2010-2011 ANNUAL REPORT

subex
powering the ROC

While the business has taken several twists and turns, we have stayed focused on modifying a variety of facets of the business resulting in considerable improvement on many fronts.

THE SUBEX PROMISE...

Change is the only constant phenomenon. Your company has stayed true to that adage. Ever since our entry into the world of telecom software a decade ago, we have evolved at a constant pace with regard to technology and revenue model. The result has been an ever expanding set of products and continuing innovation on every front of the business including technology, products and delivery model.

Aristotle once said, "The future is not something true men enter. The future is something they shape with their own hands." As can be seen from the manner in which your company has evolved over the past ten years, we have been shaping our future meticulously and carefully. While we have indeed faltered on certain occasions, we have demonstrated resilience and have fought our way back. That is the genetic code of this organization which you chose to be investors of.

FINANCIAL HIGHLIGHTS

Particulars (Consolidated)	Figures in Rs. Million Except Key Indicators
Total Income	4,925.92
Operating profits (EBITDA) Before Exceptional Items	1,411.17
Depreciation & Amortization	104.50
Profit Before Tax and Exceptional Items	882.46
Profit After Tax and Exceptional Items	787.79
Share Capital	693.10
Reserves & Surplus	1,337.93
Net Worth	2,094.20
Gross Fixed Assets	1,638.65
Net Fixed Assets	130.38
Total Assets	7,552.21

Key Indicators

Earnings Per Share (Rs.)	12.47
Cash Earnings Per Share (Rs.)	7.68
Book Value Per Share (Rs.)	30.22
Debt (Including Working Capital) Equity Ratio	2.61
EBITDA / Sales (%)	29.23
Net Profit Margin (%)	16.32
Return On Year End Net Worth (%)	37.62
Return On Year End Capital Employed (%)	10.43

SUBASH MENON
Founder Chairman,
Managing Director & CEO

DEAR SHAREHOLDER

We need to view business as a continuum. So, it is appropriate to continue from where we left off last year. Last year i.e. in FY10 ended on 31st March, 2010, we had once again become profitable at the Operational Profit After Tax level. We had then said that our objective in FY11 will be to improve our profitability at every level. I am both proud and glad to inform you that we did exactly what we set out to do in FY11. As is our practice, let us take a look at those figures before we delve deeper into the qualitative aspects.

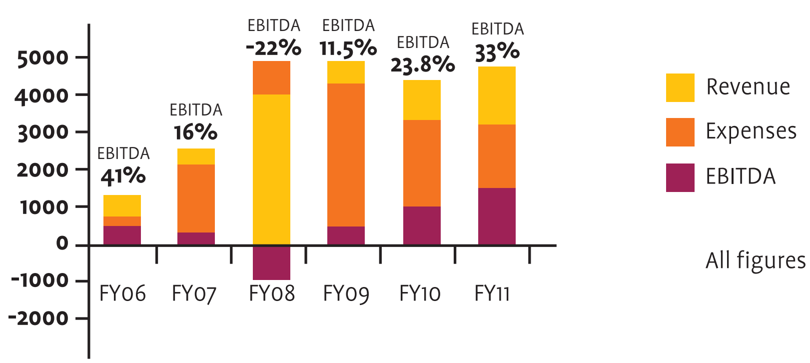
The core of our business i.e. Product business grew 15% in US Dollar terms and about 8% in Indian Rupee terms. More significantly, EBITDA grew from 23.8% in FY10 to 33% in FY11. This resulted in EBITDA for the whole company moving up from 20% to 29%. Above all, Operational Profit After Tax (PAT) which is arrived at by excluding Exceptional Items increased from Rs. 208 Mln to Rs. 838 Mln.

Progression Over the Years

While the business has taken several twists and turns, we have stayed focused on modifying a variety of facets of the business resulting in considerable improvement on many fronts. One critical element has been the contribution from Annuity business. Annuity business, by nature lends stability and predictability to the revenue stream thereby creating an excellent base to build on. This foundation enables the company to explore other opportunities while charting a steady course. In the just concluded financial year, Annuity constituted 42% of the total revenue. This figure was 36% two years ago, in FY09 and is slated to grow to more than 50% in the next 2 to 3 years. Support and Managed Services are the two components of this revenue stream. A natural consequence of this increase in Annuity, which is a highly profitable operation, has been the increase in EBITDA. This is quite clear from the graph given below.

While revenue remained constant from FY09 to FY11, EBITDA increased from 11.5% to 33%. Apart from Annuity, reduction in cost also has had a salutary impact on EBITDA. Cost of operation has been coming down consistently over the past four years. This has been achieved through a systematic program of replacing high cost resources in overseas locations with lower cost resources in India while ensuring that knowledge is transferred efficiently and quality of service to customers is maintained. Further, the company has been engaged in identifying and culling all unwanted costs through extensive rationalization.

The reduction in revenue from FY09 to FY10 was followed by a smart growth of 15% in US Dollar terms from FY10 to FY11. This also contributed to the increase in EBITDA. Given the growth in order intake that we witnessed in the just concluded financial year, revenue is set to grow faster in the years to come. That should enable us to maintain or slightly improve the EBITDA margin in the products business. Buttressing all these figures is the metamorphosis that the business has undergone in the past couple of years with respect to technology and offering. Let us take a closer look at that.



