | Rematerialisation requests received | Shares involved |
|---------------------|--------------------------------|------------------------------|-------------------------------------|-----------------|
| June 19, 2008 | - | - | 1 | 10 |
| September 1, 2008 | 2 | 104 | - | - |
| September 17, 2008 | 1 | 200 | 1 | 300 |

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

VII. INVESTOR GRIEVANCE COMMITTEE

A. Composition of the Committee

| Composition | Category |
|--------------------------------|--|
| Mr. K. Bala Chandran, Chairman | Independent Director |
| Mr. Sudeesh Yezhuvath | Chief Operating Officer & Wholetime Director |

Mr. Raj Kumar, the Company Secretary, is the Compliance Officer of the Company.

This Committee is responsible for addressing the investor complaints and grievances.

The Committee meets on a periodic basis to address the investor complaints like delay in transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. Details on Investor grievances are provided in the "Shareholders' Information" section of this Annual Report.

VIII. ESOP COMMITTEE (Compensation Committee)

The Company has instituted Employee Stock Option Schemes in line with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. In order to grant options under the scheme to eligible employees, a Compensation Committee has been formed.

A. Composition of the Committee

| Composition | Category |
|------------------------------|---|
| Mr. V. Balaji Bhat, Chairman | Independent Director |
| Mr. K. Bala Chandran | Independent Director |
| Mr. Subash Menon | Founder Chairman, Managing Director & CEO |

The Committee meets on a periodic basis to administer the ESOP schemes of the Company.

IX. GENERAL BODY MEETINGS

A. Location and time of the last three AGMs

| Year | Date of AGM | Venue | Time |
|-----------|--------------------|-----------------------|-----------|
| 2005-2006 | August 28, 2006 | Le Meridien Bangalore | 4:00 p.m. |
| 2006-2007 | July 26, 2007 | Le Meridien Bangalore | 4:00 p.m. |
| 2007-2008 | September 23, 2008 | Registered Office | 4:00 p.m. |

Location and time of the last three EGMs

| Year | Date of EGM | Venue | Time |
|------|-------------------|------------------|-----------|
| 2007 | April 23, 2007 | Corporate office | 4:00 p.m. |
| 2007 | June 4, 2007 | Corporate office | 4:00 p.m. |
| 2007 | November 26, 2007 | Corporate office | 4:00 p.m. |

B. Postal ballot

Following special resolutions were passed through a single postal ballot procedure during the year:

- Approval of Employee Stock Option Plan 2008 of the Company.
- Approval of grant of options under Employee Stock Option Plan 2008 to eligible employees of the subsidiary companies.
- Amendment of Employee Stock Option Plan 2000 incorporating a surrender clause.
- Amendment of Employee Stock Option Plan 2005 incorporating a surrender clause.

The businesses as set out above were not compulsorily required to be transacted through postal ballot. However, as a measure of good corporate governance, the Company opted for postal ballot. The proposed draft special resolutions, the explanatory statement stating all material facts and the reasons for the proposal and the postal ballot form along with self-addressed business reply envelope were sent, vide notice dated June 2, 2008, to all the members whose names appeared in the Register of Members as on May 30, 2008.

The Company had appointed Mr. Nagendra D Rao, Practising Company Secretary, to act as scrutinizer for conducting the postal ballot process in a fair and transparent manner. The members were requested to send their duly completed postal ballot form not later than the close of working hours on July 7, 2008. The scrutinizer submitted his report to the Chairman after completion of the scrutiny and the result of the voting by postal ballot was announced on July 9, 2008 at 4.00 P.M at the registered office of the Company.

The special resolutions mentioned above were declared as passed as the number of votes cast in favour of each of the resolution were not less than three times the number of votes cast against the said special resolution. Following were the details of voting pattern of members:

| Sl. no. | Particulars | No. of Postal ballot forms | No. of Shares | % of total paid up capital |
|---------|---|----------------------------|---------------|----------------------------|
| 1. | Total postal ballot forms received | 324 | 3,499,501 | 10.04 |
| | Less: Invalid postal ballot forms (as per register) | 47 | 4,907 | 0.01 |
| | Net Valid postal ballot forms (as per register) | 277 | 3,494,594 | 10.03 |

| | | | |
|--|-----|-----------|------|
| 2. Postal ballot forms with assent for the Resolution | | | |
| Resolution No. 1 | 255 | 3,356,628 | 9.63 |
| Resolution No. 2 | 252 | 3,356,542 | 9.63 |
| Resolution No. 3 | 251 | 3,355,842 | 9.63 |
| Resolution No. 4 | 251 | 3,355,877 | 9.63 |
| 3. Postal ballot forms with dissent for the Resolution | | | |
| Resolution No. 1 | 22 | 137,966 | 0.39 |
| Resolution No. 2 | 25 | 137,967 | 0.39 |
| Resolution No. 3 | 26 | 138,577 | 0.39 |
| Resolution No. 4 | 26 | 138,542 | 0.39 |

X. DISCLOSURES

A. There are no 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. 7 under Schedule Q to the standalone financial statements in this 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 the listing conditions laid down in the Listing Agreement of the stock exchanges where the shares of the Company are listed.

XI. 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 regional edition of 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 has been separately dealt with in the Annual Report.

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

XIII. 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.

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

Clause 49 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. The Company has complied with the following non-mandatory requirements:

A. The Board

The Company has an Executive Chairman and as such the need to disclose details on maintenance of office by a Non-Executive Chairman does not arise. The Company ensures that the persons appointed as Independent Directors have the requisite qualifications and experience which would be of use to the Company and which would enable them to contribute effectively to the Company in their capacity as Independent Directors.

B. Remuneration Committee

The Company has constituted a Remuneration Committee. A detailed note on the Remuneration Committee has been provided elsewhere in the report.

C. Shareholders' rights

The Company communicates with investors regularly through e-mails, telephone and face-to-face meetings like investor conferences, earnings calls, company visits or on road shows. The Company announces 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 on the Company's website. However, the Company has 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. The Company always endeavours 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 the time and attention devoted by them for the Company. While doing so, the Company evaluates the performance of the Non-Executive Directors using various parameters. However the Company is yet to formalize this evaluation by peer group comprising entire Board of Directors, excluding the Director being evaluated.

G. Whistle Blower Policy

The Company has 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. The employees are informed of this policy through appropriate internal communications. None of the employees have been denied access to this facility.

For Subex Limited

Subash Menon

Founder Chairman,

Managing Director & CEO

Place : Bangalore

Date : May 26, 2009

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, 2009, as stipulated under Clause 49 of the Listing Agreement of the 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 on 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. Balaji
Partner

Place : Bangalore
Date : May 26, 2009

Membership No. 203685

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, 2009.

For Subex Limited

Subash Menon

*Founder Chairman,
Managing Director & CEO*

Place : Bangalore
Date : May 26, 2009

OVERVIEW

Subex Limited (Subex) is listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). The Global Depository 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 profits 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 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 or Business Optimization. The Company operates in Business Optimization and Service Fulfillment areas. While Business Optimization 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, Singapore and Australia. Subex is the global leader in business optimization for communications service providers.

Given the global economic scenario, carriers 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.

2. OPPORTUNITIES AND THREATS

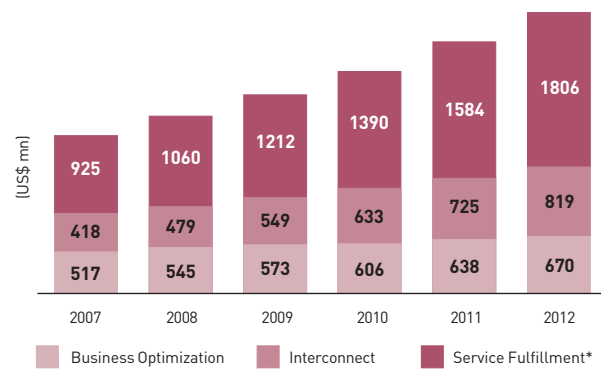
2.1 Strategy

Subex has been implementing a well thought out strategy for the past several years. There are multiple arms to that strategy. We couple the strength of an in-region front end to acquire and service customers locally with an extensive workforce in India to optimize the cost of delivery. The second arm of the strategy is to offer a platform of solutions that address issues in an end-to-end manner. Our deep domain expertise is brought to bear to ensure technologically advanced and user-friendly solutions in line with the expectations of the telcos. As reported by Analysys Mason Limited, operators are keen to integrate BSS and OSS to make deployment easier. The third arm is to deliver the solutions in various ways including the managed services format. In the managed services format, we leverage our operational experience and domain expertise to the benefit of our customers resulting in our customers gaining from thousands of person years of collective knowledge.

In keeping with this strategy, we have been embellishing our offering – both through acquisitions and internal development – and have developed an extensive platform spanning Business Optimization and Service Fulfillment.

2.2 Market Opportunity

An intensely competitive environment is the greatest driver for telco spending in software solutions. Reducing churn, increasing coverage, controlling cost and enhancing revenue are the key concerns of the operators. The data on market size in US\$ Million is provided below:



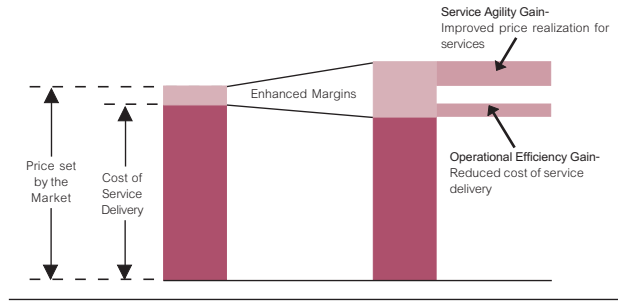
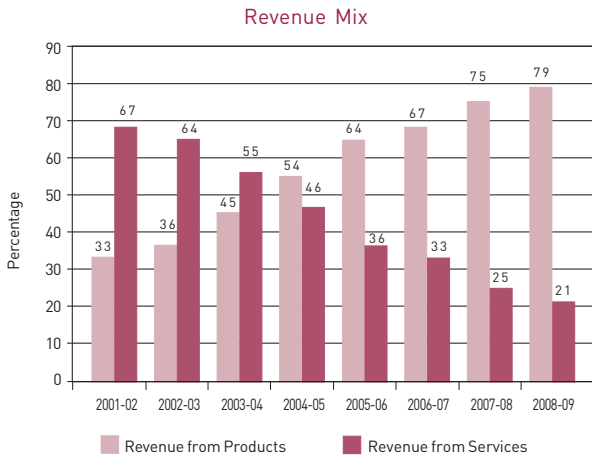
*For the solutions that are currently available with Subex only.
Source: Analysys Mason Limited

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.

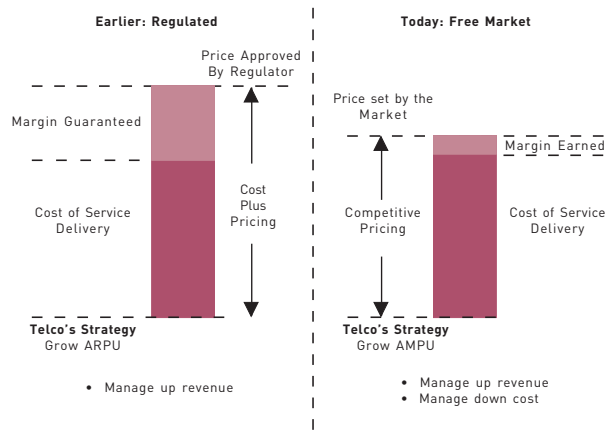


We call this combination as Operational Dexterity.

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.

3.2 Telecom software products

The issues being faced by the telecom operators are continuing without any change over the past couple of years. 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 to 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 to 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 services
 - achieving rapid service provisioning
 - maintaining high quality of service delivery
- and

Operational efficiency

- reducing the cost of delivery of service

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 third 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, and 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 acquisition
- 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, Sylanro 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. Since 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 can 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

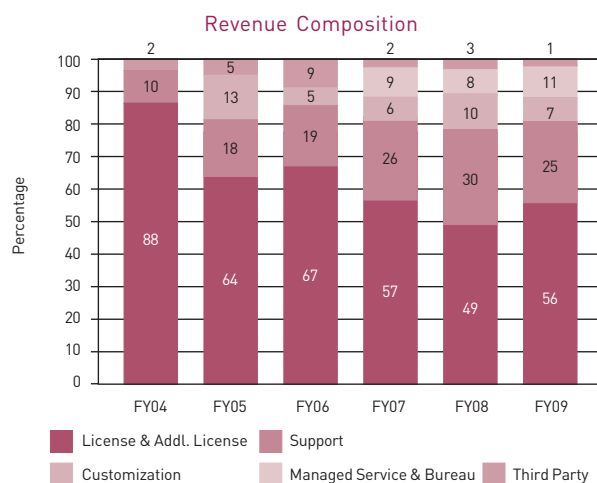
Network maintenance is an unavoidable cost of doing business. The world's largest networks continually evolve and change, as Service Providers add bandwidth, replace defective hardware, perform upgrades, introduce new network infrastructure, optimize existing capacity and change technology providers. 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 re-provisioning 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

Subex 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

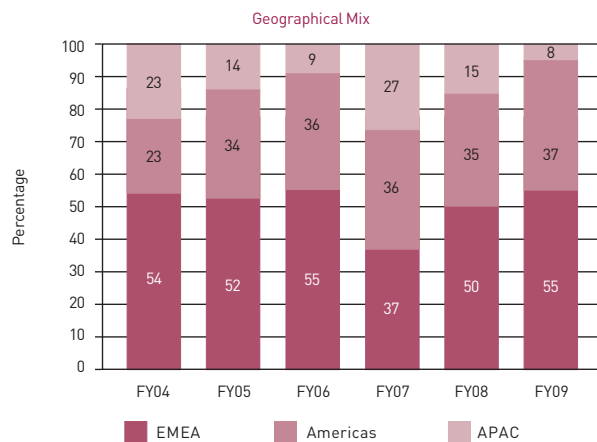
Subex licenses its software solutions on per subscriber or per transaction basis for every service stream of our customers, resulting in continuous growth in license revenues depending on the growth of the networks where the solutions are installed. Another sustainable revenue stream is the support revenue 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, FY08 and FY09.



A large portion of our revenue (36% in FY09) 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.

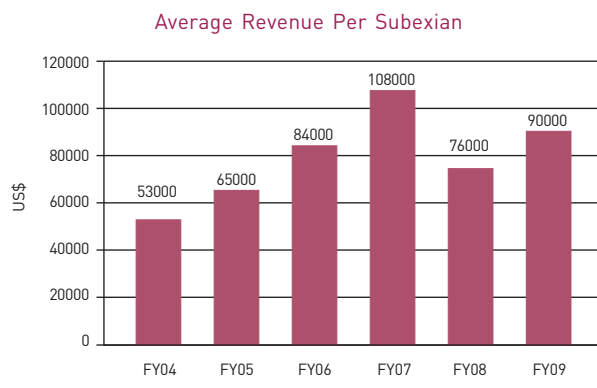
3.5 Geographical Mix

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.



3.6 Average Revenue Per Subxian

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



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 spending 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 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.

4.6 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.

4.7 Environmental Matter

Software development, being a pollution-free industry, is not subject to any environmental regulations.

4.8 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.

4.9 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.

4.10 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.

4.11 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 | 2009 | | 2008 | | 2007 | |
|--|--------------|------------|--------------|------------|--------------|------------|
| | Consolidated | Standalone | Consolidated | Standalone | Consolidated | Standalone |
| Total income | 6,034.80 | 3,232.50 | 4,859.58 | 1,440.46 | 3,710.92 | 2,361.84 |
| Export sales | 2,233.06 | 1,282.16 | 3,799.38 | 1,080.40 | 3,330.06 | 2,108.94 |
| Operating Profits (EBITDA) before Exceptional items | 971.30 | 766.03 | (730.20) | (251.60) | 812.46 | 447.83 |
| Depreciation & Amortization | 228.83 | 136.46 | 184.04 | 121.55 | 148.53 | 113.39 |
| Profit/(Loss) before tax and Exceptional items | 307.66 | 276.99 | (1,219.04) | (652.12) | 576.61 | 259.09 |
| Profit/(Loss) after tax and Exceptional items | (1,883.63) | (1,782.11) | (680.71) | (61.88) | 675.66 | 208.14 |
| Equity Dividend % | Nil | Nil | Nil | Nil | 20% | 20% |
| Share Capital | 348.47 | 348.47 | 348.47 | 348.47 | 348.16 | 348.16 |
| Reserves & Surplus | 3,464.34 | 4,167.89 | 6,348.96 | 6,539.30 | 8,059.12 | 7,614.14 |
| Net Worth | 3,844.51 | 4,562.67 | 6,875.17 | 7,097.98 | 8,348.10 | 7,949.89 |
| Gross Fixed Assets | 1,746.33 | 764.23 | 1,507.51 | 742.71 | 821.73 | 662.67 |
| Net Fixed Assets | 306.65 | 163.34 | 388.77 | 265.97 | 358.55 | 306.44 |
| Total Assets | 15,902.45 | 15,830.78 | 16,185.94 | 15,957.34 | 17,787.98 | 17,088.88 |
| Key Indicators | | | | | | |
| Earning per Share (Year end) | (54.05) | (51.14) | (19.49) | (1.77) | 19.41 | 5.98 |
| Cash Earning per Share (Year end) | (2.12) | 3.94 | (28.53) | (14.68) | 12.74 | 3.03 |
| Book value per Share | 110.33 | 130.93 | 197.30 | 203.69 | 239.78 | 228.34 |
| Debt (including Working capital) Equity Ratio | 2.83 | 2.28 | 1.35 | 1.25 | 1.01 | 1.06 |
| EBITDA/Sales - % | 17.39% | 25.44% | (15.04%) | (17.49%) | 23.83% | 21.14% |
| Net Profit Margin - % | (33.73%) | (59.19%) | (14.02%) | (4.30%) | 19.82% | 10.00% |
| Return on year end Net Worth % | (49.00%) | (39.06%) | (9.90%) | (0.87%) | 8.09% | 3.00% |
| Return on year end Capital Employed % | (12.78%) | (11.92%) | (4.22%) | (0.39%) | 4.84% | 3.00% |

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 31st March 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 6th January 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 7th April 2006 @ Rs.400/-.
- 11,728,728 Shares of Rs.10/- each to the GDR holders as on 22nd June 2006 towards consideration of the cost of acquisition of Azure Solutions Ltd at Rs.532.24 per share.

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.

7.2 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.

During the year 2008-09, Rs.140.55 Million relating to 2,230,000 warrants allotted to promoters/promoter's group, have been forfeited and the money has been transferred to Capital Reserve.

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/- per share.
- 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/- per share.
- 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.

7.3 Employee Stock Options

In accordance with the guidelines issued by SEBI under the ESOS & ESPS Scheme 1999, the Company amortizes 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 net amount carried in respect of stock options outstanding at March 31, 2009 amounts to Rs.46.31 Million (Previous Year: Rs.69.65 Million).

7.4 Deferred Tax

In accordance with the generally accepted accounting principles in India on Accounting for Deferred Taxes, a net gain of Rs. Nil on a stand alone basis and net change of Rs.79.13 Million on a 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.41.28 Million on consolidated basis and Rs.24.18 Million on stand alone basis.

7.5 Secured Loans

On a consolidated basis, the secured loan of Rs. 980.04 Million (Previous Year: Rs.1156.15 Million) and on stand alone basis, the secured loan of Rs.479.16 Million (Previous Year: Rs.743.22 Million) outstanding in the books as at March 31, 2009 consists of Rs.25.46 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.453.69 million pertaining to the working capital loan from Axis Bank Ltd and State Bank of India, which is secured by Fixed Assets and Receivables.

7.6 Unsecured Loans

On a consolidated basis, the unsecured loan outstanding in the books as at March 31, 2009 consists of –

- a) Rs.9,129.60 Million (Previous Year: Rs. 7,200.00 Million) relating to Foreign Currency Convertible Bonds issued in fiscal 2006-07. 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 premium payable on these bonds is accrued over the life of the bonds and is carried under Current Liabilities & Provisions.
- b) Rs.29.11 Million (Previous Year: Rs.158.97 Million) relates to short term working capital loan from Deutsche Bank.
- c) Rs.749.86 Million (Previous Year: Rs.749.86 Million) relates to long term working capital loan from State Bank of India.

On a stand alone basis, the unsecured loan outstanding in the books as at March 31, 2009 consists of –

- a) Rs.9,129.60 Million (Previous Year: Rs. 7,200.00 Million) relates to Foreign Currency Convertible Bonds issued in fiscal 2006-07. 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 premium payable on these bonds is accrued over the life of the bonds and is carried under Current Liabilities & Provisions.
- b) Rs.29.11 Million (Previous Year: Rs.158.97 Million) relates to short term working capital loan from Deutsche Bank.
- c) Rs.749.85 Million (Previous Year: Rs.749.85 Million) relates to long term working capital loan from State Bank of India. These loans are due in fiscal 2009-10.

7.7 Fixed Assets

7.7.1 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.

7.7.2 During the year, the Company added Rs.106.78 Million on a consolidated basis and Rs.38.33 Million on stand alone basis, to its gross block. The Company disposed off certain assets no longer required. The Company's net block of fixed assets was Rs.284.28 Million (Previous year: Rs.387.09 Million) on a consolidated basis and Rs.163.34 Million (Previous year: Rs. 265.97 Million) on a stand-alone basis.

7.8 Investments

7.8.1 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." During 2007-08, the Company filed an application with the Hon'ble High Court of Karnataka to transfer the Services Business Division (which included the investment in Subex Technologies Inc.) 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.

7.8.2 On 23rd June 2006, the Company acquired the entire share holding of Azure Solutions Ltd, UK. The consideration was discharged by issue 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.

7.8.3 During the year 2007-08, 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. 7,749.57 Million includes the incidental costs of acquisition. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

7.9 Sundry Debtors

7.9.1 During the year, on a stand alone basis the Company has securitized a portion of its receivables amounting to Rs.401.04 Million (Previous year: Rs.133.37 Million) with Axis Bank Ltd and on a consolidated basis Rs.582.81 Million (Previous Year : Rs.133.37 Million).

7.9.2 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.

7.9.3 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.

7.9.4 Sundry Debtors as a percentage of total revenue is 11% as against 27% in the previous year, on a consolidated basis.

7.9.5 The age profile on a consolidated basis is as given below:

| Period in days | Amount in Rs. million | | | |
|--------------------|-----------------------|--------|----------------|--------|
| | March 31, 2009 | | March 31, 2008 | |
| | Value | % | Value | % |
| Less than 180 days | 622.31 | 100.00 | 1040.10 | 57.84 |
| More than 180 days | - | - | 273.21 | 42.16 |
| Total | 622.31 | 100.00 | 1,313.31 | 100.00 |

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

| Period in days | Amount in Rs. million | | | |
|--------------------|-----------------------|--------|----------------|--------|
| | March 31, 2009 | | March 31, 2008 | |
| | Value | % | Value | % |
| Less than 180 days | 1,110.08 | 100 | 682.16 | 97.75 |
| More than 180 days | - | - | 15.71 | 2.25 |
| Total | 1,110.08 | 100.00 | 697.87 | 100.00 |

7.9.6 The management believes that the overall composition and condition of sundry debtors is satisfactory. The provision for doubtful debts stands at Rs.290.77 Million (Previous Year: Rs. 309.14 million) on a consolidated basis and Rs.162.21 Million (Previous Year: Rs. 289.14 million) on a stand alone basis.

7.10 Cash and Bank Balances

The bank balances in India includes both rupee accounts and foreign currency accounts. The fixed deposit of Rs.32.73 Million on a consolidated basis and Rs.31.91 Million on a standalone basis is the margin money with the bankers for establishing bank guarantee/issuing corporate credit cards.

7.11 Loans and Advances

7.11.1 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.

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

7.11.3 Loans due from Group Companies (Standalone basis)

| | Rs. In Million | |
|------------------------------|----------------|---------|
| | 2008-09 | 2007-08 |
| Subex (UK) Limited | 310.83 | 433.63 |
| Subex (Asia Pacific) Pte Ltd | - | 22.06 |
| Subex Americas Inc | 181.56 | 181.68 |
| Subex Inc | 114.40 | 112.55 |
| Subex Technologies Ltd | 166.95 | 394.61 |

7.12 Provisions

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

Provision also includes redemption premium accrued on Foreign Currency Convertible bonds – Rs.1361.92 Million (Previous Year: Rs.632.05 Million)

7.13 Other Matters

7.13.1 Letters of Credit

The Company has an outstanding Letters of credit amounting to Rs.32.95 Million (Previous Year: Rs.26.05 Million) on consolidated and a standalone basis. These letters of credit are in the nature of procurement of capex & corporate credit card.

7.13.2 Guarantees

On Stand alone Basis

The Company has provided Corporate Guarantees to Banks for credit facilities availed by its wholly owned subsidiaries to the amount of Rs. 731.85 Million (Previous Year: Rs.500.000 Million). The subsidiaries had utilized such facilities to the extent of Rs.659.36 Million.

7.14 Profit & Loss Account

7.14.1 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 | 2008-09 | | 2007-08 | |
|-------------------|----------|--------|----------|--------|
| | Value | % | Value | % |
| Software Services | 4,384.81 | 78.51 | 3,618.48 | 74.52 |
| Software Products | 1,200.08 | 21.49 | 1,237.43 | 25.48 |
| Total | 5,584.89 | 100.00 | 4,855.91 | 100.00 |

7.14.2 Geographically, the company earns income from export of software services to USA and software products to most of the countries.

7.15 Other Income

Non Operating 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.

7.16 Expenditure

7.16.1 The staff cost decreased to Rs.3,866.80 Million (Previous year: Rs.4,022.37 Million) on a consolidated basis and increased to Rs.798.27 Million (Previous year: Rs.516.05 Million) on a stand alone basis.

7.16.2 The Company incurred administration and other expenses at 17.78% of its total income during the year as compared to 30.52% during the previous year on a consolidated basis and 50.45% of its total income during the year as compared to 49.41 % during the previous year on a stand-alone basis.

7.17 Operating Profits

During the year, on a consolidated basis, the Company earned an Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of Rs.971.30 Million being 16.10% of total income as against Rs.(730.20) Million at 15.03% during the previous year. On a stand-alone basis, the Company earned Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of Rs.766.02 Million being 17.47 % of total income as against Rs.(251.60) Million at 23.70 % during the previous year.

7.18 Interest & Bank Charges

The Company incurred an expenditure of Rs.434.81 Million (Previous year: Rs. 304.80 Million) on a consolidated basis and Rs. 352.57 Million (Previous year: Rs. 278.97 Million) on a stand-alone basis. The interest paid is related to temporary overdrafts and securitized receivables. The interest on FCCBs provided alone amounted to Rs.180.76 Million (Previous Year: Rs. 160.77 Million).

7.19 Depreciation

7.19.1 The provision for depreciation for the year amounted to Rs. 212.88 Million (Previous year: Rs.172.32 Million) on a consolidated basis and Rs.136.46 Million (Previous year: Rs.121.54 Million) on a stand alone basis.

7.19.2 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.82.23 Million (Previous year: Rs.84.36 Million) has been charged towards depreciation.

7.20 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.

7.21 Net Profit

On a consolidated basis, the net loss of the Company amounted to Rs.1,883.63 Million as against Rs.680.71 Million

during the previous year. On a stand-alone basis, the net loss of the Company amounted to Rs.1,782.11 Million as against Rs.61.88 Million during the previous year.

The loss is mainly due to reinstatement of Foreign Currency Convertible Bonds, amounting to Rs.1,929.60 Million, which is a non-cash item, arising due to Rupee depreciating by 21% against United States Dollar.

7.22 Earnings per Share

Earnings/(Loss) per share computed on the basis of number of common stock outstanding, as on the Balance Sheet date was Rs.(54.05) per share (Previous year: Rs.(19.49) per share) on consolidated basis and Rs.(51.14) per share [Previous year: Rs.(1.77) per share] on a stand-alone basis.

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

Subexians

As a product company, Subex focuses on recruiting for depth of knowledge. Depth of domain knowledge, product engineering skills, solution design and presentation are some of the key requirements at Subex. We have a highly trained workforce that is globally distributed. The bulk of the population is at our Bangalore office with London, Toronto and Denver being the other large centres. As of March 31, 2009, we had over 1075 Subexians on our rolls.

The Human Resources department is centralized at our corporate headquarters in Bangalore and oversees HR functions across all other offices. At Subex, the HR team provides a competitive edge to the business by providing a workforce that can support a very unique model of value delivery based on global product development and delivery capabilities. It consistently strives to drive and implement a uniform HR strategy in areas of Recruitment, Compensation Benefits, Subexian Relations, Retention, Performance Management Processes, M&A Integration etc.

Recruiting

Subex has conceived and introduced many innovative processes in Recruitment which have proved most effective. Some of the practices like "Coffee with the Hiring Manager", post-offer feedback, mapping of potential candidates in the industry, using Subexian referral program, partner feedback, interviewer feedback etc. have been very successful in helping Subex to hire the best available talent in a cost effective and efficient manner.

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 for hires are Subexians referral programs, advertisements, Placement consultants, website postings and

walk-ins. All jobs require a strong focus on both technology and telecom domain. The entire recruitment process is managed through an internally developed tool called "Poodle".

Induction & Training

Each of our new recruits undergoes a mandatory induction program when they join Subex. The induction program is split into in three phases.

First Day Induction by HR is aimed at familiarization of the Company, benefits and facilities. This is then followed by Functional Induction wherein various department heads explain the activities within their departments. There is also a Management Induction which is organized within a month of joining, to provide a platform for direct interaction with the senior level management of the organization and to get an overall understanding of the vision, culture, current and future goals of the organization etc.

New or recent graduates must also attend additional training programs that are tailored to their area of technology. In addition, there are training programs for all Subexians to improve their technical skills and 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.

Subex is also in the initial phases of launching a Subex Academy which would streamline the entire training process. This automated platform would add significant value to training identification, conduct and evaluation.

Performance Management System

Subex continues to take advantage of the latest developments in the industry and we have now introduced what we call the V-Model, which helps us align our existing competency model with our vision, values and traits.

Last year, we rolled out an intranet based system to ease operations. This year, we have improved on the alignment between the competencies in the SDS and our vision, values and traits. The V model talks about values which are important for Subexians to be successful. This formed the base on which two pillars were built namely, excel and lead. While "excel" takes care of competencies required for current performance, "lead" factor takes care of competencies required for the future. This, along with the KRAs reinforces the performance culture at Subex.

Compensation

Compensation at Subex is multi-dimensional and consists of salary, benefits, stock options, health and disability insurance. The Company benchmarks its compensation package against industry data and strives to achieve a balanced position. Subex has developed and perfected a Compensation Grid for use in arriving at the appropriate compensation.

financial review

subex limited (standalone)

1. We have audited the attached Balance Sheet of Subex Limited (formerly Subex Azure Limited), as at March 31, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial 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.
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.
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (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) on the basis of written representations received from some directors as at March 31, 2009 and taken on record by the board of directors, and the confirmation received from the Company that the other directors do not hold directorships in any other public Company in India, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.
 - (f) without qualifying our opinion, we draw attention to Note II.9 of Schedule Q to the financial statements regarding the treatment of the excess managerial remuneration paid to the Managing Director and Whole-time Director and the status of the application to the Central Government with regard to the same.
 - (g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, 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, 2009;
 - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (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. Balaji
Partner

Place: Bangalore
Date: May 26, 2009

M. No. 203685

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

1. The nature of the Company's business/activities during the year is such that, clauses iii (b) to (d), iii (f), iii (g), v (b), viii, xii, xiii, xiv, xviii, xix and 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) Some of the fixed assets of the Company 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, the Company is in the process of reconciling the details of verification with the fixed asset records.
 - (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 its inventories:
 - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.

- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. According to the information and explanations given to us, the company has not taken/granted any loans, secured or unsecured, from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, having regard to the explanation 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 goods and 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.
6. To the best of our knowledge and belief, and according to the information and explanations given to us, there were no contracts or arrangements that needed to be entered

in the register maintained in pursuance of section 301 of the Companies Act 1956.