All figures in Rs. Mln.

Technology and Offering – The Evolution

Change is the only constant phenomenon. Your company has stayed true to that adage. Ever since our entry into the world of telecom software a decade ago, we have evolved at a constant pace with regard to technology and revenue model. The result has been an ever expanding set of products and continuing innovation on every front of the business including technology, products and delivery model. What started off as a single product – fraud management – has now morphed into a holistic platform called Revenue Operation Centre, ROC™. ROC covers every part of the revenue chain and presents an end-to-end picture to the users thereby empowering them to improve the efficiency of their operations, resulting in improved revenue and profit. ROC, today, encompasses fraud management, revenue assurance, cost management, credit management, interconnect management, inter- party settlement, route optimization and data integrity management.

This over arching nature of the offering has made it very valuable for telcos who are being buffeted by commoditization of their products and business models. ROC enables them to collect and analyze a vast quantity of data to arrive at conclusions on the health of different parts of their business and network and then to take appropriate actions with the help of an extensive work flow. ROC has thus evolved as a reliable and complete solution without being plagued by the ill effects of poor inter-operability and lack of data integrity. Several telcos across the world – in both developed and developing countries – have opted for ROC resulting in a high level of traction. The fact that ROC is a pioneering offering has improved both the stature of your company and it's prospects.

While selling and implementing ROC, it became obvious that the telecom carriers, despite their deep expertise and wide experience, still lacked the knowledge required to take advantage of a broad platform such as ROC. This was aggravated by the non-availability of skilled personnel within their organizations. That presented a new opportunity for your company and we have been exploiting the same over the past few years. What started off as mere bureau operation has now matured into managed services and full fledged outsourcing. This delivery model is fast emerging as a key differentiator and has also led to a considerable increase in contract size while maintaining a healthy profit margin.

The Future

Aristotle once said, "The future is not something true men enter. The future is something they shape with their own hands." As can be seen from the manner in which your company has evolved over the past ten years, we have been shaping our future meticulously and carefully. While we have indeed faltered on certain occasions, we have demonstrated resilience and have fought our way back. That is the genetic code of this organization which you chose to be investors of. Abraham Lincoln once remarked, "I will prepare and some day my chance will come". Your company too has been preparing – be it with respect to products or delivery model or people or markets that we operate in. And we strongly believe that our chance has come.

We have now been presented with an opportunity to change the fortunes of our customers, telecom carriers all over the globe, and thereby add tremendous value to their businesses. We have now been presented with an opportunity to increase our relevance to our customers and craft deep and engaging partnerships with them. And finally, we have once again been presented with an opportunity to add ever lasting value to those who have supported us through thick and thin – our shareholders. While thanking each and every one of you for your unstinting support, I reiterate the commitment of each and every Subexian to make the most of this opportunity, in the interest of every stakeholder of the company.

ANSWERING THE NEEDS
of the Telco 2.0 model

SUDEESH YEZHUVATH
Chief Operating Officer
& Wholetime Director

We live in interesting times where we are witnessing the telecommunications industry going through its various phases of existence. From a very young, high growth industry, it is now starting to reflect "middle age" with all the complexities that one can expect with such evolution and at such a rapid pace. Growth through new subscribers is no longer possible in developed markets today with high penetration levels approaching saturation in some countries. One recent survey pointed out that there are five Billion mobile phones today in a world of six Billion people! In the developing markets, there is still growth in subscriber numbers but the intense, hyper-competition that exists in these markets has resulted in ARPU falling to lower and lower levels. As can be expected, the industry has been searching for new business models to meet these challenges and we now are seeing the advent of a new model often referred to as the "Telco 2.0 Model".

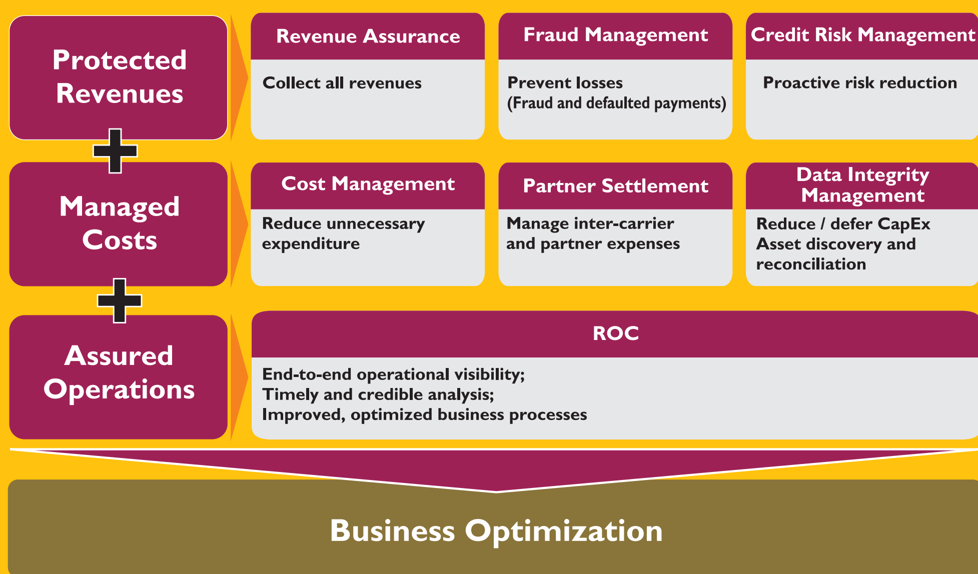
Thus far, the telecom business has been about selling voice, data, content etc. directly to retail users. The telco provided these services, billed the customers directly and collected the moneys. Interestingly, 70% of all executives in telecoms companies think that revenues from this model will decline steadily. In the digital world, there are many business providers – Retailers, Content Providers, Application Developers, Advertisers to name a few – who want to have access to telecom subscribers. Telecom services are a great means for these new providers to deliver or market their products to end users. Telcos have the ability to support these providers reach subscribers by way of identification of the right subscribers, promotions, delivery of the service, billing for the service and collection of amounts due. Telcos have the ability to deliver, bill for and collect against micro transactions using processes that already exist in their business. This represents an opportunity for the telcos to generate revenues from both sides of their business; the network and the customer billing side. This provides the opportunity to move from a one-sided to a two-sided commercial model.

As can be expected, this new business opportunity poses new threats and risks. To grow profitability, telcos are facing significant challenges in trying to grow their revenue and efficiently manage their costs. They cannot afford to have revenue leakages, fraud, billing mistakes, customer churn or process mishaps that lead to revenue loss. This risk is even more accentuated in the 2.0 model because Telcos are reselling goods and services from other vendors and any leakage will mean significant cash loss. Further, the value of such goods and services could also be potentially much higher. All this has resulted in an environment wherein the telcos are on a continual quest to reduce cost and improve efficiencies. This has resulted in a need which outlines three clear objectives – Protect Revenues, Manage Costs and Assure Operations.

Protecting Revenue is about ensuring that there are no leakages in the revenue chain, no defrauding of the telco by rogue "subscribers" and ensuring that there is no loss because of extending credit to risky customers. Managing Costs focuses on reducing unnecessary or excess payments to partners, reducing stranded assets and making best use of existing infrastructure. In the Assuring Operations, telcos are trying to manage risks better as unmanaged risks result in cost escalation.

It is very evident that the Telco 2.0 model is the future of the telecom world and the risks posed by the new business model are equally clear. As a result, there is increased attention on the three areas mentioned above and Subex's offerings are squarely focused in this space as shown in the chart below:

The Subex Value Proposition



Telcos need to process huge volumes of data to spot linkages to help them improve efficiencies and this needs to be done in near real time. Subex's pioneering Revenue Operations Centre (ROC™) allows telcos to achieve this objective. The ROC takes in data from a variety of systems – including the Fraud Management System, Revenue Assurance System, Cost Management System, Data Integrity Management System etc. – and correlates all the data to provide Actionable Intelligence to help telcos make decisions and act quickly. Various analysts have come up with studies that indicate the significance and relevance of Actionable Intelligence in the new world. The ROC is not only a reporting solution but is also a response platform. In short, the ROC addresses the need of agile operations in the Telco 2.0 world.

As discussed above, one critical need is to assure business operations and telcos are moving more and more to business models that assure the business outcome. This is why one sees an increasing trend of outsourcing operations in IT, in the network and in business systems. Telcos realize that vendors that have a comprehensive solution suite in a particular business space are well positioned to carry out operations in that area and are outsourcing the responsibility for those operations. Subex's strengths and expertise is in the Business Optimisation space and the company is seeing significant increase in the need for Managed Services with its customers.

In summary, the Telco 2.0 business model represents the evolution of the telecom world to its next phase of growth but has many inherent risks and threats. Subex, with its ROC and Managed Services, is well positioned to help telcos overcome these problems, move to Telco 2.0 and play a significant role in the next phase of the telecommunications market.

MANAGED SERVICES
the time is now!

VINOD KUMAR
Group President

I am sure you have come across a number of press releases last financial year about our Managed Services wins and the increasing importance of this business in our portfolio. Overall the tailwinds that drive this business are in our favour and with the global economy cautiously back on track; I believe the time is just right for Managed Services.

Globally service providers are increasingly realizing that their in-house teams do not utilize their BSS/OSS products fully, thereby resulting in lower than expected returns on investments. They lack the product expertise that is so important to operate these sophisticated products to their maximum potential; the domain expertise that is needed to stay abreast with emerging risks; and the operations expertise that is critical to sustaining benefits from these products on a long term. This is precisely the concern that Subex alleviates through Managed Services.

An extremely popular engagement model in network operations, service providers are now increasingly turning to Managed Services for BSS/OSS operations. But it is not just cost rationalization alone that is driving this trend. Rather, a Managed Service engagement for BSS/OSS serves a larger objective of optimizing the business and improves customer experience, while freeing significant management bandwidth to focus on core priorities.