7. The Company has not accepted deposits from the public.
8. 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.
9. 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, 2009 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, 2009 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 (Incl. interest) | 5,859,380 | 2001-02 | Commissioner of Income Tax (Appeals) |
| Income Tax Act, 1961 | Income tax (Incl. interest) | 5,357,900 | 2003-04 | Honorable High Court of Karnataka |
| Income Tax Act, 1961 | Income tax (Incl. interest) | 24,047,860 | 2004-05 | Commissioner of Income Tax (Appeals) |

10. The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the year. The Company has incurred cash losses during the financial year covered by our audit. The Company did not incur cash losses in the immediately preceding financial year.
11. 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.
12. In our opinion and according to the information and explanations given to us, the terms 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.
13. 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, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

14. 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.
15. 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. Balaji
Partner

Place: Bangalore
Date: May 26, 2009

M. No. 203685

BALANCE SHEET AS AT
Amount in Rs.

| | Schedule | March 31, 2009 | | March 31, 2008 | |
|--|----------|----------------------|------------------------------|----------------------|------------------------------|
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS' FUNDS : | | | | | |
| Share Capital | A | 348,470,890 | | 348,470,890 | |
| Monies received pending allotment [Refer Note II.4, Schedule Q] | | - | | 140,559,130 | |
| Employees Stock Options Outstanding account | B | 46,306,062 | | 69,645,719 | |
| Reserves and Surplus | C | <u>5,048,272,223</u> | 5,443,049,175 | <u>6,539,300,844</u> | 7,097,976,583 |
| LOAN FUNDS : | | | | | |
| Secured Loans | D | 479,161,493 | | 743,222,407 | |
| Unsecured Loans | E | <u>9,908,570,246</u> | 10,387,731,739 | <u>8,108,835,358</u> | 8,852,057,765 |
| DEFERRED TAX LIABILITY | | | - | | 7,302,834 |
| TOTAL | | | <u>15,830,780,914</u> | | <u>15,957,337,182</u> |
| APPLICATION OF FUNDS | | | | | |
| FIXED ASSETS & INTANGIBLES : | | | | | |
| Gross Block | F | 764,230,507 | | 742,708,202 | |
| Less : Depreciation | | <u>600,888,201</u> | | <u>476,733,586</u> | |
| Net Block | | | 163,342,306 | | 265,974,616 |
| INVESTMENTS : | G | | 14,263,443,608 | | 14,263,443,608 |
| DEFERRED TAX ASSET | | | 24,176,009 | | 31,478,847 |
| CURRENT ASSETS, LOANS & ADVANCES : | | | | | |
| Sundry Debtors | H | 1,110,083,973 | | 697,874,188 | |
| Cash & Bank balances | I | 53,041,678 | | 92,874,559 | |
| Loans & Advances | J | 1,193,050,991 | | 1,520,736,481 | |
| Unbilled Revenue | | 141,527,765 | | <u>152,302,807</u> | |
| | | <u>2,497,704,407</u> | | <u>2,463,788,035</u> | |
| Less: Current liabilities & Provisions | K | | | | |
| Current liabilities | | 422,324,717 | | 323,423,121 | |
| Provisions | | <u>1,575,940,535</u> | | <u>743,924,803</u> | |
| | | <u>1,998,265,252</u> | | <u>1,067,347,924</u> | |
| Net Current Assets | | | 499,439,155 | | 1,396,440,111 |
| PROFIT AND LOSS ACCOUNT | | 1,058,355,416 | | | |
| Less : Transfer from General Reserve as per Contra | | <u>177,975,580</u> | 880,379,836 | | - |
| TOTAL | | | <u>15,830,780,914</u> | | <u>15,957,337,182</u> |

 Significant Accounting Policies & Notes to the Accounts **Q**

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

For and on behalf of the Board

 V. Balaji
 Partner
 Membership No. 203685

 Subash Menon
 Founder Chairman, Managing Director & CEO

 Raj Kumar
 Chief Counsel & Company Secretary

 Sudeesh Yezhuvath
 Chief Operating Officer

 V. Balaji Bhat
 Director

 Bangalore
 May 26, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
Amount in Rs.

| | Schedule | March 31, 2009 | March 31, 2008 |
|---|----------|------------------------|----------------------|
| INCOME : | | | |
| Sales & Services | | 3,011,047,937 | 1,438,684,166 |
| Other Income | L | 221,450,285 | 1,777,629 |
| Total | | 3,232,498,222 | 1,440,461,795 |
| EXPENDITURE : | | | |
| Cost of Hardware, Software and Support Charges | M | 37,469,453 | 464,299,995 |
| Personnel Costs | N | 798,276,040 | 516,053,309 |
| Other Operating, Selling and Administrative Expenses | O | 1,630,725,366 | 711,716,717 |
| Financial Costs (Net) | P | 352,574,093 | 278,968,260 |
| Depreciation & Amortisation | F | 136,458,814 | 121,549,632 |
| Total | | 2,955,503,766 | 2,092,587,913 |
| Profit/(Loss) Before Taxation and Exceptional Items | | 276,994,456 | (652,126,118) |
| Exceptional Items | | | |
| Exchange Gain/(Loss) on Restatement of FCCBs | | (1,929,600,000) | 607,500,000 |
| Mark to Market losses on Option Contracts | | (97,231,040) | (5,500,000) |
| | | (2,026,831,040) | 602,000,000 |
| Profit/(Loss) Before Tax | | (1,749,836,584) | (50,126,118) |
| Provision for taxation includes | | | |
| - Current tax | | 6,976,548 | 17,129,780 |
| - MAT Credit written off/(carried forward) | | 21,170,731 | (10,042,000) |
| - Fringe Benefit Tax | | 4,121,669 | 11,930,660 |
| - Deferred tax | | - | (7,259,005) |
| | | 32,268,948 | 11,759,435 |
| Profit/(Loss) After Taxation | | (1,782,105,532) | (61,885,553) |
| Profit/(Loss) before tax from continuing operations | | (1,749,836,584) | (76,648,345) |
| Tax Expenses | | 32,268,948 | 4,756,955 |
| | | (1,782,105,532) | (81,405,300) |
| Profit/(Loss) before tax from discontinued operations | | - | 26,522,227 |
| Tax Expenses | | - | 7,002,480 |
| | | - | 19,519,747 |
| Profit/(Loss) After Taxation | | (1,782,105,532) | (61,885,553) |
| Balance brought forward from Previous year | | 723,750,116 | 785,666,570 |
| Profit Available for Appropriation | | (1,058,355,416) | 723,781,017 |
| APPROPRIATION : | | | |
| Dividend | | | |
| - Equity Shares - Final Dividend 2006-07 | | - | 26,412 |
| - Tax on distributed profits | | - | 4,489 |
| Surplus/(Deficit) carried to Balance Sheet | | (1,058,355,416) | 723,750,116 |
| | | (1,058,355,416) | 723,781,017 |
| Earnings/(Loss) Per Share (Face value of Rs.10/- each) (Refer Note II.8 of Schedule Q) | | | |
| - Basic | | (51.14) | (1.77) |
| - Diluted | | (51.14) | (1.77) |

 Significant Accounting Policies & Notes to the Accounts **Q**

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

For and on behalf of the Board

 V. Balaji
Partner

Membership No. 203685

 Bangalore
 May 26, 2009

 Subash Menon
Founder Chairman, Managing Director & CEO

 Raj Kumar
Chief Counsel & Company Secretary

 Sudeesh Yezhuvath
Chief Operating Officer

 V. Balaji Bhat
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED
Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|------------------------|------------------------|
| Cash flow from operating activities | | |
| Net Profit before Tax | (1,749,836,584) | (50,126,118) |
| Adjustments for : | | |
| a) Depreciation and amortization | 136,458,814 | 123,103,856 |
| b) Interest received | (51,107,777) | (17,129,916) |
| c) Interest and bank charges | 403,681,870 | 296,098,176 |
| d) Profit on sale of assets (net) | (172,727) | (1,096,373) |
| e) Employee stock compensation expenses | (11,786,616) | 50,005,707 |
| f) Provision for doubtful debts | 59,115,796 | 288,690,000 |
| g) Unrealised exchange fluctuations | 1,758,633,473 | (595,294,231) |
| Operating Profit before Working Capital Changes | 544,986,249 | 94,251,101 |
| Adjustments for : | | |
| a) Sundry Debtors | (250,125,502) | (942,364,633) |
| b) Loans and advances | 453,271,340 | (501,244,448) |
| c) Trade and other payables | 96,619,094 | 287,244,444 |
| Cash generated from/(used in) operations | 844,751,181 | (1,062,113,536) |
| a) Direct Taxes paid | (34,765,054) | (101,006,118) |
| Net Cash provided by operating activities | A 809,986,127 | (1,163,119,654) |
| Cash Flow from Investing activities | | |
| a) Purchase of Fixed Assets | (38,328,461) | (87,261,489) |
| b) Sale / disposal of fixed assets | 4,674,685 | 5,720,518 |
| c) Cash flows on acquisitions of subsidiaries | - | (345,879,403) |
| d) Interest received | 1,696,744 | 17,129,916 |
| Net Cash from Investing Activities | B (31,957,032) | (410,290,458) |
| Cash Flow from Financing Activities | | |
| a) Proceeds/(Utilisation) from issue of shares/warrants/options | - | 145,225,998 |
| b) Proceeds from/(repayment) of short term borrowings - Net | (421,248,627) | 303,802,090 |
| c) Proceeds from Long term borrowings | 10,640,937 | 768,831,945 |
| d) Repayment of Long term borrowings | (7,334,336) | (4,335,771) |
| d) Dividends & Dividend tax paid | (53,154) | (81,503,996) |
| e) Interest and bank charges paid | (402,301,382) | (305,875,936) |
| f) Incidental expenses on issue of FCCB & GDR, (incurred)/refunded | - | 38,374,819 |
| Net Cash from Financing Activities | C (820,296,562) | 864,519,149 |
| Net increase in Cash or Cash equivalents [A + B + C] | (42,267,467) | (708,890,963) |
| Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents | 2,434,586 | 607,427 |
| Cash or Cash equivalents at the start of the year | 92,874,559 | 801,158,095 |
| Cash or Cash equivalents at the close of the year | 53,041,678 | 92,874,559 |

Note : Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs.751,860 (PY : Rs. 805,014), fixed deposit of Rs. 31,907,440 (PY : Rs.17,424,597) which are not available for use by the Company.

Significant Accounting policies & Notes to the accounts **Q**

The Schedule referred to above forms an integral part of the Cash flow statement

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

V. Balaji
Partner

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Membership No. 203685

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
May 26, 2009

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED
Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|-----------------------------|-----------------------------|
| SCHEDULE - A : | | |
| SHARE CAPITAL : | | |
| AUTHORISED : | | |
| 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 | <u>500,000,000</u> | <u>500,000,000</u> |
| ISSUED, SUBSCRIBED AND PAID UP: | | |
| EQUITY : | | |
| 34,847,089 Equity Shares of Rs. 10/- each | 348,470,890 | 348,470,890 |
| 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 Ltd | | |
| Total | <u>348,470,890</u> | <u>348,470,890</u> |
| SCHEDULE - B : | | |
| EMPLOYEES STOCK OPTIONS OUTSTANDING ACCOUNT : | | |
| Employees Stock Options Outstanding | 85,899,999 | 162,476,740 |
| Less: Deferred Employees Compensation Expenses | 39,593,937 | 92,831,021 |
| | <u>46,306,062</u> | <u>69,645,719</u> |
| SCHEDULE - C : | | |
| RESERVES AND SURPLUS : | | |
| Capital Reserve | | |
| Opening Balance | 13,006,920 | 13,006,920 |
| Add : Transfer on forfeiture of warrants | 140,559,130 | 153,566,050 |
| | - | - |
| | - | 13,006,920 |
| General Reserve | | |
| Opening Balance | 177,975,580 | 177,975,580 |
| Less: Transfer to Profit & Loss Account as per contra | 177,975,580 | - |
| | - | 177,975,580 |
| Securities Premium Account | | |
| Opening Balance | 5,624,568,228 | 6,576,304,853 |
| Add: Additions during the year | - | 4,353,213 |
| Add/(Less) : Reversal of/(Utilised towards) incidental costs of issue of FCCBs & GDRs | - | 38,374,819 |
| Less: Redemption premium on FCCBs [Refer Note II.3, Schedule Q] | 729,862,055 | 589,904,656 |
| Less: Adjustments on account of Demerger Scheme [Refer Note II.2, Schedule Q] | - | 4,894,706,173 |
| Profit & Loss Account | - | 723,750,116 |
| Total | <u>5,048,272,223</u> | <u>6,539,300,844</u> |

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|--|-----------------------------|-----------------------------|
| SCHEDULE - D : | | |
| SECURED LOANS : | | |
| Short Term: | | |
| Working Capital Loans from Banks (Secured by charge on Fixed Assets and Receivables) | 453,695,887 | 721,063,402 |
| Long Term: | | |
| Loans from Banks (Secured by hypothecation of assets financed by these loans) <i>[Amount repayable within one year: Rs. 8,887,190 Previous Year: Rs.7,334,336]</i> | 25,465,606 | 22,159,005 |
| Total | <u>479,161,493</u> | <u>743,222,407</u> |
| SCHEDULE - E : | | |
| UNSECURED LOANS : | | |
| Short Term: | | |
| Working Capital Loans from Banks | 29,111,041 | 158,976,153 |
| Long Term: | | |
| Loans from Banks <i>[Amount repayable within one year: Rs 749,859,205, PY : NIL] [Refer Note II.13.4, Schedule Q]</i> | 749,859,205 | 749,859,205 |
| Foreign Currency Convertible Bonds [Refer Note II.3, Schedule Q] | 9,129,600,000 | 7,200,000,000 |
| Total | <u>9,908,570,246</u> | <u>8,108,835,358</u> |

Schedule - F

Fixed assets and Intangibles

Amount in Rs.

| Sl. No. | Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------|--------------------------------|---------------------|-------------------|-------------------|----------------------|---------------------|--------------------|------------------------|---------------------|----------------------|----------------------|
| | | As at April 1, 2008 | Additions | Deletions | As at March 31, 2009 | Upto March 31, 2008 | For the year | Withdrawn On deletions | Upto March 31, 2009 | As at March 31, 2009 | As at March 31, 2008 |
| | Tangible Fixed Assets | | | | | | | | | | |
| 1 | Computer Hardware and Software | 257,141,901 | 20,974,852 | 3,006,362 | 275,110,391 | 188,432,093 | 40,432,778 | 2,687,108 | 226,177,763 | 48,932,628 | 68,709,808 |
| 2 | Furniture & Fixtures | 11,341,013 | 114,863 | 5,926,933 | 5,528,943 | 7,347,713 | 905,733 | 3,753,233 | 4,500,213 | 1,028,730 | 3,993,300 |
| 3 | Vehicles | 42,857,399 | 15,220,574 | 6,805,318 | 51,272,655 | 15,429,013 | 9,088,875 | 5,029,838 | 19,488,050 | 31,784,605 | 27,428,386 |
| 4 | Office Equipments | 20,205,862 | 2,018,172 | 1,067,543 | 21,156,491 | 5,935,317 | 3,799,022 | 834,020 | 8,900,319 | 12,256,172 | 14,270,545 |
| | Intangibles | | | | | | | | | | |
| 1 | Goodwill | 13,766,918 | - | - | 13,766,918 | 7,476,300 | 2,753,384 | - | 10,229,684 | 3,537,234 | 6,290,618 |
| 2 | Intellectual Property Rights | 397,395,109 | - | - | 397,395,109 | 252,113,150 | 79,479,022 | - | 331,592,172 | 65,802,937 | 145,281,959 |
| | TOTAL | 742,708,202 | 38,328,461 | 16,806,156 | 764,230,507 | 476,733,586 | 136,458,814 | 12,304,199 | 600,888,201 | 163,342,306 | 265,974,616 |
| | PREVIOUS YEAR | 662,665,154 | 89,744,889 | 9,701,841 | 742,708,202 | 360,261,651 | 121,549,632 | 5,077,696 | 476,733,587 | 265,974,616 | 302,403,503 |

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED
Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|------------------------------|------------------------------|
| SCHEDULE - G : | | |
| INVESTMENTS : | | |
| (Long term, trade, unquoted) | | |
| In wholly owned subsidiaries | | |
| Subex Technologies Ltd., India [Equity shares 3,999,994 (Previous Year : 999,994) fully paid up, at par value Rs.10/- each] | 39,999,940 | 9,999,940 |
| Advance for Share Capital in Subex Technologies Ltd (Refer Note II.2, Schedule Q) | - | 30,000,000 |
| Subex (UK) Ltd., UK (5,039,565,245 Equity shares fully paid, Par value of GBP 0.00001 each) | 6,473,868,240 | 6,473,868,240 |
| Subex Americas Inc, Canada (100 equity shares fully paid; No par value) | 7,749,575,428 | 7,749,575,428 |
| Total | <u>14,263,443,608</u> | <u>14,263,443,608</u> |
| SCHEDULE - H : | | |
| SUNDRY DEBTORS : | | |
| (Unsecured) | | |
| Outstanding for more than six months | | |
| - Considered Good | - | 15,707,751 |
| - Considered Doubtful | <u>98,343,424</u> | <u>260,449,673</u> |
| | 98,343,424 | 276,157,424 |
| Others | | |
| - Considered Good | 1,110,083,973 | 682,166,437 |
| - Considered Doubtful | <u>63,866,112</u> | <u>28,690,000</u> |
| | 1,173,950,085 | 710,856,437 |
| | 1,272,293,509 | 987,013,861 |
| Less: Provision for Doubtful Debts | 162,209,536 | 289,139,673 |
| Total (considered good) | <u>1,110,083,973</u> | <u>697,874,188</u> |
| SCHEDULE - I : | | |
| CASH & BANK BALANCES : | | |
| Cash on hand | 8,028 | 22,470 |
| Balance with Scheduled Banks | | |
| - in Current Account in Indian Rupees | 4,161,946 | 1,619,419 |
| - in Deposit Account in Indian Rupees | 31,907,441 | 17,424,597 |
| - in Exchange Earner's Foreign Currency Account | 328,727 | 69,088,130 |
| Balance with Non Scheduled Banks | | |
| - Deposit with Royal Bank of Canada | - | 64 |
| - in Current Account with Royal Bank of Canada, Canada (Maximum outstanding during the year Rs. 2,495,032) | 9,779 | 875,319 |
| - in Checking Account with Wachovia Bank, New Jersey (Maximum outstanding during the year Rs. 191,387,569) | 91,359 | 211,549 |
| - ABN Amro Bank - Dubai (Maximum outstanding during the year Rs. 7,742,720) | 1,465 | 1,337,294 |
| - in Bank of China - RMB account - China (Maximum outstanding during the year Rs.3,339,752) | 378,053 | 144,954 |
| - in HSBC Bank - Paris (Maximum outstanding during the year Rs.9,911,398) | 9,911,398 | 458,673 |
| - HSBC Bank - Dubai (Maximum outstanding during the year Rs.2,084,748) | 1,173,575 | 1,692,090 |
| - Societe Generale Bank - London (Maximum outstanding during the year Rs.147,283,805) | 5,069,907 | - |
| Total | <u>53,041,678</u> | <u>92,874,559</u> |