Most operators have seen the benefits others in the industry have realized through Managed Service engagements in other areas and hence reasonably agree with potential value through a similar engagement in BSS/OSS:

- The Managed Service Provider's (MSP's expertise in sweating the BSS/OSS asset to its maximum, having developed the software itself
- An understanding of the specific BSS/OSS domain having spent significant time operating in the same
- A one stop shop (a single contract with a single interface)
- A stringent service level agreement for performance
- A clear roadmap for the BSS/OSS software to account for new services and scalability for subscriber growth

At Subex, we are uniquely positioned to leverage these positive justifiers to add value to service providers while also creating a new revenue stream for our company. So how exactly is this business different from our traditional license business? One, we are responsible for running the service provider's business operations on a day-to-day basis; two, we are accountable for results – the SLAs and KPIs are far more stringent; and three, we also advise the service provider on advancing their BSS/OSS functions up the maturity level. The Managed Services business is also rather different from a delivery model perspective. Figure 1. illustrates this difference:

The benefits of such an engagement to Subex are three-fold. One, we have a longer term visibility over revenues, typical Managed Services engagements range from 3 to 5 years. Secondly, the Managed Services engagement model thrives on trusted partnership between the vendor and the service provider. This deeper engagement helps us to build long lasting relationships, thereby providing incremental cross-sell and up-sell opportunities. Lastly, running the service provider's business operations gives us significant insights into their most pressing challenges that we look to solve by building new features in our product roadmaps.

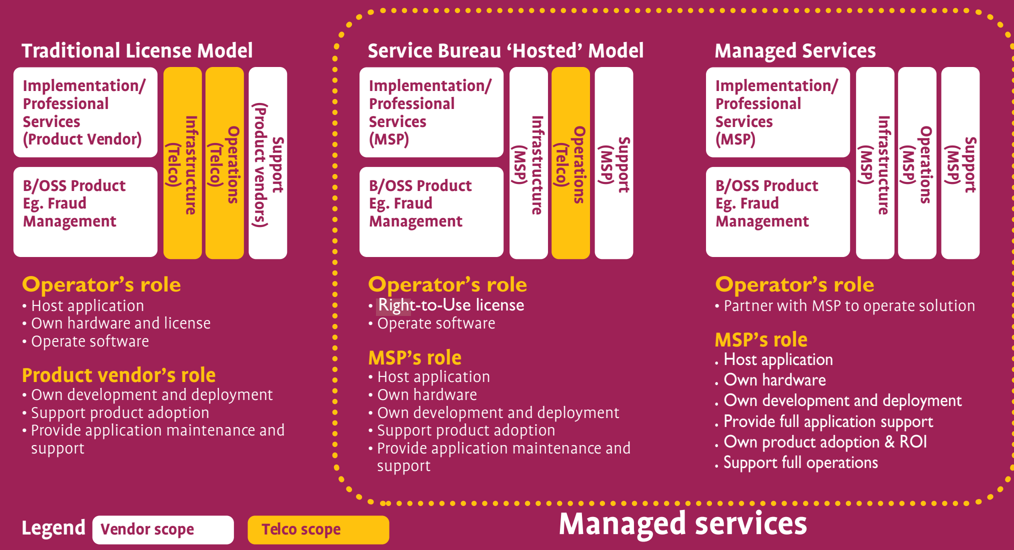


Figure 1: BSS/OSS Engagement Models

You would be pleased to know that our Managed Services experts are already at work at over 30 such programs, processing 20 billion+ CDRs monthly and running applications on over a 100 servers. In fact our Managed Services:

- Experts help improve BSS/OSS productivity by 15-20%,
- Our SLA-based accountable operations increase service provider ROI by 20%,
- Our technology makes BSS/OSS operations more than 15% efficient,
- We also offer on-site support staff to augment service providers' in-house experts, thereby helping ramp up operations at least 10-15% faster,
- And most importantly, our Managed Services help free up management bandwidth significantly and thereby improve organizational efficiency by 7-9%.

Almost intuitively, we call these SMART services leveraging proven technology. They complement service providers' existing operations just as much as transform their businesses.

As the Managed Services business grows, we are mindful of the fact that our customers recognize us for our core Revenue Operations Center (ROC™) technology. And we leverage it very well in the Managed Services business as well. It helps us automate processes and provide a future proof solution to our customers' needs. With over 200 customers, and 300+ implementations of the ROC, this huge base of current users provide us significant opportunities to add value through the Managed Services model.

A quick glance at the following illustrations should be enough to convince you of the value this model adds to service providers and hence its sustainability in the Subex business mix:

- A service provider that fell short on in-house skills to utilize its Revenue Assurance solution to its maximum capabilities realized savings of USD 15 million on engaging us through Managed Services. And they recovered their investments within a short span of just 8 months
- Another operator's fraud management team could not keep pace with emerging frauds. Our Managed Services experts took complete accountability for their fraud management operations, leveraging our industry leading technology, and the operator now has clear visibility over fraud management operations, application usage and output and can expect higher ROI
- In yet another case, an operator struggled to track movement of its active network assets which are directly like to revenue. Through a combination of Managed Services and cutting edge technology, this operator not just avoided a substantial capital loss, but also synchronized and automated its process for "as-is" network and FAR for complete network asset lifecycle and movement tracking
- And an operator whose inventory was 60% out of sync with its network uncovered a large number of stranded and unused assets thereby reducing its cost by 40% through effective automation and off-shoring

That's what I call smarter BSS/OSS operations. Managed Services or Commercial-Off-The-Shelf (COTS) solutions in isolation can only optimize service provider business as much. It is an effective use of technology by experienced domain and operations' experts that protect operator revenues, manage their costs, optimize fulfillment, and assure operations – a story that I have seen resonate so well with senior service provider executives worldwide, that it leads me to believe that the time is just right for BSS/OSS Managed Services.

SUCCEEDING internationally

PAUL SKILLEN
President - EMEA

The team at Subex has built a truly international business with an Indian heart that thinks globally and acts locally.

Subex has travelled a long way on the momentum of the first steps taken by the founders. If one were to place a pin on a map of the world in each location that we have business, it would be clear that the Subex business spans the globe with few exceptions. This is a remarkable achievement which carries both the rewards and resilience of a truly global business.

The challenges we have overcome along this road have been many, and setting aside the very practical matters of dealing with our customer - their contracts, currency and other complexities such as language, regulation and technical matters, all of which are hurdles in the path of a truly international business, if I were to single out one crucial characteristic that has enabled us to prevail in good times, and bad times, it would be our cultural dexterity. Subex is a business in which we have developed a company structure and culture that has both the durability and diversity to dovetail into the broad range of cultures of our clients and employees.

Two examples of where this approach is paying off are in Spain and Latin America, with our rapidly expanding relationship with Telefónica, and in the Middle East, with the re-enforcing of our business with Saudi Telecom. Both examples demonstrate how, with a world class and compelling business proposition and a local touch, we can add real value to both our clients and to Subex.

Even in the darker moments of this year, with much of Europe locked in the grips of the economic downturn and the matters arising from what has come to be known as the Arabic Spring, our local teams and their knowledge, connection, and experience ensured that the disruption to our business in these regions was minimised, even negated, when many of our competitors took flight.

It seemed appropriate that I was able to welcome our customers to our Customer Conference in Rome last September. "All roads lead to Rome" as they say and our Conference hotel lay on one of the ancient roads. Customers came from many countries and shared their experiences of problems and solutions amongst friends. Some problems such as fraud and the constant drive to deliver new services are international issues and hearing a fresh perspective on an old challenge is always helpful. We are looking forward to meeting everyone again later in the year at the User Conference in Madrid.

Particular mention must be made of the Subex's teams progress in the African and Latin American markets where we have seen significant development of our business, even in challenging conditions.

In no particular order, our business is led, in the respective geographies by teams of British, American, Australian, Irish, Australian, German, Canadian, Greek, Arab, Italian, Spanish, African, and Indian nationals. This diversity, allows us to think globally while acting locally. We are in a strong position to leverage the accelerating properties of a low cost centre of operations with detailed and intimate knowledge of the customers and the geographies within which they operate.

SUBEX 2.0

enabling a fluid market place

For anyone watching the Communications sector, it is clear another disruption is afoot. As I look ahead to the new fiscal year, I am bolstered by the fact that Subex is uniquely positioned to capitalize upon this market opportunity.

GREG LE NEVEU
President - Americas

Over the past year, Subex quietly applied its innovative spirit to evolve our solutions and engagement approach to enable the business intelligence and models needed to drive a fluid and dynamic Network and "Over the Top" Services Market. The opportunity for our Customers, Subexians, and Shareholders becomes clear when you look more closely at what is behind the buzz of late in the Communications market.

The predictions of the 1990s Broadband Boom are finally proving out as an increasing number of bandwidth hungry "smart devices" and services fuel the next wave of a connected world. A vibrant and innovative ecosystem has grown out of this momentum. A new breed of Service Provider is bringing new services and applications to market at an unprecedented pace. These new entrants quickly access mass markets via "Over the Top"(OTT) distribution models that leverage Communication Provider's networks. This confluence of events – connected devices, applications, services, and "over the top" models - are driving unparalleled network utilization, and with it disrupting a number of previously proven business models.

As often happens with disruption, initial resistance emerges to embracing and enabling a new eco-system. Increasingly friction is growing between the Network Provider and the OTT ecosystem as these markets respond to the uncertainties involved with capturing each side's share of the consumer's wallet. Evidence of this friction emerges daily.

Grappling with how to monetize growing network utilization largely fuelled by OTT services, Communications Providers are introducing bandwidth caps and usage based pricing models for broadband services. OTT providers are testing Net Neutrality regulations as the cheap and seemingly limitless network it built its business models upon face increased restrictions. Major content and media providers are seeking ways to secure and track the use of their content in face of fears they will fall victim to the same disruption that occurred in the music industry. These moves are all examples of defensive moves and market friction that, left unsolved, could stall growth and innovation.

Over the past year the Americas team took up the question - what if there was a better way for our customer to prosper from this market disruption? All these challenges beg for more graceful means for the market to operate and prosper. There have to be more efficient and fluid means to profitability than restricting usage or forcing regulation and bureaucracy in to the eco-system. Fortunately, with friction comes opportunity. In removing these impediments to this eco-system's growth and innovation, Subex can uniquely contribute to the progress and power of a connected world.

How? By enabling the next generation of business and revenue sharing models needed for both CSP's and OTT providers to thrive. In short, this market thrives through different forms of partnership and new ways for eco-system players to focus upon and monetize their core strengths. Subex's investment over the past year in ROC Analytics, Interparty Management and Governance, and Managed Services provide the pillars Service Providers need to forge and profit from these partnerships. In doing so, we will provide the bridge to a fluid and profitable market between the Network and the OTT provider.

The opportunity to unleash our next phase of growth and transform our business is right before us. Subexians are realizing this opportunity as they always have – through an unwavering commitment to our customer to add value and innovate. So it is with great expectations that I look forward to working with Subexians and our Customers to realize the prospects of this next phase of disruption and growth and chart our own 2.0 Transformation.