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|-----------------------------|-----------------------------|
| SCHEDULE - J : | | |
| LOANS & ADVANCES : | | |
| (Unsecured, considered good) | | |
| Loans and advances recoverable in cash | | |
| or in kind or for value to be received | 207,452,357 | 172,657,203 |
| Loans and advances to wholly owned subsidiaries | 773,557,395 | 1,144,251,356 |
| Advance Income Tax including TDS | 140,187,791 | 111,730,708 |
| MAT credit entitlement | - | 21,170,731 |
| Other Deposits | 71,853,448 | 70,926,483 |
| Total | <u>1,193,050,991</u> | <u>1,520,736,481</u> |
| SCHEDULE - K : | | |
| CURRENT LIABILITIES & PROVISIONS : | | |
| Sundry Creditors | 214,960,438 | 139,938,565 |
| (other than dues to Micro & Small Enterprises) | | |
| (Note II.13.9 Schedule Q) | | |
| Advance received from Customers | 49,005,023 | 99,439,197 |
| Deferred Income | 111,618,598 | 50,034,207 |
| Duties & Taxes | 34,830,550 | 23,428,378 |
| Interest Accrued but not due | 11,158,248 | 9,777,760 |
| Unclaimed Dividends | 751,860 | 805,014 |
| | 422,324,717 | 323,423,121 |
| PROVISIONS : | | |
| Taxation | 75,788,235 | 70,997,989 |
| Employee Benefits | 31,275,842 | 32,505,652 |
| Warranty | 4,228,718 | 2,866,506 |
| Others (Refer Note II.13.5, Schedule Q) | 102,731,040 | 5,500,000 |
| Redemption premium accrued on FCCBs | 1,361,916,700 | 632,054,656 |
| | 1,575,940,535 | 743,924,803 |
| Total | <u>1,998,265,252</u> | <u>1,067,347,924</u> |

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|--|----------------------|--------------------|
| SCHEDULE - L : | | |
| OTHER INCOME : | | |
| Other income | 1,213,774 | 681,256 |
| Profit on sale of Fixed Assets (Net) | 172,727 | 1,096,373 |
| Exchange Fluctuation gain (Net) | 220,063,784 | - |
| Total | 221,450,285 | 1,777,629 |
| SCHEDULE - M : | | |
| COST OF HARDWARE, SOFTWARE AND SUPPORT CHARGES: | | |
| Cost of Hardware and Software | 37,369,453 | 35,868,381 |
| Support Charges | 100,000 | 428,431,614 |
| Total | 37,469,453 | 464,299,995 |
| SCHEDULE - N : | | |
| PERSONNEL COSTS : | | |
| Salaries, Wages & Allowances | 746,809,285 | 443,754,696 |
| Contribution to Provident Fund and Other Funds | 29,153,941 | 22,156,844 |
| Other staff related costs | 22,312,814 | 50,141,769 |
| Total | 798,276,040 | 516,053,309 |
| SCHEDULE - O : | | |
| OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES: | | |
| Software Purchases | 4,377,670 | 6,812,885 |
| Rent | 94,686,746 | 48,113,674 |
| Power, Fuel and Water Charges | 19,423,524 | 7,829,648 |
| Repairs & Maintenance | 25,224,576 | 19,425,600 |
| Insurance | 5,870,080 | 4,551,036 |
| Communication Costs | 16,383,076 | 19,452,011 |
| Printing & Stationery | 4,246,913 | 3,195,818 |
| Travelling & Conveyance | 94,122,949 | 105,148,445 |
| Rates & Taxes Including Filing Fees | 4,330,783 | 18,568,491 |
| Advertisement & Business Promotion | 24,229,762 | 50,372,193 |
| Marketing & Allied Service Charges | 1,215,943,412 | 59,664,498 |
| Professional & Consultancy Charges | 59,987,666 | 20,713,483 |
| Provision for Doubtful Debts | 59,115,796 | 288,690,000 |
| Exchange Fluctuation Loss | - | 55,002,707 |
| Miscellaneous Expenses | 2,762,413 | 4,153,728 |
| Directors sitting fees | 20,000 | 22,500 |
| Total | 1,630,725,366 | 711,716,717 |
| SCHEDULE - P : | | |
| FINANCIAL COSTS : | | |
| Interest on FCCB and other term loans | 268,359,550 | 179,306,882 |
| Other Interest & Bank Charges | 135,322,320 | 116,791,294 |
| Interest on deposit accounts from banks | | |
| (Gross of TDS of Rs. 347,894, Previous Year Rs. 3,329,016) | (1,696,744) | (17,129,916) |
| Interest on Inter Company loans | (49,411,033) | - |
| Total | 352,574,093 | 278,968,260 |

Schedule – Q

Significant accounting policies and Notes to Accounts

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 Generally Accepted Accounting Principles in India (Indian GAAP), the Accounting Standards issued under the Companies (Accounting Standards) 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 license includes, fees for transfer of licenses, 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.

Maintenance and service income is recognised on time proportion basis.

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

I.4. Fixed Assets and Intangibles

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.

Acquired Intangibles are stated at cost inclusive of duties and taxes. Costs incurred on self generated intangibles are expensed as incurred.

I.5. Depreciation & Amortisation

Fixed assets and Intangibles are depreciated/amortised 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 |
| Furniture & Fixtures | 20 |
| Vehicles | 20 |
| Office equipments | 20 |
| Intellectual Property Rights | 20 |
| Goodwill | 20 |

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

I.6. Employee Stock Option Plans

Employee Stock Options 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 exercise 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 determined under the projected credit unit method, carried out at the end of the financial year. Actuarial gains/losses are recognized in full in the profit and loss account. 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. 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 restated 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 carried 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 less diminution in the value of investments that is other than temporary.

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 and Contingencies

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. Contingent liabilities are not provided for but disclosed in the notes to the financial statements.

I.15 Impairment of Fixed Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets and intangibles 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. Contingent liabilities

Receivables factored – Rs. 401,044,585 (Previous Year: Rs. 133,367,178)

Claims against the Company not acknowledged as debt – Rs. 54,272,325 (Previous Year: Rs. 24,365,085). These claims relate to Income Tax demands pertaining to FY 2001-02, 2002-03, 2003-04 and 2004-05. The demands are being contested by the Company.

The Company has provided Corporate Guarantees to Banks for credit facilities availed by its wholly owned subsidiaries to the amount of Rs. 731,850,000 (Previous Year: Rs. 500,000,000). These facilities were utilized to the extent of Rs. 657,229,872 (Previous Year: Rs. 409,854,453) by the subsidiaries at the respective year ends.

II.2. Scheme of Arrangement – Services Business

During financial year 2007-08, 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 the Company under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company 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 received 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 during financial year 2007-08, 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 |

II.3. 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 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, 2012, subject to appropriate approvals at a price determined on the terms defined in the offer document.
- g) Listing of the bonds 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 and is amortised to Securities Premium over the life of the bonds on a pro-rata basis.

II.4. Monies received pending allotment

During financial year 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 has received 10% of the total consideration amounting to Rs.140,559,130. 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. During the year, the warrants issued have been forfeited and the money has been transferred to Capital Reserve. The money received by the Company has been utilized for long term working capital requirements.

II.5. Operating leases

The Company has entered into operating lease arrangements for its office facilities. These leases are for a period ranging from 1 to 5 years with an option to the Company for renewing at the end of the initial term. Rental expenses for operating leases included in the Income statement for the year is Rs. 94,686,746 (Previous year: Rs. 48,113,674)

The future minimum lease payments for non-cancelable operating leases were:

| | <i>Amount in Rs.</i> | |
|---|----------------------|----------------|
| | March 31, 2009 | March 31, 2008 |
| Within one year | 86,881,548 | 81,377,844 |
| Due in a period between one year and five years | 253,011,623 | 132,917,145 |
| Due after five years | - | - |

The lease agreement for the above non-cancellable lease provides for escalation of rentals at the end of 3 years of the lease, which has been factored in the future minimum rentals disclosed above.

II.6. Employees Stock Option Plan (ESOP)

ESOP – II

During 1999-2000, the Company established the Employee Stock Option Scheme 2000 ("ESOP 2000") under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing upto a maximum of 883,750 shares to be allotted pursuant to exercise of options granted under the scheme. Each option comprises 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 Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 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.

During the year, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 156,211 options were surrendered by 122 employees during the said period. Due to this, Rs.6,611,773, being the previously recognized ESOP compensation cost on these options, have been reversed and credited to personnel costs during the year.

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 charge of Rs.1,759,270 (Previous Year: charge of Rs.19,082,165) to the Profit & Loss Account during the year.

ESOP – III

During 2005-2006, the Company established the Employee Stock Option Scheme 2005 ("ESOP 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. The Company has obtained in-principle approval for listing upto a maximum of 2,000,000 shares pursuant to exercise of options granted under the scheme. Each option comprises one underlying 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 Employee Stock Purchase Scheme) Guidelines, 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 traded volume is the highest 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.

During the year, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 1,069,407 options were surrendered by 538 employees during the said period. Due to this, Rs. 41,876,574, being the previously recognized ESOP compensation cost on these options, have been reversed and credited to personnel costs during the year.

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 credit of Rs.25,098,927 (Previous Year : Charge of Rs. 4,236,147) to the Profit & Loss Account during the year.

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.

Employees' stock options details as on the balance sheet date are:

| Particulars | 2008-09 | | 2007-08 | |
|--|---------------|---|---------------|---|
| | 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 | 214,038 | 427.48 | 261,202 | 408.57 |
| ESOP – III | 1,718,245 | 366.67 | 422,533 | 429.37 |
| Granted during the year | | | | |
| ESOP – II | 362,072 | 66.75 | - | - |
| ESOP – III | 1,764,397 | 74.80 | 1,671,700 | 380.31 |
| Exercised during the year | | | | |
| ESOP – II | - | | 30,927 | |
| ESOP – III | - | | 437 | |
| Cancelled, Surrendered & Lapsed during the year | | | | |
| ESOP – II | 217,993 | | 16,237 | |
| ESOP – III | 1,688,260 | | 375,551 | |
| Options outstanding at the end of the year | | | | |
| ESOP – II | 358,117 | 75.47 | 214,038 | 427.48 |
| ESOP – III | 1,794,382 | 127.49 | 1,718,245 | 366.67 |
| Options exercisable at the end of the year | | | | |
| ESOP – II | 9,930 | | 73,798 | |
| ESOP – III | 62,100 | | 105,539 | |

[Weighted average remaining contractual life (considering vesting and exercise period)]

ESOP – II At March 31, 2008 : 3.48 Years
 At March 31, 2009 : 4.05 Years

ESOP – III At March 31, 2008 : 4.96 Years
 At March 31, 2009 : 4.48 Years

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%, expected

life: 3 years, expected volatility of share: 58.98% and expected dividend yield: 1.19%. 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:

| Particulars | Amount in Rs. | |
|--|-----------------|----------------|
| | March 31, 2009 | March 31, 2008 |
| Net Profit/(Loss) for the year (as reported) | (1,782,105,532) | (61,885,553) |
| Add : Stock-based employee compensation relating to grants | (11,786,616) | 23,318,312 |
| Less : Stock-based compensation expenses determined under fair value based method for the above grants | 110,032,092 | 62,566,550 |
| Net Profit/(Loss) (proforma) | (1,903,924,240) | (101,133,791) |
| Basic earnings per share (as reported) | (51.14) | (1.77) |
| Basic earning per share (proforma) | (54.64) | (2.90) |
| Diluted earning per share (as reported) | (51.14) | (1.77) |
| Diluted earnings per share (proforma) | (54.64) | (2.90) |

II.7. Related party information

A) Related parties

Wholly Owned Subsidiaries controlled by the Company

Subex Americas Inc.

Subex (UK) Limited

Subex Technologies Limited

Subex Azure (GB) Limited

2101874 Ontario Inc (Dissolved on May 12, 2009)

Syndesis Development India Private Limited

Subex Azure Holdings Inc.

Subex (Asia Pacific) Pte Ltd

Subex Inc.

Subex Technologies Inc.

Subex Azure (U.S) Inc.

Subex Azure (Delaware) Inc.

Subex Azure (Ireland) Limited

Syndesis IP Holdings Limited, Canada (Dissolved on March 3, 2009)

Enterprises over which some of the directors exercise significant influence

Kivar Holdings Private Limited (formerly Subex Holdings Private Limited) and its subsidiaries

Key Management Personnel

Subash Menon, Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath, Chief Operating Officer & Wholetime Director

Note - Related parties are as identified by the Company' based on information available and relied upon by auditors.

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 influence | | Key Management Personnel | |
|---|--------------|-------------|---|-------------|--------------------------|------------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| a) Marketing and allied Service Charges paid/payable to : | | | | | | |
| i) Subex Technologies Inc | - | 463,299,185 | - | - | - | - |
| ii) Subex (UK) Ltd | 567,342,865 | 50,165,299 | - | - | - | - |
| iii) Subex Inc | 511,488,177 | 3,354,235 | - | - | - | - |
| iv) Subex Americas Inc | 18,692,414 | - | - | - | - | - |
| v) Subex (Asia Pacific) Pte Ltd | 131,982,385 | - | - | - | - | - |
| b) Income from Software Development and Services: | | | | | | |
| i) Subex (UK) Ltd | 568,786,957 | 145,239,530 | - | - | - | - |
| ii) Subex Inc., | 385,143,872 | 192,511,363 | - | - | - | - |
| iii) Subex (Asia Pacific) Pte Ltd | 161,183,829 | 18,804,724 | - | - | - | - |
| iv) Subex Americas Inc | 577,084,741 | - | - | - | - | - |
| c) Salary, Perquisites & Commission (Refer Note: II.9, Schedule Q) | - | - | - | - | 12,180,000 | 12,180,000 |
| d) Amount due as at year end from | | | | | | |
| i) Subex UK Ltd | 823,747,337 | 163,672,379 | - | - | - | - |
| ii) Subex Inc | 841,730,069 | 217,853,555 | - | - | - | - |
| iii) Subex (Asia Pacific) Pte Ltd | 205,685,095 | 22,518,943 | - | - | - | - |
| iv) Subex Americas Inc, Canada | 948,558,532 | 235,487,659 | - | - | - | - |
| e) Amount due as at year end to | | | | | | |
| i) Subex UK Ltd | 752,233,633 | - | - | - | - | - |
| ii) Subex (Asia Pacific) Pte Ltd | 162,707,093 | 4,826,642 | - | - | - | - |
| iii) Subex Americas Inc | 119,536,265 | 76,039,117 | - | - | - | - |
| iv) Subex Inc | 675,160,070 | - | - | - | - | - |
| f) Loans outstanding as at year end from/(to) | | | | | | |
| i) Subex UK Limited | 310,839,094 | 433,633,416 | - | - | - | - |
| ii) Subex (Asia Pacific) Pte Ltd | - | 22,067,280 | - | - | - | - |
| iii) Subex Americas Inc | 181,563,344 | 181,677,223 | - | - | - | - |
| iv) Subex Inc | 114,402,069 | 112,549,941 | - | - | - | - |
| v) Subex Technologies Ltd | 166,944,566 | 394,612,450 | - | - | - | - |
| g) Expense incurred on behalf of: | | | | | | |
| i) Subex Americas Inc, Canada | - | 162,975,799 | - | - | - | - |
| h) Interest on Inter Company Loans | | | | | | |
| i) Subex UK Limited | 29,590,381 | - | - | - | - | - |
| ii) Subex Americas Inc | 10,515,559 | - | - | - | - | - |
| iii) Subex Inc | 9,305,093 | - | - | - | - | - |
| i) Expenses allocated to/(from): | | | | | | |
| i) Subex (UK) Ltd | (3,436,959) | 27,326,167 | - | - | - | - |
| ii) Subex, Inc | 3,818,853 | 10,574,251 | - | - | - | - |
| iii) Subex (Asia Pacific) Pte Ltd | 8,382,513 | 3,725,496 | - | - | - | - |
| iv) Subex Americas Inc | 2,788,635 | 61,645,149 | - | - | - | - |
| v) Subex Technologies Ltd [See Note 1] | - | 35,663,585 | - | - | - | - |
| j) Consideration for Transfer of Service Business to Subex Technologies Ltd | | | | | | |
| i) Shares allotted/to be allotted from Subex Technologies Ltd | - | 30,000,000 | - | - | - | - |
| ii) Loan to Subex Technologies Ltd | - | 280,000,000 | - | - | - | - |
| k) Money received against warrants issued | | | | | | |
| | | | - | 113,455,800 | - | 27,103,330 |
| l) Corporate Guarantee provided by Company to financial institutions in respect of finances availed by Subsidiaries | 731,850,000 | 500,000,000 | - | - | - | - |

Note -1 – Support charges under schedule M is net of costs allocated to STL of Rs. Nil (Previous Year: 35,663,585)

II.8. Earnings/(Loss) per share (EPS):*Amount in Rs.*

| | 2008-09 | 2007-08 |
|---|-----------------|---------------|
| Profits after tax attributable to shareholders | (1,782,105,532) | (61,885,553) |
| Weighted average number of shares for basic EPS | 34,847,089 | 34,834,666 |
| Weighted average number of shares for diluted EPS | 34,847,089 | 34,834,666 |
| Earnings per share – basic | (51.14) | (1.77) |
| Earnings per share – diluted | (51.14) | (1.77) |

Face value of shares : Rs. 10 each

Note: Employee Stock Options, FCCBs and Warrants (if any) outstanding at year end are anti dilutive and hence ignored in computing Diluted Earnings per share.