CUSTOMER
orientation

SEKHARAN Y MENON
President - APAC

To be successful and maintain success in business, organizations need to step into the shoes of their customers, understand the challenges they face and find the best possible way to solve these problems. A sales transaction is just the beginning of a relationship between a solution provider and its customer. The deal is generally signed in anticipation and expectation that the solution provider will make a sincere effort to understand the customer's problems and help him in designing and implementing a solution.

Moments of truth occur when the customer starts to experience the benefits of such an engagement. The benefits may be in the solution provider's ability to understand their specific needs, their approach to solving specific problems or their experience to come up with a holistic, "Customer Orientated" approach to the situation.

Strong Customer Orientation is essential in winning respect and confidence of customers. As the saying goes, a good customer reference is a sale half done or a deal half won. The process of satisfying customers and having them provide a positive reference involves a lot of hard work. Effort needs to be put behind all the specific activities that they will point to as being useful or something they might like about the service provider's culture. It is a culture of Customer Orientation that makes any business successful and this article describes the key requirements to make it happen in a service provider.

Inculcate the belief that we exist because of our customers

To be a customer centric organization, it is critical for the entire organization to understand the central role customers play. While it is the simple fact that most organizations and businesses exist because of its customers, this fact it is not always well understood at all levels within the organization. The fact remains that we need our customers more than the customers need us. It is the responsibility of leaders and managers to help their teams understand this reality and make it part of their belief. My personal experience is that creating this awareness changes the behavior of the entire organization.

Demonstrate partnership approach

Although customers often use the term "vendor" in their conversations and discussions, they really expect a partnership approach from the vendors. By signing a Contract or Purchase Order, most customers believe that they are sharing their burden or problems with the vendor or solution provider. Solving the customer's problem becomes the joint responsibility of both the customer and the solution provider. So, it is important for the solution provider to demonstrate the partner approach to really satisfy the customer's need and build a relationship.

Solution orientation

When faced with problems, customers want solutions. They want the vendor to focus on finding a solution even if it means a lot of extra work. When a customer needs a solution, they don't want lots of discussion or whether the solution is inside or outside the scope of the contract. They want a solution and if the vendor can understand that requirement and remain solution orientated then it helps to create a strong bond between the customer and the solution providing organization and builds the relationship.

Looking at the larger picture

In any engagement, it is critical to have a view of the larger picture. In the interest of long term business goals, we might be forced to make some short term compromises and go out of the way to support our customer. Such acts have a positive impact on the long term relationship so it is critical that we are not too clouded by any short term losses. In such situations, the decisions have to be taken looking at the larger picture.

Crisis management - understanding the impact

Managing crisis situations in customer engagements are an inevitable part of today's corporate life. While trying to manage a crisis situation, in addition to understanding the problem and its root cause, one has to also understand the impact of that crisis on the customer organization and the people involved. It could be either a business impact on the customer organization or an impact on the individuals involved from the customer organization or both. While trying to address the problem, one should also look at possible ways of dealing with the impact of what has already happened. It is not enough only to solve the immediate problem and feel that from that point onwards there is no lingering business or personal impact.

Help building confidence

Although the commercial relationship is between two organizations, what influences success most is the business relationship between the people in these organizations. So it is important for individuals dealing and engaging with customers to get the message across to their contacts in customer organization that they will do all that is required to handle and solve difficult situations and they have the full backing of their organization. Genuine escalations happen when the customer organization is not confident that the point of contact in the solution providing organization is able to solve their problem. So it is important that the vendor is continuously checking the comfort and confidence level of the customer to deal with any issues as early as possible.

Customer orientation at Subex

Subex as an organization focuses a lot on ensuring it is customer orientated. Subex generates a lot of repeat business from its existing customers. One important factor that enables this is the way Subex engages with its customers and its response to situations when customers are in need. In my personal experience, I feel that Subex's customer supportive attitude (Customer Orientation) is one of the most important factors that has helped Subex grow to the current level from a small start-up. I could recite a list of situations where Subex rose to the occasion and went out of the way to support its customers. The leadership team in Subex constantly convey the customer orientation message to various levels within Subex through various forums and sessions. Subex's business team always describes customer orientation as one of our great strengths and most of our existing customers will testify this is true.

Subex is still an organization in a growth phase so we pay special attention to maintain the high level of customer orientation across the organization. I am convinced that the customer orientated culture is part of the Subex DNA and that we will replicate it where ever and whenever we work with our customers. Subex's leadership team and Middle Management are not complacent and constantly recognize Subexians who embody the spirit of championing the customer's cause. Customer orientation is what our customers want and it is what we strive to deliver to them every day.