II.9. a) Managerial Remuneration to Managing Director and Whole-time Director*Amount in Rs.*

| | 2008-09 | 2007-08 |
|---|-------------------|-------------------|
| A. Remuneration to Whole-time directors | | |
| Salary and allowances (including perquisites) | 9,600,000 | 9,600,000 |
| Contribution to Provident Fund | 2,580,000 | 2,580,000 |
| Total (A) | 12,180,000 | 12,180,000 |
| B. Remuneration to Non-Executive directors | | |
| Sitting fees paid to Non-executive directors | 20,000 | 22,500 |
| Commission paid to Non-executive directors | - | - |
| Total (A+B) | 12,200,000 | 12,202,500 |

Note: Contribution to PF represents the amounts paid by the company to the PF Authorities.

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

| Particulars | 2008-09 | 2007-08 |
|--|-----------------|--------------|
| Profit/(Loss) before tax as per the Profit & Loss Account | (1,749,836,584) | (50,126,118) |
| Remuneration to Directors (Including Commission & Sitting Fees) - See (a) above | 12,200,000 | 12,202,500 |
| Surplus/Loss on sale of Fixed Assets (Net) | (172,727) | (1,096,373) |
| Net Profit/(Loss) u/s 198/349 of the Companies Act, 1956 | (1,737,463,857) | (36,827,245) |
| Maximum Remuneration of Whole-time Directors under provisions of the Companies Act* | 9,600,000 | 9,600,000 |
| Remuneration paid to Whole-time Directors (including Commission Rs. Nil, Previous Year: Nil) | 9,600,000 | 9,600,000 |
| Maximum Commission to Non-executive directors under the Companies Act | Nil | Nil |
| Commission Paid | Nil | Nil |

* In view of the inadequacy of profits in Year ending March 31, 2009, the maximum remuneration is based on Schedule XIII to the Companies Act, 1956 and excludes Contribution to Provident Fund.

Note: During the year ended March 31, 2009, the Company has paid an amount of Rs. 39,750,760 to its Managing director and whole time director 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 directors being held by them in trust for the Company and is included under Loans and advances (Schedule: J to the financial statements). The excess remuneration paid to the directors in 2007-08 amounting to Rs.27,533,906 are also included under loans and advances (Schedule 'J' to the financial statements). The Company's application for approving the excess remuneration is pending with the Central Government.

II.10. Auditors remuneration*Amount in Rs.*

| | 2008-09 | 2007-08 |
|---|-----------|-----------|
| Audit Fees (including fees for audit of certain subsidiaries [Previous Year – None] consolidated accounts & issuance of report on the corporate governance and tax audit) – excluding Service tax | 5,650,000 | 2,150,000 |
| For Tax Matters (excluding service tax) | 300,000 | 200,000 |
| Reimbursement of expenses | 121,897 | - |

II.11. Pursuant to court order, the Company has transferred its Service business to its wholly-owned subsidiary, Subex Technologies Ltd during the year ended March 31, 2008. The disclosure required under the Accounting Standard 24 "Discontinuing Operations", with regard to the Service business is as follows:

Amount in Rs.

| Particulars | for the year ended March 31, 2008 |
|---|--------------------------------------|
| Revenue from discontinued operations | 523,956,263 |
| Expenses from discontinued operations | 497,434,036 |
| Net Cash out flow from operating activities | (139,400,000) |
| Net Cash flow from Investing activities | - |
| Net Cash flow from financing activities | - |

II.12. Details of warranty*Amount in Rs.*

| Year | Opening Balance | Additions during the year | Utilisation/(reversal) during the year | Closing Balance |
|---------|-----------------|---------------------------|--|-----------------|
| 2008-09 | 2,866,506 | 4,228,718 | (2,866,506) | 4,228,718 |
| 2007-08 | 2,983,654 | 2,866,506 | (2,983,654) | 2,866,506 |

Probable period of outflow in case of warranty is 3 months.

II.13. Others

- Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs. 981,108 (Previous year: Rs. 5,199,547)
- Unclaimed dividend of Rs. 751,860 as at March 31, 2009 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'. During the current year, the company has transferred Rs 52,514 to Investor Protection Fund.
- Personnel Cost for the year includes expenditure on Research and Development of Rs. 70,461,643 (Previous year: Rs. 66,755,179). This is as certified by the management and relied upon by the auditors.

- A director of the Company has provided a personal guarantee in respect of long term loans from Banks included in schedule E of the financial statements. Further, the promoters' shares have also been pledged towards portion of these loans.
- As per the 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. 102,731,040 (Previous Year: Rs.5,500,000), on outstanding option contracts.
- The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

(i) Forward/Option Contracts

| Particulars | March 31, 2009 | | | March 31, 2008 | | |
|-------------------|----------------|----------|--------------|----------------|----------|--------------|
| | US\$ | Buy/Sell | Amount (INR) | US\$ | Buy/Sell | Amount (INR) |
| Forward contracts | 7,300,000 | Sell | 363,846,250 | 1,400,000 | Sell | 55,987,000 |
| Option contracts | 4,600,000 | Sell | 192,040,000 | 5,000,000 | Sell | 202,244,000 |

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

| Receivable towards | March 31, 2009 | | March 31, 2008 | |
|---|----------------|------------------|----------------|------------------|
| | Rs. | Foreign currency | Rs. | Foreign currency |
| Export of Goods & Services | 468,324,252 | USD 9,109,647 | 272,441,596 | USD 6,791,047 |
| (including Net Receivable from wholly owned subsidiaries) | 85,144,228 | GBP 1,174,565 | 103,657,328 | GBP 1,286,830 |
| | 27,422,308 | SGD 822,257 | 23,881,639 | SGD 821,458 |
| | 14,376,508 | AUD 410,433 | 2,246,915 | AUD 60,874 |
| | 3,911,696 | Other Currencies | 71,011,476 | EUR 1,120,828 |
| | | | 5,152 | THB 4,000 |
| | | | 3,393 | AED 311 |
| Loans to/(from) subsidiaries | 62,516,082 | GBP 862,410 | 265,560,199 | GBP 3,296,699 |
| | 504,394,176 | USD 9,943,681 | 480,598,650 | USD 11,986,190 |
| | 505,124 | AED 36,577 | 3,769,011 | SGD 129,643 |
| | 39,197,447 | CAD 967,231 | | |

Amounts payable in foreign currency on account of:

| | March 31, 2009 | | March 31, 2008 | |
|--|----------------|------------------|----------------|------------------|
| | Rs. | Foreign currency | Rs. | Foreign currency |
| Import of Goods & Services | 3,683,500 | US\$ 72,624 | 19,697,427 | US\$ 491,257 |
| | 2,630,160 | EUR 39,000 | - | - |
| Capital imports [including intangibles] | - | - | 305,021 | GBP 3,787 |
| | | | 355,359 | US\$ 8,863 |
| Towards Interest on Foreign Currency Convertible Bonds | 11,158,248 | US\$ 219,997 | 9,777,760 | US\$ 244,444 |
| Towards Foreign Currency Convertible Bonds | 9,129,600,000 | US\$ 180,000,000 | 7,200,000,000 | US\$ 180,000,000 |
| Redemption Premium accrued on FCCBs | 1,361,916,700 | US\$ 26,851,670 | 632,054,656 | US\$ 15,801,366 |

7. The following table sets out the funded status of the defined Benefit Schemes and the amount recognized in the financial Statements.

Amount in Rupees

| | | Gratuity | |
|------------|---|---------------|---------------|
| | | March 31,2009 | March 31,2008 |
| I | Components of employer expense | | |
| 1 | Current Service cost | 4,662,610 | 2,487,700 |
| 2 | Interest cost | 856,520 | 529,720 |
| 3 | Expected return on plan assets | (110,440) | (91,370) |
| 4 | Curtailement cost/(credit) | - | - |
| 5 | Settlement cost/(credit) | - | - |
| 6 | Past Service Cost | - | - |
| 7 | Actuarial Losses/(Gains) | 381,560 | 1,221,020 |
| 8 | Total expense recognized in the Statement of Profit & Loss Account | 5,790,250 | 4,147,070 |
| II | Actual Contribution and Benefit Payments for year ended 31 March 2009 | | |
| 1 | Actual benefit payments | 899,960 | 1,215,060 |
| 2 | Actual Contributions | 1,168,390 | 1,102,330 |
| III | Net asset/(liability) recognized in Balance Sheet as at March 31, 2009 | | |
| 1 | Present value of Defined Benefit Obligation (DBO) | 15,328,540 | 10,295,066 |
| 2 | Fair value of plan assets | 1,504,530 | 1,092,920 |
| 3 | Funded status [Surplus/(Deficit)] | (13,824,010) | (9,202,150) |
| 4 | Unrecognized Past Service Costs | - | - |
| 5 | Net asset/(liability) recognized in Balance Sheet | (13,824,010) | (9,202,150) |
| IV | Change in Defined Benefit Obligations during the year ended March 31, 2009 | | |
| 1 | Present Value of DBO at beginning of year | 10,295,070 | 7,229,036 |
| 2 | Current Service cost | 4,662,610 | 2,487,700 |
| 3 | Interest cost | 856,520 | 529,720 |
| 4 | Curtailement cost/(credit) | - | - |
| 5 | Settlement cost/(credit) | - | - |
| 6 | Plan amendments | - | - |
| 7 | Acquisitions | - | - |
| 8 | Actuarial (gains)/ losses | 414,300 | 1,263,674 |
| 9 | Benefits paid | (899,960) | (1,215,060) |
| 10 | Present Value of DBO at the end of year | 15,328,540 | 10,295,070 |
| V | Change in Fair Value of Assets during the year ended March 31, 2009 | | |
| 1 | Plan assets at beginning of year | 1,092,920 | 1,062,832 |
| 2 | Acquisition Adjustment | - | - |
| 3 | Actual return on plan assets(estimated) | 110,440 | 91,370 |
| 4 | Actuarial Gain/(Loss) | 32,740 | 51,448 |
| 5 | Actual Company contributions(less risk premium, ST) | 1,168,390 | 1,102,330 |
| 6 | Benefits paid | (899,960) | (1,215,060) |
| 7 | Plan assets at the end of period | 1,504,530 | 1,092,920 |
| VI | Actuarial Assumptions | | |
| 1 | Discount Rate | 8.00% | 8.70% |
| 2 | Expected Return on plan assets | 9.00% | 9.00% |
| 3 | Salary escalation | 6.00% | 5.00% |
| 4 | Attrition Rate | 5.00% | 5.00% |

- The composition of the plan assets held under the funds managed by the Insurer is not provided, since the information is not available.
- Payments to Provident fund, a defined contribution plan Rs.25,332,138 (Previous Year Rs.22,354,146)

8. Current tax includes foreign Taxes of Rs. 6,976,548/-, (Previous Year: Rs. 7,087,780)

9. The dues to Micro and Small enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006, are identified by the Company based on inquiries with the parties and information available with the Company. This has been relied upon by the auditors.

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

11. Revenue is net of Rs.46,562,941/- being reversal of Unbilled Revenues that have been written-off or provided.

12. The Company purchases hardware and software to fulfill its obligations under contracts for sale of its Products. There

were no inventory of such hardware/software at the beginning and end of the year. No quantitative information of purchases of hardware/software items have been disclosed since none of the individual items of such purchases constitute more than 10% of the total value of Purchases of hardware/software.

13. The Company has 'International transactions' with 'Associated Enterprises which are subject to Transfer Pricing regulations in India. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the financials statements, particularly on account of tax expense and that of provision for taxation.

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

II.14. Other information pursuant to Schedule VI of the Companies Act, 1956.

Amount in Rs.

| | Year ended March 31, 2009 | Year ended March 31, 2008 | |
|--|------------------------------|------------------------------|---------|
| CIF value of imports : | | | |
| Import of systems and solutions | 27,950,455 | 19,315,371 | |
| Capital goods | 9,692,680 | 31,589,202 | |
| Expenditure in foreign currency (on payment basis) | | | |
| Traveling expenses | 37,602,115 | 49,994,507 | |
| Interest expenses | 173,150,299 | 147,893,999 | |
| Consideration for acquired assets | - | 670,332 | |
| Product marketing expense and other expenditure incurred overseas for software development | 85,208,551 | 194,844,732 | |
| Earnings in foreign exchange (on accrual basis) | | | |
| Income from software development services and products on receipt basis | 2,975,368,356 | 1,436,954,037 | |
| 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 |
| No. of non-resident shareholders for the year | 2007-08 | - | 3 |
| Shares held by 3 non-resident shareholders on which dividend was due for the year | 2006-07 | - | - |

II.15. Deferred Tax

a) The deferred tax asset/(liability) recognised, comprises of the tax impact arising from timing differences on account of the following:

| Particulars | As at March 31, 2009 | As at March 31, 2008 |
|--|-------------------------|-------------------------|
| Depreciation & other items(Claimable in Indian Tax Jurisdiction) | 24,176,009 | (7,302,834) |
| Depreciation (Claimable in Other Tax Jurisdiction) | - | 31,478,847 |

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

COMPANY: SUBEX LIMITED

YEAR : 2008-2009

I. Registration details

Registration No.

| | | | | |
|---|---|---|---|---|
| 1 | 6 | 6 | 6 | 3 |
|---|---|---|---|---|

 State code

| | |
|---|---|
| 0 | 8 |
|---|---|

 Balance sheet date

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 3 | 1 | - | 0 | 3 | - | 2 | 0 | 0 | 9 |
|---|---|---|---|---|---|---|---|---|---|

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

Public issue

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|---|

 Rights issues

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|--|---|

 Bonus issue

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|--|---|

 Private placements

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|--|---|

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

Total liabilities

| | | | | | | | | | |
|--|--|---|---|---|---|---|---|---|---|
| | | 1 | 5 | 8 | 3 | 0 | 7 | 8 | 1 |
|--|--|---|---|---|---|---|---|---|---|

 Total assets

| | | | | | | | | | |
|--|--|---|---|---|---|---|---|---|---|
| | | 1 | 5 | 8 | 3 | 0 | 7 | 8 | 1 |
|--|--|---|---|---|---|---|---|---|---|

Source of funds

Paid up capital

| | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|
| | | | | 3 | 4 | 8 | 4 | 7 | 1 |
|--|--|--|--|---|---|---|---|---|---|

 Unsecured loans

| | | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|---|
| | | | | 9 | 9 | 0 | 8 | 5 | 7 | 0 |
|--|--|--|--|---|---|---|---|---|---|---|

 Secured loans

| | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|
| | | | | 4 | 7 | 9 | 1 | 6 | 1 |
|--|--|--|--|---|---|---|---|---|---|

 Deferred tax liability

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|---|

 Advance for share capital

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|---|

 Reserves & surplus

| | | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|---|
| | | | | 5 | 0 | 9 | 4 | 5 | 7 | 9 |
|--|--|--|--|---|---|---|---|---|---|---|

Application of funds

Net fixed assets

| | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|
| | | | | 1 | 6 | 3 | 3 | 4 | 2 |
|--|--|--|--|---|---|---|---|---|---|

 Investments

| | | | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|---|---|
| | | | | 1 | 4 | 2 | 6 | 3 | 4 | 4 | 4 |
|--|--|--|--|---|---|---|---|---|---|---|---|

 Net current assets

| | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|
| | | | | 4 | 9 | 9 | 4 | 3 | 9 |
|--|--|--|--|---|---|---|---|---|---|

 Deferred tax assets

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|---|---|---|---|---|
| | | | | | | | 2 | 4 | 1 | 7 | 6 |
|--|--|--|--|--|--|--|---|---|---|---|---|

 Miscellaneous expenditure

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---|
| | | | | | | | | | | | - |
|--|--|--|--|--|--|--|--|--|--|--|---|

 Accumulated lossess

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|---|---|---|---|---|---|
| | | | | | | | 8 | 8 | 0 | 3 | 8 | 0 |
|--|--|--|--|--|--|--|---|---|---|---|---|---|

IV. Performance of Company (Rupees in thousands)

Turnover

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | 3 | 0 | 1 | 1 | 0 | 4 | 8 |
|--|--|--|---|---|---|---|---|---|---|

 Total expenditure

| | | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|---|
| | | | | 4 | 9 | 8 | 2 | 3 | 3 | 5 |
|--|--|--|--|---|---|---|---|---|---|---|

 Loss before tax

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | 1 | 7 | 4 | 9 | 8 | 3 | 7 |
|--|--|--|---|---|---|---|---|---|---|

 Loss after tax

| | | | | | | | | | | |
|--|--|--|--|---|---|---|---|---|---|---|
| | | | | 1 | 7 | 8 | 2 | 1 | 0 | 6 |
|--|--|--|--|---|---|---|---|---|---|---|

 Earning per share from ordinary activities (basic) (Rs.)

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | (| 5 | 1 | . | 1 | 4 |) |
|--|--|--|---|---|---|---|---|---|---|

 Earning per share from ordinary activities (diluted) (Rs.)

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | (| 5 | 1 | . | 1 | 4 |) |
|--|--|--|---|---|---|---|---|---|---|

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

ITC code no.

| | | | | | | | | |
|--|--|--|--|---|---|---|---|---|
| | | | | 8 | 5 | / | 2 | 4 |
|--|--|--|--|---|---|---|---|---|

 Product
 Description

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| C | O | M | P | U | T | E | R | S | O | F | T | W | A | R | E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

For and on behalf of the Board

Bangalore
May 26, 2009

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

financial review
subex limited (consolidated)

1. We have audited the attached Consolidated Balance Sheet of Subex Limited, formerly Subex Azure Limited, ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2009, 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial 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. 214,050,313 as at March 31, 2009, total revenues of Rs. 1,237,118,256 and net cash flows inflows of Rs. 277,868,017 for the year then ended, as considered in these financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
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, notified under the Companies (Accounting Standard) Rules, 2006.
5. Without qualifying our opinion, we draw attention to Note II.11.5 of Schedule P to the financial statements regarding the treatment of the excess managerial remuneration paid to the Managing Director and Whole-time Director and the status of the application with regard to the same pending with the Central government.
6. Based on our audit and on the consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements 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, 2009;
 - b) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year then ended; and
 - 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

Place : Bangalore
Date : May 26, 2009

V. Balaji
Partner
M. No. 203685

CONSOLIDATED BALANCE SHEET AS AT
Amount in Rs.

| | Schedule | March 31, 2009 | | March 31, 2008 | |
|--|----------|----------------------|------------------------------|----------------------|------------------------------|
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS' FUNDS | | | | | |
| Share Capital | A | 348,470,890 | | 348,470,890 | |
| Monies received pending allotment [Refer Note II.5, Schedule P] | | - | | 140,559,130 | |
| Employees Stock Options Outstanding account | B | 46,306,062 | | 69,645,719 | |
| Reserves and Surplus | C | <u>4,612,714,441</u> | 5,007,491,393 | <u>6,348,958,573</u> | 6,907,634,312 |
| LOAN FUNDS | | | | | |
| Secured Loans | D | 980,044,543 | | 1,156,150,935 | |
| Unsecured Loans | E | <u>9,913,642,246</u> | 10,893,686,789 | <u>8,114,849,759</u> | 9,271,000,694 |
| DEFERRED TAX LIABILITY | | | 1,268,432 | | 7,302,834 |
| TOTAL | | | <u>15,902,446,614</u> | | <u>16,185,937,840</u> |
| APPLICATION OF FUNDS | | | | | |
| FIXED ASSETS & INTANGIBLES : | | | | | |
| Gross Block | F | 1,723,966,193 | | 1,505,824,566 | |
| Less : Depreciation | | <u>1,439,683,959</u> | | <u>1,118,734,067</u> | |
| Net Block | | 284,282,234 | | 387,090,499 | |
| Capital work in progress | | <u>22,363,560</u> | | <u>1,682,246</u> | |
| | | | 306,645,794 | | 388,772,745 |
| GOODWILL ON CONSOLIDATION | | | 15,366,358,775 | | 15,293,562,487 |
| DEFERRED TAX ASSET | | | 42,545,532 | | 131,380,902 |
| CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| Sundry Debtors | G | 622,310,844 | | 1,313,308,647 | |
| Cash & Bank balances | H | 187,410,632 | | 231,185,346 | |
| Loans & Advances | I | 604,637,455 | | 493,494,014 | |
| Unbilled Revenue | | <u>683,206,791</u> | | <u>586,456,946</u> | |
| | | <u>2,097,565,722</u> | | <u>2,624,444,953</u> | |
| Less: Current liabilities & Provisions | J | | | | |
| Current liabilities | | 1,307,609,931 | | 1,440,967,492 | |
| Provisions | | <u>1,766,041,861</u> | | <u>843,717,958</u> | |
| | | <u>3,073,651,792</u> | | <u>2,284,685,450</u> | |
| Net Current Assets | | | (976,086,070) | | 339,759,503 |
| Miscellaneous expenditure (To the extent not written off or adjusted) (Refer Note II.11.9, Schedule P) | | | 14,606,462 | | 32,462,203 |
| PROFIT AND LOSS ACCOUNT | | 1,326,351,701 | | | |
| Less : Transfer from General Reserve as per Contra | | <u>177,975,580</u> | 1,148,376,121 | | - |
| TOTAL | | | <u>15,902,446,614</u> | | <u>16,185,937,840</u> |
| 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

For and on behalf of the Board

V. Balaji
Partner
Membership No. 203685

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
May 26, 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
Amount in Rs.

| | Schedule | March 31, 2009 | March 31, 2008 |
|---|----------|------------------------|------------------------|
| INCOME | | | |
| Sales & Services | | 5,584,894,844 | 4,855,907,768 |
| Other Income | K | 449,900,193 | 3,671,189 |
| Total | | 6,034,795,037 | 4,859,578,957 |
| EXPENDITURE : | | | |
| Cost of Hardware, Software and Support Charges | L | 123,896,305 | 84,469,871 |
| Personnel Costs | M | 3,866,803,529 | 4,022,373,009 |
| Other Operating, Selling and Administrative Expenses | N | 1,072,790,888 | 1,482,941,781 |
| Financial Costs (Net) | O | 434,812,830 | 304,803,291 |
| Miscellaneous Expenses amortised | | 15,944,201 | 11,721,965 |
| Depreciation & Amortisation | F | 212,882,602 | 172,319,419 |
| Total | | 5,727,130,355 | 6,078,629,336 |
| Profit/(Loss) Before Taxation and Exceptional Items | | 307,664,682 | (1,219,050,379) |
| Exceptional Items | | | |
| Exchange Gain/(Loss) on Restatement of FCCBs | | (1,929,600,000) | 607,500,000 |
| Mark to Market losses on Option Contracts | | (97,231,040) | (5,500,000) |
| | | (2,026,831,040) | 602,000,000 |
| Profit/(Loss) Before Tax | | (1,719,166,358) | (617,050,379) |
| Provision for taxation | | | |
| - Current tax | | 60,037,612 | 24,444,655 |
| - MAT Credit written off/(carried forward) | | 21,170,731 | (10,042,000) |
| - Fringe Benefit Tax | | 4,121,669 | 11,930,660 |
| - Deferred tax | | 79,130,000 | 37,331,677 |
| | | 164,460,012 | 63,664,992 |
| Profit/(Loss) After Taxation | | (1,883,626,370) | (680,715,371) |
| Add: Balance brought forward from Previous year | | 557,274,669 | 1,238,020,941 |
| Profit Available for Appropriation | | (1,326,351,701) | 557,305,570 |
| APPROPRIATION : | | | |
| Dividend | | | |
| - Equity Shares - Final Dividend 2006-07 | | - | 26,412 |
| - Tax on distributed profits | | - | 4,489 |
| Surplus/(Deficit) carried to Balance Sheet | | (1,326,351,701) | 557,274,669 |
| | | (1,326,351,701) | 557,305,570 |
| Earnings/Loss Per Share (Face value of Rs.10/- each) (Refer Note II.9 of Schedule P) | | | |
| - Basic | | (54.05) | (19.49) |
| - Diluted | | (54.05) | (19.49) |
| 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

For and on behalf of the Board

V. Balaji
Partner

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Membership No. 203685

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
May 26, 2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|----------------------|------------------------|
| Cash flow from operating activities | | |
| Net Profit/(Loss) before Tax | (1,719,166,358) | (617,050,379) |
| Adjustments for : | | |
| a) Depreciation and amortization | 228,826,803 | 186,023,763 |
| b) Interest/Dividend Income | (3,950,282) | (20,661,716) |
| c) Interest and bank charges | 438,763,112 | 325,465,007 |
| d) Profit on sale of assets | (536,706) | (1,096,373) |
| e) Employee stock compensation expenses | (23,339,657) | 50,005,707 |
| f) Provision for doubtful debts & debts written off | 195,931,919 | 293,139,148 |
| g) Unrealised exchange fluctuations | 1,555,437,640 | (621,437,873) |
| Operating Profit before Working Capital Changes | 671,966,471 | (405,612,716) |
| Adjustments for : | | |
| a) Sundry Debtors | 562,191,565 | (50,412,652) |
| b) Loans and advances | (242,971,308) | (32,494,368) |
| c) Trade and other payables | (61,991,228) | (556,134,930) |
| Cash generated from operations | 929,195,500 | (1,044,654,666) |
| a) Direct Taxes paid | (106,137,912) | (140,247,795) |
| Net Cash provided by operating activities A | 823,057,588 | (1,184,902,461) |
| Cash Flow from Investing activities | | |
| a) Purchase of Fixed Assets | (127,462,604) | (146,208,824) |
| b) Sale/disposal of fixed assets | 8,725,885 | 8,611,552 |
| c) Cash flows on acquisitions of subsidiaries | - | (275,884,850) |
| d) Interest received | 3,950,282 | 20,661,716 |
| e) Adjustments on account of Demerger (Refer Note II.4, Schedule P) | - | (404,560,001) |
| Net Cash from Investing Activities B | (114,786,437) | (797,380,407) |
| Cash Flow from Financing Activities | | |
| a) Proceeds from issue of Share Capital/Options/Warrants | - | 145,225,998 |
| b) Proceeds from/(repayment) of short term borrowings - Net | (331,831,098) | 660,606,711 |
| c) Proceeds from Long term borrowings | 10,240,330 | 774,474,749 |
| d) Repayment of Long term borrowings | (9,339,136) | (5,261,559) |
| e) Dividends & Dividend tax paid | (53,154) | (81,503,996) |
| f) Interest and bank charges | (437,382,624) | (335,242,767) |
| g) Incidental expenses on issue of FCCBs & GDR (incurred)/refunded | - | 38,374,819 |
| Net Cash from Financing Activities C | (768,365,682) | 1,196,673,955 |
| Net increase in Cash or Cash equivalents [A + B + C] | (60,094,531) | (785,608,913) |
| Consolidation Adjustments | - | 107,508,001 |
| Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents | 16,319,817 | 5,809,337 |
| Cash or Cash equivalents at the start of the year | 231,185,346 | 903,476,921 |
| Cash or Cash equivalents at the close of the year | 187,410,632 | 231,185,346 |

Note : Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs.751,860 (PY : Rs. 805,014), fixed deposit of Rs. 32,735,679 (PY : Rs.27,992,954) which are not available for use by the Company.

Significant Accounting policies & Notes to the accounts **P**

The Schedule referred to above forms an integral part of the Cash flow statement

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

V. Balaji
Partner
Membership No. 203685

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer

V. Balaji Bhat
Director

Raj Kumar
Chief Counsel & Company Secretary

Bangalore
May 26, 2009

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|----------------------|----------------------|
| SCHEDULE - A | | |
| SHARE CAPITAL : | | |
| AUTHORISED : | | |
| 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 Equity Shares of Rs. 10/- each | 348,470,890 | 348,470,890 |
| 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 Ltd | | |
| Total | 348,470,890 | 348,470,890 |
| SCHEDULE - B : | | |
| Employees Stock Options Outstanding | 85,899,999 | 162,476,740 |
| Less: Deferred Employees Compensation Expenses | 39,593,937 | 92,831,021 |
| Total | 46,306,062 | 69,645,719 |
| SCHEDULE - C : | | |
| RESERVES AND SURPLUS : | | |
| Capital Reserve | | |
| Opening Balance | 13,006,920 | 13,006,920 |
| Add : Transfer on forfeiture of warrants | 140,559,130 | 153,566,050 |
| | | - |
| | | 13,006,920 |
| General Reserve | | |
| Opening Balance | 177,975,580 | 177,975,580 |
| Less : Transfer from Profit & Loss Account as per contra | 177,975,580 | - |
| | | 177,975,580 |
| Securities Premium Account | | |
| Opening Balance | 5,624,568,228 | 6,576,304,853 |
| Add : Additions during the year | - | 4,353,213 |
| Add/(Less) : Reversal of/(Utilised towards) incidental costs of issue of FCCBs & GDRs | - | 38,374,819 |
| Less: Redemption premium on FCCBs (Refer Note II.3, Schedule P) | 729,862,044 | 589,904,656 |
| Less : Adjustments on account of Demerger Scheme (Refer Note II.4, Schedule P) | - | 4,894,706,184 |
| Exchange Reserve on Consolidation | (435,557,793) | (23,866,824) |
| Profit & Loss Account | - | 557,274,669 |
| Total | 4,612,714,441 | 6,348,958,573 |

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|--|----------------------|----------------------|
| SCHEDULE - D : | | |
| SECURED LOANS : | | |
| Short Term: | | |
| Working Capital Loans from Banks | 954,578,937 | 1,132,528,923 |
| (Secured by charge on Receivables and fixed assets) | | |
| Long Term: | | |
| Loans from Banks | 25,465,606 | 23,622,012 |
| (Secured by Hypothecation of Assets financed by these loans) | | |
| <i>[Amount repayable within one year: Rs. 8,887,190</i> | | |
| <i>Previous Year: Rs.7,334,336]</i> | | |
| Total | 980,044,543 | 1,156,150,935 |
| SCHEDULE - E : | | |
| UNSECURED LOANS : | | |
| Short Term: | | |
| Working Capital Loans from Banks | 29,111,041 | 158,976,154 |
| Long Term: | | |
| Loans from Banks | 754,931,205 | 755,873,605 |
| <i>[Amount repayable within one year: Rs 752,395,205,</i> | | |
| <i>PY : 2,004,800]</i> | | |
| (Refer Note II.11.4, Schedule P) | | |
| Foreign Currency Convertible Bonds | 9,129,600,000 | 7,200,000,000 |
| (Refer Note II.3, Schedule P) | | |
| Total | 9,913,642,246 | 8,114,849,759 |

SCHEDULE - F

Fixed Assets and Intangibles

Amount in Rs.

| Sl. No. | Particulars | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---------|--------------------------------|----------------------|--------------------|--------------------|-------------------|----------------------|----------------------|--------------------|--------------------|------------------------|----------------------|----------------------|----------------------|
| | | As at April 1, 2008 | Adjustment | Additions | Deletions | As at March 31, 2009 | Upto March 31, 2008 | Adjustment | For the Year | Withdrawn on deletions | Upto March 31, 2009 | As at March 31, 2009 | As at March 31, 2008 |
| | Tangible Fixed Assets | | | | | | | | | | | | |
| 1 | Computer Hardware and Software | 841,198,273 | 111,489,224 | 83,902,863 | 13,083,051 | 1,023,507,309 | 668,269,045 | 102,411,847 | 107,157,483 | 11,128,749 | 866,709,625 | 156,797,684 | 172,929,278 |
| 2 | Furniture & Fixtures | 80,273,654 | 19,343,616 | 1,123,088 | 11,267,480 | 89,472,878 | 72,730,169 | 17,380,345 | 2,231,931 | 8,668,153 | 83,674,292 | 5,796,586 | 7,543,485 |
| 3 | Vehicles | 46,174,014 | - | 15,220,574 | 10,121,933 | 51,272,655 | 16,878,504 | - | 9,380,222 | 6,770,677 | 19,488,049 | 31,784,606 | 29,295,510 |
| 4 | Office Equipments | 76,598,906 | 7,409,077 | 2,728,968 | 1,188,750 | 85,548,201 | 59,023,979 | 6,877,855 | 6,165,733 | 904,457 | 71,163,110 | 14,385,091 | 17,574,927 |
| 5 | Lease Hold Improvements | 50,417,692 | 8,779,634 | 3,805,797 | - | 63,003,123 | 42,242,920 | 8,869,280 | 5,714,827 | - | 56,827,027 | 6,176,096 | 8,174,772 |
| | Intangibles | | | | | | | | | | | | |
| 1 | Goodwill | 13,766,918 | - | - | - | 13,766,918 | 7,476,300 | - | 2,753,384 | - | 10,229,684 | 3,537,234 | 6,290,618 |
| 2 | Intellectual Property Rights | 397,395,109 | - | - | - | 397,395,109 | 252,113,150 | - | 79,479,022 | - | 331,592,172 | 65,802,937 | 145,281,909 |
| | TOTAL | 1,505,824,566 | 147,021,551 | 106,781,290 | 35,661,214 | 1,723,966,193 | 1,118,734,067 | 135,539,327 | 212,882,602 | 27,472,036 | 1,439,683,959 | 284,282,234 | 387,090,499 |
| | PREVIOUS YEAR | 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 |