STARS
ABOVE & BEYOND

Subexian Name	Function
Sabiha Alam	Engineering (P)
Tony Adolphus	BT
James Cote	PSO (P)
Ravi Mittal	Engineering (P)
Satish Kumar Ballepu	Engineering (P)
Surendranath Kondu	Engineering (P)
Kalluru Jahnavi	Engineering (P)
George P T	Engineering (P)
Anurag Jain	PSO (P)
Vikas K N	Engineering (P)
Balaji Bagur Krishnaprasad	Engineering (P)
Richard Recinto	PSO (P)
Deepak J Nayak	Engineering (P)
Arqum Beg	Engineering (P)
Sumanth Balasubramanya	Engineering (P)
Arvind M	Product Management (P)
Ramnath Ramachandran	Engineering (P)
Jayendran S	Engineering (P)
Arun Rishi Kapoor	PSO (P)
Basil Brown	Presales (P)
Rohith P	Engineering (P)
Lukas Brogli	PSO(P)
Harsha Burly	Engineering (P)
Sudarshan T S	Engineering (P)
Rajini Dixit	CEO's & COO's Office
Andrew Guest	PSO(P)
Tony Mee	BT
Chris Sears	BT
Vinny Woodward	PSO (P)
Martin Bedford	PSO (P)
Akshatha Kashinath Suvarna	Engineering (P)
Thilakh Jacob Chacko	Engineering (P)
Gareth Deacon	PSO (P)
Gordon Ide	PSO (P)
Antonio Sacco	Engineering (P)
Luka Jankovic	Engineering (P)
Yan Faubert	Engineering (P)
Joel Gosselin	Engineering(P)
Lucia Savatti	Facilities & Administration
Vickie Bendele	Corporate (P)
Richard Taplin	Engineering (P)
Pramod K P	Engineering (P)

SUBEX CHARITABLE TRUST

1 Provided educational support to 60 students through Nurture Merit Program

2 Sponsored water and electricity bills to Prerana Resource Centre

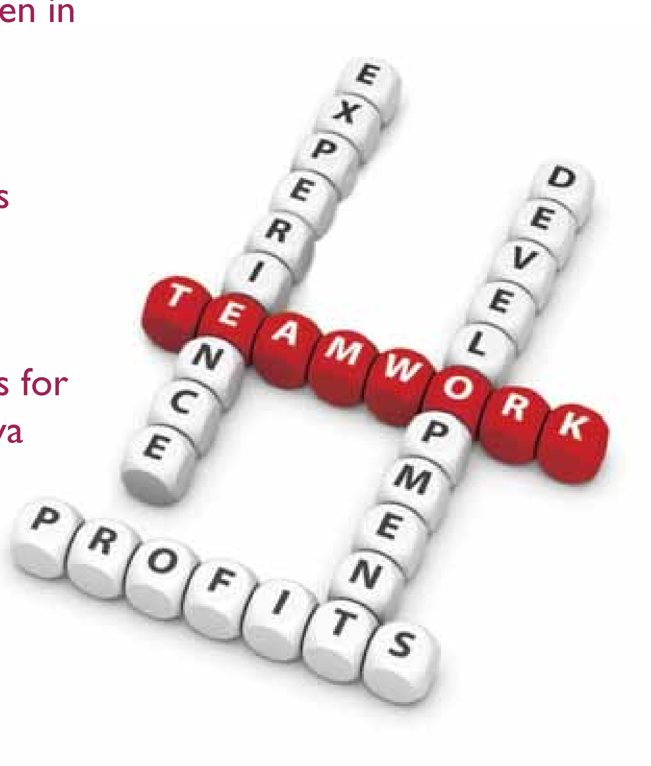
3 Supported Swanthana, a centre for physically and mentally challenged girls

4 Provided educational support to children in Ananda Marga School, Kolar district

5 Support provided for medical expenses for 2 Cancer patients

6 Support provided for medical expenses for a heart patient at Narayana Hrudayalaya

7 Sponsored note books for students of a Government school in Bangalore



BOARD OF DIRECTORS

SUBASH MENON
Founder Chairman, Managing Director & CEO

SUDEESH YEZHUVATH
Chief Operating Officer &
Wholetime Director

V BALAJI BHAT
Independent Director

VINOD R SETHI
Independent Director

HARRY BERRY
Independent Director

ANDREW GARMAN
Independent Director

ANIL SINGHVI
Independent Director

SANJEEV AGA
Independent Director

MANAGEMENT TEAM

SUBASH MENON
Founder Chairman,
Managing Director & CEO

SUDEESH YEZHUVATH
Chief Operating Officer &
Wholetime Director

MARK NICHOLSON
Chief Technology Officer

VINOD KUMAR
Group President

ANURADHA
Senior Vice President -
Engineering

MONISHA TAMBAY
Vice President -
Human Resources

GREG LENEVEU
President - Americas

PAUL SKILLEN
President - EMEA

SEKHARAN Y MENON
President - APAC

RAMANATHAN J
Vice President - Finance &
Company Secretary

DAVID HALVORSON
General Counsel

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general review & accountability

DIRECTORS' REPORT TO THE MEMBERS OF SUBEX LIMITED

Your Directors have pleasure in presenting the 17th Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2011.

FINANCIAL RESULTS

Amount in Rs. Million

	Consolidated		Standalone	
	2010-11	2009-10	**2010-11**	2009-10
Revenue	4,827.50	4,630.78	3,135.53	3,201.44
Profit before Interest, Depreciation, Tax, Amortization & Exceptional items	1,411.17	947.23	1,188.03	999.19
Interest, Depreciation & Amortization	528.71	637.74	435.24	510.05
Profit before Exceptional items & tax	882.46	309.49	752.79	489.14
Exceptional Items	(50.48)	794.72	(27.08)	891.66
Profit before tax	831.98	1,104.21	725.71	1,380.80
Provision for taxes	44.19	101.25	10.62	12.19
Profit after tax	787.79	1,002.96	715.09	1,368.61
APPROPRIATIONS				
Interim Dividend	-	-	-	-
Preference Dividend	-	-	-	-
Dividend proposed on equity shares	-	-	-	-
Provision for tax on Dividends	-	-	-	-
Transfer to General Reserve	-	-	-	-
Surplus carried to Balance Sheet	787.79	1,002.96	715.09	1,368.61

RESULTS OF OPERATIONS

During the financial year ended March 31, 2011, the total revenue on a consolidated basis increased by 4% to reach Rs. 4,827.50 Million. The Company has made a profit of Rs. 787.79 Million for the financial year 2010-11 as against profit of Rs. 1,002.96 Million in the previous year.