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | | March 31, 2008 | |
|---|----------------|----------------------|----------------|----------------------|
| SCHEDULE - G : | | | | |
| SUNDRY DEBTORS : | | | | |
| (Unsecured) | | | | |
| Outstanding for more than six months | | | | |
| - Considered Good | - | | 273,209,491 | |
| - Considered Doubtful | 226,905,108 | 226,905,108 | 280,451,408 | 553,660,899 |
| Others | | | | |
| - Considered Good | 622,310,844 | | 1,040,099,156 | |
| - Considered Doubtful | 63,866,112 | 686,176,956 | 28,690,000 | 1,068,789,156 |
| | | 913,082,064 | | 1,622,450,055 |
| Less: Provision for Doubtful Debts | | 290,771,220 | | 309,141,408 |
| Total (considered good) | | 622,310,844 | | 1,313,308,647 |
| SCHEDULE - H : | | | | |
| CASH & BANK BALANCES : | | | | |
| Cash on hand | | | | |
| | | 66,738 | | 38,939 |
| Balance with Scheduled Banks | | | | |
| - in Current Account in Indian Rupees | | 4,543,475 | | 3,048,916 |
| - in Deposit Account in Indian Rupees | | 32,735,679 | | 27,992,954 |
| - in Exchange Earner's Foreign Currency account | | 328,727 | | 69,100,260 |
| Balance with Non Scheduled Banks | | 149,736,013 | | 131,004,277 |
| Total | | 187,410,632 | | 231,185,346 |
| SCHEDULE - I : | | | | |
| LOANS & ADVANCES : | | | | |
| (Unsecured, considered good) | | | | |
| Loans and advances recoverable in cash or in kind or for value to be received | | | | |
| | | 276,833,622 | | 203,534,636 |
| Advance Income Tax including TDS | | 237,047,277 | | 173,995,964 |
| MAT credit entitlement | | - | | 21,170,731 |
| Other Deposits | | 90,756,556 | | 94,792,683 |
| Total | | 604,637,455 | | 493,494,014 |
| SCHEDULE - J : | | | | |
| CURRENT LIABILITIES & PROVISIONS : | | | | |
| SUNDRY CREDITORS : | | | | |
| Sundry Creditors | 722,818,031 | | 684,807,973 | |
| Advance received from Customers | 61,194,713 | | 100,140,877 | |
| Deferred Income | 408,442,681 | | 575,530,366 | |
| Duties & Taxes | 103,244,398 | | 69,905,502 | |
| Interest Accrued but not due | 11,158,248 | | 9,777,760 | |
| Unclaimed Dividends | 751,860 | 1,307,609,931 | 805,014 | 1,440,967,492 |
| PROVISIONS : | | | | |
| Taxation | 155,481,618 | | 134,408,936 | |
| Employee Benefits | 141,683,786 | | 68,887,860 | |
| Warranty | 4,228,718 | | 2,866,506 | |
| Others (Refer Note II.11.7, Schedule P) | 102,731,039 | | 5,500,000 | |
| Redemption premium accrued on FCCBs | 1,361,916,700 | 1,766,041,861 | 632,054,656 | 843,717,958 |
| Total | | 3,073,651,792 | | 2,284,685,450 |

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

| | March 31, 2009 | March 31, 2008 |
|---|-----------------------------|-----------------------------|
| SCHEDULE - K : | | |
| OTHER INCOME : | | |
| Other income | 2,546,032 | 2,574,816 |
| Profit on sale of Fixed Assets (Net) | 536,706 | 1,096,373 |
| Exchange Fluctuation gain (Net) | 446,817,455 | - |
| Total | <u>449,900,193</u> | <u>3,671,189</u> |
| SCHEDULE - L : | | |
| COST OF HARDWARE, SOFTWARE AND SUPPORT CHARGES : | | |
| Cost of Hardware and Software | 102,871,498 | 43,269,115 |
| Support Charges | 21,024,807 | 41,200,756 |
| Total | <u>123,896,305</u> | <u>84,469,871</u> |
| SCHEDULE - M : | | |
| PERSONNEL COSTS : | | |
| Salaries, Wages & Allowances | 3,326,685,814 | 3,414,127,688 |
| Contribution to Provident Fund and Other Funds | 157,847,594 | 167,099,066 |
| Other staff related costs | 121,354,630 | 193,665,785 |
| Sub Contract Charges | 260,915,491 | 247,480,470 |
| Total | <u>3,866,803,529</u> | <u>4,022,373,009</u> |
| SCHEDULE - N : | | |
| OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES : | | |
| Software Purchases | 17,845,672 | 16,645,747 |
| Rent | 199,641,694 | 185,993,051 |
| Power, Fuel and Water Charges | 31,119,962 | 32,437,542 |
| Repairs & Maintenance | 85,786,037 | 88,153,952 |
| Insurance | 11,226,273 | 13,896,389 |
| Communication Costs | 79,766,835 | 117,545,832 |
| Printing & Stationery | 9,130,054 | 11,582,357 |
| Travelling & Conveyance | 249,071,892 | 356,019,968 |
| Directors sitting fees | 20,000 | 22,500 |
| Rates & Taxes Including Filing Fees | 10,218,303 | 26,591,206 |
| Advertisement & Business Promotion | 28,774,127 | 95,665,156 |
| Professional & Consultancy Charges | 138,435,477 | 126,928,478 |
| Bad Debts Written Off | 110,250 | 2,785,990 |
| Provision for Doubtful Debts | 195,821,669 | 290,353,158 |
| Commission on Sales | 9,368,199 | 13,997,278 |
| Exchange Fluctuation Loss (Net) | - | 73,341,539 |
| Miscellaneous Expenses | 6,454,444 | 30,981,638 |
| Total | <u>1,072,790,888</u> | <u>1,482,941,781</u> |
| SCHEDULE - O : | | |
| FINANCIAL COSTS : | | |
| Interest on FCCBs and other term loans | 268,359,550 | 194,560,568 |
| Interest & Bank Charges | <u>170,403,562</u> | <u>438,763,112</u> |
| Interest Income | (3,950,282) | (20,661,716) |
| Total | <u>434,812,830</u> | <u>304,803,291</u> |

SCHEDULE – P

Significant accounting policies and Notes to Accounts

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 Group'). The consolidated financial statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), the Accounting Standards issued under the Companies (Accounting Standards) 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 its 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 its 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, 2009 | % of ownership held at March 31, 2008 |
|---------|---|--------------------------|---------------------------------------|---------------------------------------|
| 1 | Subex Technologies Inc. (Wholly owned subsidiary of Subex Technologies Ltd., India) | United States of America | 100 | 100 |
| 2 | Subex Technologies Ltd India | India | 100 | 100 |
| 3 | Subex (UK) Limited | United Kingdom | 100 | 100 |
| 4 | Subex Inc. (wholly owned subsidiary of Subex (UK) Ltd.) | United States of America | 100 | 100 |
| 5 | Subex (Asia Pacific) Pte. Ltd, (wholly owned subsidiary of Subex (UK) Ltd.) | Singapore | 100 | 100 |

| | | | | |
|----|--|--------------------------|-----|-----|
| 6 | Subex Azure (US) Inc (wholly owned subsidiary of Subex Americas Inc) | United States of America | 100 | 100 |
| 7 | Subex Azure Holdings Inc (wholly owned subsidiary of Subex Americas Inc) | United States of America | 100 | 100 |
| 8 | Subex Azure (Delaware) Inc (wholly owned subsidiary of Subex Americas Inc) | United States of America | 100 | 100 |
| 9 | Syndesis Development India Private Ltd (wholly owned subsidiary of Subex Americas Inc) | India | 100 | 100 |
| 10 | 2101874 Ontario Inc (wholly owned subsidiary of Subex Americas Inc) | United States of America | 100 | 100 |
| 11 | Subex Americas Inc | Canada | 100 | 100 |
| 12 | Subex Azure (GB) Ltd (wholly owned subsidiary of Subex Americas Inc) | United Kingdom | 100 | 100 |
| 13 | Subex Azure (Ireland) Ltd (wholly owned subsidiary of Subex Americas Inc) | Ireland | 100 | 100 |

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.

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.

Maintenance and service income is recognised on accrual basis.

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

1.5. Fixed Assets and Intangibles

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.

Acquired intangibles are stated at cost inclusive of duties and taxes. Cost incurred on self-generated intangibles are expensed as incurred.

1.6. 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 % |
|--------------------------------|----------------------|
| Leasehold improvements | Over the lease term |
| Computers (including Software) | 25 |
| Furniture & Fixtures | 20 |
| Vehicles | 20 |
| Office equipments | 20 |
| Intellectual Property Rights | 20 |
| Goodwill | 20 |

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

1.7. Employee Stock Option

Employee Stock Options 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.

1.8. Employee Benefits

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

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.

1.9. 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.

1.10. 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 these 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.

1.11. 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 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.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 & Contingencies

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. Contingent liabilities are not provided for, but disclosed in the notes to the financial statements.

I.15 Impairment of Fixed Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets and intangibles 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) The deferred tax asset/(liability) as at March 31, 2009 comprises the tax impact arising from timing differences on account of:

| Particulars | Amount in Rs. | |
|--|-------------------------|-------------------------|
| | As at March 31, 2009 | As at March 31, 2008 |
| - Depreciation | 24,176,011* | 30,414,688+ |
| - Business loss | 18,369,526# | 100,966,215# |
| Deferred Tax Asset | 42,545,537 | 131,380,903 |
| Deferred tax liability on depreciation | (1,268,432) | (7,302,834) |

* These differences are on account of depreciation, which are claimable in the India tax jurisdiction.

+ These differences are on account of depreciation, which are claimable in the foreign tax jurisdiction.

Deferred tax assets recognized on unabsorbed tax losses at March 31, 2009, 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. 582,810,763 (Previous year: Rs. 133,367,178)

Claims against the company not acknowledged as debts:

a) Rs. 54,272,325 (Previous year: Rs. 24,365,085). These claims relate to Indian Income Tax demands pertaining to FY 2001-02, 2002-03, 2003-04 and 2004-05. The demands are being contested by the Company.

b) Rs.121,728,000 (Previous Year: Nil) – This relates to a claim made by a vendor of a subsidiary of an acquired entity.

c) Claim from erstwhile employees Rs.Nil (Previous Year: Rs.48,000,000)

d) Others – Rs.50,000,000 (Previous year: Rs.50,000,000)

II.3. 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 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, 2012, 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.4. Scheme of Arrangement – Services Business

During financial year 2007-08, 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 the Company under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company 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 received 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 during financial year 2007-08, in accordance with the order of the Court.

| 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.5. Monies received pending allotment

During financial year 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 has received 10% of the total consideration amounting to Rs.140,559,130. 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. During the year, the warrants issued have been forfeited and the money has been transferred to Capital Reserve. The money received by the Company has been utilized for long term working capital requirements.

II.6. Operating leases

The Group has entered into operating lease arrangements for its office facilities. These leases are for a period ranging from 1 to 5 years with an option to the Group for renewing at the end of the initial term. Rental expenses for operating leases included in the Income statement for the year is Rs. 199,641,694 (Previous year: Rs. 185,993,051)

The future minimum lease payments for non-cancelable operating leases were:

| Particulars | Amount In Rs. | |
|---|----------------|----------------|
| | March 31, 2009 | March 31, 2008 |
| Within one year | 163,972,720 | 175,042,669 |
| Due in a period between one year and five years | 345,290,473 | 320,237,727 |
| Due after five years | - | 12,796,360 |

II.7. Employee Stock Option Plan (ESOP)

ESOP – II

During 1999-2000, the Company established the Employee Stock Option Scheme 2000 ("ESOP 2000") under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing upto a maximum of 883,750 shares to be allotted pursuant to exercise of options granted under the scheme. Each option comprises 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 Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 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.

During the year, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 156,211 options were surrendered by 122 employees during the said period. Due to this, Rs.6,611,773, being the previously recognized ESOP compensation cost on these options, have been reversed and credited to personnel costs during the year.

Under this scheme 726,567 (net) options have been granted to 624 employees as at March 31, 2009. Out of the above 9930 options are vested and exercisable. 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 charge of Rs.1,759,270 (Previous Year: Charge of Rs.19,082,165) to the Profit & Loss Account during the year.

ESOP – III

During 2005-2006, the Company established the Employee Stock Option Scheme 2005 ("ESOP 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. The Company has obtained in-principle approval for listing upto a maximum of 2,000,000 shares pursuant to exercise of options granted under the scheme. Each option comprises one underlying 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 Employee Stock Purchase Scheme) Guidelines, 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 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.

During the year, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 1,069,407 options were surrendered by 538 employees during the said period. Due to this, Rs.41,876,574, being the previously recognized ESOP compensation cost on these options, have been reversed and credited to personnel costs during the year.

As on March 31, 2009, 1,801,106 (net) options have been granted to 1,511 employees under this scheme. Out of the above 62,100

options are vested and exercisable. 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 credit of Rs.25,098,927 (Previous Year: Charge of Rs. 4,236,147) to the Profit & Loss Account during the year.

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.

Employees' stock options details as on the balance sheet date are :

| Particulars | 2008-09 | | 2007-08 | |
|--|---------------|--|---------------|--|
| | 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 | 214,038 | 427.48 | 261,202 | 408.57 |
| ESOP – III | 1,718,245 | 366.67 | 422,533 | 429.37 |
| Granted during the year | | | | |
| ESOP – II | 362,072 | 66.75 | - | - |
| ESOP – III | 1,764,397 | 74.80 | 1,671,700 | 380.31 |
| Exercised during the year | | | | |
| ESOP – II | - | - | 30,927 | - |
| ESOP – III | - | - | 437 | - |
| Cancelled, Surrendered & Lapsed during the year | | | | |
| ESOP – II | 217,993 | - | 16,237 | - |
| ESOP – III | 1,688,260 | - | 375,551 | - |
| Options outstanding at the end of the year | | | | |
| ESOP – II | 358,117 | 75.47 | 214,038 | 427.48 |
| ESOP – III | 1,794,382 | 127.49 | 1,718,245 | 366.67 |
| Options exercisable at the end of the year | | | | |
| ESOP – II | 9,930 | - | 73,798 | - |
| ESOP – III | 62,100 | - | 105,539 | - |

[Weighted average remaining contractual life (considering vesting and exercise period)]

ESOP – II At March 31, 2008 : 3.48 Years
 At March 31, 2009 : 4.05 Years

ESOP – III At March 31, 2008 : 4.96 Years
 At March 31, 2009 : 4.48 Years

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%, expected life: 3 years, expected volatility of share: 58.98% and expected dividend yield: 1.19%. 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:

| Particulars | Amounts in Rs. | |
|--|-----------------|----------------|
| | March 31, 2009 | March 31, 2008 |
| Net Profit/(Loss) [as reported] | (1,883,626,370) | (680,715,371) |
| Add : Stock-based employee compensation relating to grants after 1 st April, 2008 | (23,339,657) | 23,318,312 |
| Less : Stock-based compensation expenses determined under fair value based method for the above grants | 110,032,092 | 62,566,550 |
| Net Profit (proforma) | (2,016,998,119) | (719,963,609) |
| Basic earnings/(loss) per share (as reported) | (54.05) | (19.49) |
| Basic earning /(loss) per share (proforma) | (57.88) | (20.61) |
| Diluted earning/loss per share (as reported) | (54.05) | (19.49) |
| Diluted Earning /(loss) per share (proforma) | (57.88) | (20.61) |

II.8. Related party information

A) Related parties

Enterprises over which some of the directors exercise significant influence

Kivar Holdings Private Limited (formerly Subex Holdings Private Limited) and its subsidiaries

Key management personnel

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

B) Details of the transactions with the related parties are as under:

| Nature of Transaction | Enterprises over which some of the directors exercise significant influence | | Key management personnel | |
|---|---|-------------|--------------------------|------------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| a) Salary, perquisites and commission | - | - | 12,180,000 | 12,180,000 |
| b) Money received against warrants issued | - | 113,455,800 | - | 27,103,330 |

II.9. Earning per Share (EPS)

| | Amount in Rs. | |
|---|-----------------|----------------|
| | 2008-09 | 2007-08 |
| Profits/(loss) after Tax attributable to shareholders | (1,883,626,370) | (680,715,371) |
| Weighted Average Number of Shares for Basic EPS | 34,847,089 | 34,834,666 |
| Weighted Average Number of Shares for Diluted EPS | 34,847,089 | 34,834,666 |
| Earning /(loss) per Share – Basic | (54.05) | (19.49) |
| Earning /(loss) per Share – Diluted | (54.05) | (19.49) |

Face value of shares : Rs. 10 each

Employee Stock Options, FCCB's and warrants (if any) outstanding at year end are anti -dilutive and hence ignored in computing Diluted Earnings per share.

II.10. Segmental Reporting

The Group's operation comprises software development and services. Primary segmental reporting comprises 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.

Information about primary business segment:

Amounts in Rs.

| Particulars | Products | | Services | | Consolidated | |
|--|---------------|---------------|---------------|---------------|-----------------|---------------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| Revenues | 4,384,810,798 | 3,618,480,866 | 1,200,084,046 | 1,237,426,902 | 5,584,894,844 | 4,855,907,768 |
| Segment results before interest & taxes | 523,262,958 | [808,159,331] | 121,983,514 | 72,453,627 | 645,246,472 | [735,705,704] |
| Unallocable Income, net of unallocable expense | | | | | (1,929,600,000) | 423,458,616 |
| Interest expense | | | | | (434,812,830) | (304,803,291) |
| Profit before tax | | | | | (1,719,166,358) | (617,050,379) |
| Provision for taxation: | | | | | | |
| Current | | | | | 60,037,612 | 24,444,655 |
| MAT credit written off/ carried forward | | | | | 21,170,731 | (10,042,000) |
| Fringe Benefit Tax | | | | | 4,121,669 | 11,930,660 |
| Deferred Tax | | | | | 79,130,000 | 37,331,677 |
| Profit After Tax | | | | | [1,883,626,370] | (680,715,371) |

Particulars of Segment Assets & Liabilities

Amount in Rs.

| | Products | | Services | | Unallocable | | Consolidated | |
|---------------------------------|----------------|----------------|-------------|-------------|-------------|---------------|----------------|----------------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| Segment assets | 17,136,599,207 | 16,647,984,613 | 396,923,807 | 545,343,467 | | 918,285,409 | 17,533,523,014 | 18,111,613,489 |
| Segment Liabilities | 13,743,960,273 | | 67,896,690 | | | 2,150,276,514 | 13,811,856,963 | 2,150,276,514 |
| Unallocable Assets exclude | | | | | | | | |
| Advance Income Taxes | | | | | | | 237,047,277 | 195,166,695 |
| Deferred tax asset (Net) | | | | | | | 41,277,100 | 124,078,067 |
| Miscellaneous Expenditure | | | | | | | 14,606,462 | 32,462,203 |
| Total | | | | | | | 292,930,839 | 351,706,965 |
| Unallocable Liabilities exclude | | | | | | | | |
| Loans - Secured | | | | | | | | 1,156,150,935 |
| Loans - Unsecured | | | | | | | | 8,114,849,759 |
| Provisions for tax | | | | | | | 155,481,618 | 134,408,936 |
| Total | | | | | | | 155,481,618 | 9,405,409,630 |

Additions to assets

Amount in Rs.

| Region | 2008-09 | | 2007-08 |
|----------|------------|----------|------------|
| | Product | Services | |
| Americas | 32,017,171 | 141,828 | 20,080,132 |
| EMEA | 35,601,651 | | 40,037,364 |
| APAC | 39,020,640 | | 92,677,584 |

During the year ended March 31, 2008, Fixed and certain other assets used in the Company's business or liabilities contracted were not identified to any of the primary reportable segments, as these assets and services were used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures (for 2007-08) relating to segment assets & 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 | |
|-----------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| AMERICAS | 1,853,064,486 | 1,255,241,906 | 1,200,084,046 | 1,237,426,902 | 3,053,148,532 | 2,492,668,808 |
| EMEA | 1,045,398,866 | 1,802,019,538 | | | 1,045,398,866 | 1,802,019,538 |
| APAC, Etc | 1,486,347,446 | 561,219,422 | | | 1,486,347,446 | 561,219,422 |
| Total | 4,384,810,798 | 3,618,480,866 | 1,200,084,046 | 1,237,426,902 | 5,584,894,844 | 4,855,907,768 |

Segment assets based on their location

Amount in Rs.

| | 2008-09 | 2007-08 |
|-----------|----------------|----------------|
| AMERICAS | 9,704,385,598 | 9,665,449,258 |
| EMEA | 7,135,658,716 | 7,537,620,955 |
| APAC, Etc | 693,478,699 | 908,543,276 |
| Total | 17,533,523,014 | 18,111,613,489 |

II.11. Others

- Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs. 981,108 (Previous year: Rs. 5,199,547).
- Unclaimed dividend of Rs. 751,860 as at March 31, 2009 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'. During the current year, the company has transferred Rs. 52,514 to Investor Protection Fund.

- Personnel Cost for the year includes expenditure on Research and Development of Rs. 168,048,643 (Previous year: Rs. 66,755,179). This is as certified by the management and relied upon by the auditors.
- A director of the Company has provided a personal guarantee in respect of certain long term loans from Banks included in schedule E of the financial statements. Further, the promoters' shares have also been pledged towards portion of these loans.
- 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, 2009 amounting to Rs. 28,998,760 and March 31, 2008 Rs. 27,533,906. 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).

- The following table sets out the funded status of the defined Benefit Schemes and the amount recognized in the financial statements.

Amount in Rs.

| | | Gratuity | |
|------------|---|---------------|---------------|
| | | March 31 2009 | March 31 2008 |
| I | Components of employer expense | | |
| 1 | Current Service cost | 4,662,610 | 2,487,700 |
| 2 | Interest cost | 856,520 | 529,720 |
| 3 | Expected return on plan assets | (110,440) | (91,370) |
| 4 | Curtailement cost/(credit) | - | - |
| 5 | Settlement cost/(credit) | - | - |
| 6 | Past Service Cost | - | - |
| 7 | Actuarial Losses/(Gains) | 381,560 | 1,221,020 |
| 8 | Total expense recognized in the Statement of Profit & Loss Account | 5,790,250 | 4,147,070 |
| II | Actual Contribution and Benefit Payments for year ended 31 March 2009 | | |
| 1 | Actual benefit payments | 899,960 | 1,215,060 |
| 2 | Actual Contributions | 1,168,390 | 1,102,330 |
| III | Net asset/(liability) recognized in Balance Sheet as at March 31, 2009 | | |
| 1 | Present value of Defined Benefit Obligation (DBO) | 15,328,540 | 10,295,066 |
| 2 | Fair value of plan assets | 1,504,530 | 1,092,920 |
| 3 | Funded status [Surplus/(Deficit)] | (13,824,010) | (9,202,150) |
| 4 | Unrecognized Past Service Costs | - | - |
| 5 | Net asset/(liability) recognized in Balance Sheet | (13,824,010) | (9,202,150) |

| | | | |
|-----------|---|------------|-------------|
| IV | Change in Defined Benefit Obligations during the year ended March 31, 2009 | | |
| 1 | Present Value of DBO at beginning of year | 10,295,070 | 7,229,036 |
| 2 | Current Service cost | 4,662,610 | 2,487,700 |
| 3 | Interest cost | 856,520 | 529,720 |
| 4 | Curtailement cost/(credit) | - | - |
| 5 | Settlement cost/(credit) | - | - |
| 6 | Plan amendments | - | - |
| 7 | Acquisitions | - | - |
| 8 | Actuarial (gains)/ losses | 414,300 | 1,263,670 |
| 9 | Benefits paid | (899,960) | (1,215,060) |
| 10 | Present Value of DBO at the end of year | 15,328,540 | 10,295,066 |
| V | Change in Fair Value of Assets during the year ended March 31, 2009 | | |
| 1 | Plan assets at beginning of year | 1,092,920 | 1,062,832 |
| 2 | Acquisition Adjustment | - | - |
| 3 | Actual return on plan assets(estimated) | 110,440 | 91,370 |
| 4 | Actuarial Gain/(Loss) | 32,740 | 51,448 |
| 5 | Actual Company contributions(less risk premium, ST) | 1,168,390 | 1,102,330 |
| 6 | Benefits paid | (899,960) | (1,215,060) |
| 7 | Plan assets at the end of period | 1,504,530 | 1,092,920 |
| VI | Actuarial Assumptions | | |
| 1 | Discount Rate | 8.00% | 8.70% |
| 2 | Expected Return on plan assets | 9.00% | 9.00% |
| 3 | Salary escalation | 6.00% | 5.00% |
| 4 | Attrition Rate | 5.00% | 5.00% |

Note: Contributions under Defined Contribution Schemes Rs. 65,464,571.

7. 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, 2009:

(i) Forward/Option Contracts:

| Particulars | March 31, 2009 | | | March 31, 2008 | | |
|-------------------|----------------|----------|--------------|----------------|----------|--------------|
| | US\$ | Buy/Sell | Amount (INR) | US\$ | Buy/Sell | Amount (INR) |
| Forward contracts | 7,300,000 | Sell | 363,846,250 | 1,400,000 | Sell | 55,987,000 |
| Option contracts | 4,600,000 | Sell | 192,040,000 | 5,000,000 | Sell | 202,244,000 |

As per the 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. 102,731,040 (Previous year: Rs. 5,500,000) on outstanding option contracts.

8. The year end foreign currency exposures that have not been hedged by derivative instruments or otherwise are given below.

| Receivable at March 31, 2009 in | | Receivables at March 31, 2008 in | |
|---------------------------------|-------------------|----------------------------------|-------------------|
| Foreign Currency | Equivalent Rupees | Foreign Currency | Equivalent Rupees |
| EURO 405,894 | 29,423,236 | EURO 2,268,820 | 143,030,980 |
| AUD 170,375 | 8,641,399 | AUD 1,136,477 | 41,615,766 |
| MYR 114,119 | 3,805,874 | MYR 2,068,553 | 26,157,543 |
| USD 882,141 | 39,441,613 | USD 19,526,015 | 782,915,097 |
| CAD 23,107 | 1,171,963 | GBP 135,991 | 10,954,552 |
| | | OMR97,171 | 10,108,808 |
| | | AED314 | 3,414 |

9. 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, are amortised over a period from the time such costs were incurred till March 31, 2010, on a pro-rata basis.

10. Revenue for the year ended March 31, 2009 is adjusted for Rs. 108,277,625, being reversal of unbilled revenues (net).

11. The Company has 'International transactions' with 'Associated Enterprises which are subject to Transfer Pricing regulations in India. The Management of the Company, is of the opinion that such transactions with Associated Enterprises are at arm's length and hence in compliance with the aforesaid legislation. Consequently, this will not have any impact on the financials statements, particularly on account of tax expense and that of provision for taxation.

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

SHAREHOLDERS' INFORMATION

REGISTERED OFFICE

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

DATE AND VENUE OF THE ANNUAL GENERAL MEETING (AGM)

Date : July 29, 2009
 Venue : Adarsh Tech Park, Outer Ring Road,
 Devarabisanahalli, Bangalore – 560 037
 Time : 3.00 P.M.

DATES OF BOOK CLOSURE

From July 28, 2009 to July 29, 2009 (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, 2009 – on July 29, 2009
 For quarter ending September 30, 2009 – on October 29, 2009
 For quarter ending December 31, 2009 – on January 29, 2010
 For the year ending March 31, 2010 – on April 29, 2010

DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2008 – 2009.

LISTING ON STOCK EXCHANGES

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

STOCK MARKET DATA RELATING TO SHARES LISTED IN INDIA

Monthly high and low quotations during each month in the financial year 2008-09 as well as the volume of shares traded on NSE and BSE are as under:

| Month | NSE | | | BSE | | |
|---------|----------|---------|-------------|----------|---------|-------------|
| | High Rs. | Low Rs. | Volume Nos. | High Rs. | Low Rs. | Volume Nos. |
| Apr '08 | 218.80 | 153.45 | 2,363,551 | 224.00 | 153.60 | 803,837 |
| May '08 | 162.50 | 120.10 | 4,158,808 | 162.50 | 120.00 | 2,260,565 |
| Jun '08 | 135.00 | 94.00 | 2,283,700 | 134.90 | 94.25 | 1,407,199 |
| Jul '08 | 96.90 | 73.00 | 1,859,850 | 95.00 | 73.10 | 912,447 |
| Aug '08 | 121.40 | 74.00 | 54,401,761 | 121.70 | 73.25 | 27,875,084 |
| Sep '08 | 112.40 | 68.20 | 16,161,940 | 112.20 | 71.35 | 7,995,594 |
| Oct '08 | 88.55 | 28.25 | 3,501,907 | 88.35 | 28.75 | 1,932,691 |
| Nov '08 | 42.90 | 29.00 | 2,295,003 | 42.75 | 29.00 | 1,030,488 |
| Dec '08 | 37.00 | 28.95 | 1,443,094 | 37.25 | 29.00 | 851,916 |
| Jan '09 | 35.15 | 24.80 | 1,983,267 | 35.00 | 24.85 | 1,222,504 |
| Feb '09 | 33.40 | 19.85 | 698,586 | 33.00 | 20.10 | 569,120 |
| Mar '09 | 24.55 | 18.80 | 1,094,794 | 25.15 | 18.85 | 879,929 |
| | TOTAL | | 92,246,261 | TOTAL | | 14,699,455 |

Listing Fees have been paid to all the above Stock Exchanges for 2009-10.

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

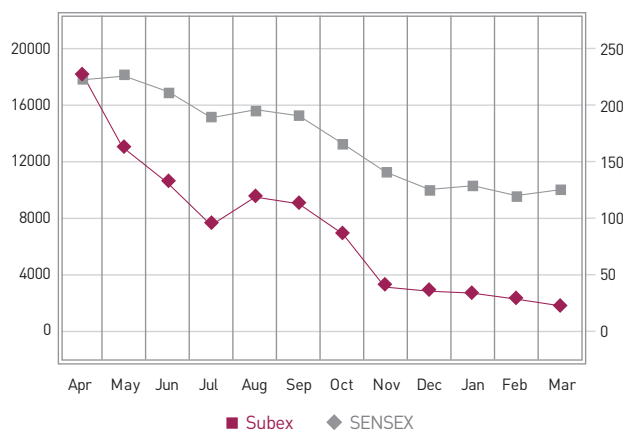
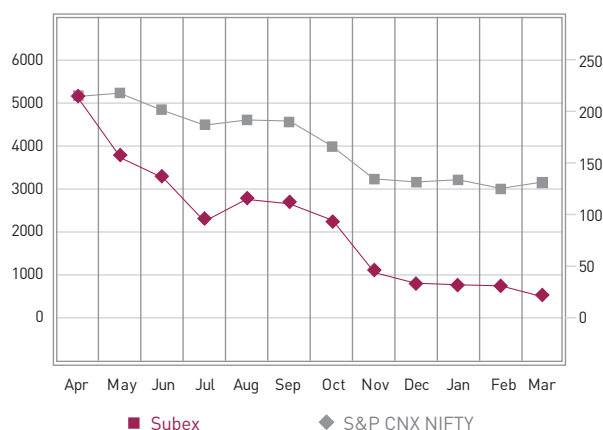
| Name and address of the stock exchange | Stock code |
|---|------------|
| National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra Kurla Complex, Mumbai- 400051 | SUBEX |
| Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400001 | 532348 |
| London Stock 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/SE/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. The said circular has been partially modified vide SEBI's Circular No MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009. The Company has, in accordance with the aforesaid circulars, paid custodial fees for the year 2009-10 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2009.

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, 2009 | | As on March 31, 2008 | |
|---------------------------|----------------------|-------------------|----------------------|-------------------|
| | No. of shareholders | % of shareholding | No. of shareholders | % of shareholding |
| 1 - 5000 | 26,342 | 90.24 | 15,748 | 91.86 |
| 5001 - 10000 | 1,423 | 4.87 | 660 | 3.84 |
| 10001 - 20000 | 749 | 2.57 | 342 | 1.99 |
| 20001 - 30000 | 220 | 0.75 | 89 | 0.51 |
| 30001 - 40000 | 116 | 0.40 | 65 | 0.37 |
| 40001 - 50000 | 79 | 0.27 | 42 | 0.24 |
| 50001 - 100000 | 121 | 0.41 | 70 | 0.40 |
| 100001 and above | 140 | 0.49 | 127 | 0.74 |
| | 29,190 | 100.00 | 17,143 | 100.00 |

Categories of shareholders

| Category | As on March 31, 2009 | | | As on March 31, 2008 | | |
|-----------------------------|----------------------|-------------------|--------------------|----------------------|-------------------|--------------------|
| | No. of share holders | Voting strength % | No. of shares held | No. of share holders | Voting strength % | No. of shares held |
| Public & Others | 28,390 | 30.41% | 10,594,315 | 16,331 | 40.77% | 14,208,388 |
| Companies/ Bodies Corporate | 712 | 6.92% | 2,411,949 | 694 | 5.86% | 2,043,775 |
| Core Promoters | 2 | 11.56% | 4,028,700 | 2 | 8.85% | 3,083,103 |
| Mutual Funds | 6 | 4.36% | 1,520,832 | 16 | 13.00% | 4,528,486 |
| ESOP- employee shareholders | 60 | 0.49% | 170,458 | 60 | 0.40% | 138,234 |
| FII | 20 | 46.26% | 16,120,835 | 40 | 31.12% | 10,845,103 |
| TOTAL | 29,190 | 100.00% | 34,847,089 | 17,143 | 100.00% | 34,847,089 |

R&T AGENTS AND SHARE TRANSFER SYSTEM

Canbank Computers Services Limited, J P Royale, 1st Floor, No.218, 2nd Main, Sampige Road (Near 14th Cross), Malleswaram, Bangalore - 560 003, were appointed as 'Registrar and Transfer Agent' both in respect of shares held in physical form and dematerialized form vide a tripartite agreement dated December 5, 2001 in respect of shares held with NSDL and a tripartite agreement dated November 27, 2001 in respect of shares held with CDSL.

Process for 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.,
J P Royale, 1st Floor,
No.218, 2nd Main,
Sampige Road (Near 14th Cross),
Malleswaram,
Bangalore - 560 003
Tel Nos. 080-23469661/62, 23469664/65
Fax Nos. 080-23469667/68
E-mail: canbankrta@ccsl.co.in , Website: www.canbankrta.com

SHARES HELD IN PHYSICAL AND DEMATERIALIZED FORM

As on March 31, 2009, 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, 2009 9,218,131 GDRs issued by the Company were outstanding. The Company issued Foreign Currency Convertible Bonds amounting to US \$ 180 Million in March 2007, which are outstanding as on March 31, 2009.

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 |
|-------------------------------------|---|--------------------|---------------|-----------------------------------|
| 2000-01 | July 13, 2001 | Final | 20 | See note below* |
| 2001-02 | November 15, 2002 | Final | 10 | Before December 14, 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 final dividend declared for the FY 2000-01 which was unclaimed for 7 years from the date of transfer to unpaid dividend account, 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, 2008 to March 31, 2009:

| Nature of complaints | Received | Cleared |
|--|----------|----------|
| Non-receipt of share certificates/refund orders/call money notice/allotment advice/ dividend warrant | 2 | 2 |
| 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 | - | - |
| Total | 2 | 2 |

During the year ended March 31, 2009, 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:

Mr. Raj Kumar
Chief Counsel & Company Secretary
Subex Limited, Adarsh Tech Park,
Outer Ring Road, Devarabisanahalli,
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, OUTER RING ROAD, DEVARABISANAHALLI, BANGALORE 560 037, INDIA

BROOMFIELD • DUBAI • IPSWICH • LONDON

ONTARIO • OTTAWA • PITTSBURGH • SINGAPORE • SYDNEY

www.subexworld.com