On standalone basis, the total revenue stood at Rs. 3,135.53 Million. The net profit for the financial year 2010-11 was Rs. 715.09 Million.

BUSINESS

Your Company is a provider of solutions in the Business Support Systems (BSS) and Operations Support Systems (OSS) areas for telecom applications. The key sub-areas in BSS and OSS are Revenue Maximization or Business Optimization, Billing Systems, Mediation, Service Fulfillment and Service Assurance. 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.

Commoditization of the industry is the largest threat that telecom operators around the world are facing. This, coupled with the need to roll out new products and services at regular intervals, is proving to be a tough combination for the telcos. Subex is well positioned to address the needs of the telecom carriers and help them to overcome these challenges. Our pioneering platform, the Revenue Operations Centre (ROC™) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc. Further, the Company offers Managed Services around its products which enable the operators to take advantage of its deep domain expertise to improve their operational efficiency.

CHANGES IN SHARE CAPITAL

The authorised share capital of the Company is Rs. 1,300,000,000 (Rupees One Thousand Three Hundred Million only) divided into 128,040,000 (One Hundred and Twenty Eight Million and Forty Thousand only) equity shares of Rs. 10 (Rupees Ten only) each and 200,000 (Two Hundred Thousand only) Preference Shares of Rs. 98 (Rupees Ninety Eight only) each.

During the year, your Company has allotted 11,326,886 equity shares, out of which:

- 7,197,607 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of US$ 12 Million, out of Company's US$98.7 Million 5% Convertible Unsecured Bonds.
- 3,765 equity shares were allotted under ESOP 2005 scheme and 1,260 equity shares were allotted under ESOP 2000 scheme, consequent to exercise of stock options.
- 4,124,254 equity shares were allotted on a preferential basis to M/s KBC Aldini Capital Mauritius Limited.

As at March 31, 2011, the paid-up share capital of the Company stood at Rs. 693,100,250/- comprising 69,310,025 equity shares of Rs. 10/- each.

SUBSIDIARIES

SUBEX TECHNOLOGIES LIMITED

For the year ended March 31, 2011, Subex Technologies Limited earned an income of Rs. 646.32 Million on a consolidated basis, as against Rs. 801.35 Million last year and a net profit of Rs. 7.50 Million as against a net loss of Rs. 5.73 Million last year.

Subex Technologies Inc is a direct subsidiary of Subex Technologies Limited.

SUBEX (UK) LIMITED

For the year ended March 31, 2011, the consolidated income of Subex (UK) Limited was Rs. 3,217.75 Million as against Rs. 2,892.44 Million last year, and the net profit was Rs. 115.98 Million as against a net profit is Rs. 37.82 Million last year.

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

SUBEX AMERICAS INC

For the year ended March 31, 2011, the consolidated income of Subex Americas Inc was Rs. 1,205.44 Million as against Rs. 984.77 Million last year, and net loss was Rs. 50.80 Million as against Rs. 389.87 Million last year.

COMPLIANCE UNDER SECTION 212

The Ministry of Corporate Affairs (MCA) has vide General Circular No: 2/2011 dated February 8, 2011 and General Circular No: 3/2011 dated February 21, 2011 granted a general exemption stating that the provisions of section 212 of the Companies Act, 1956 in relation to subsidiaries' accounts shall not apply subject to compliance of certain conditions. In accordance with the said circulars, the Board of Directors of the Company, has in its meeting held on April 27, 2011, given the consent for not attaching the balance sheet of the subsidiaries concerned alongwith the balance sheet of the Company. However, financial information of the subsidiary companies, as required to be provided by the said circulars, are disclosed in Note II.11 under Schedule O to the Consolidated Financial Statements. 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.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

As at March 31, 2011, the Company had outstanding FCCBs aggregating to US$ 39 Million under its US$ 180,000,000 2% Convertible Unsecured Bonds and US$ 54.80 Million under its US$ 98,700,000 5% Convertible Unsecured Bonds. Both the FCCBs are due for redemption in March 2012. The Company is pursuing various options not limiting to fund raising in the form of debt or equity, or a mix of both, and negotiations with the current lenders, to meet any potential FCCBs debt obligations that arise in March 2012. The Company firmly believes that, with a combination of its internal cash accruals in the next financial year and on achieving successful closure on these options in the coming months, it would be able to meet all repayment obligations that arise during financial year ending March 31, 2012.

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, your 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 up to a maximum of 883,750 equity 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.

In accordance with 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 equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest 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 2008-09, 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.

EMPLOYEE STOCK OPTION PLAN-2005 (ESOP - III)

Under this scheme, an initial 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. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest 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 2008-09, 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.

EMPLOYEE STOCK OPTION PLAN-2008 (ESOP - IV)

During 2008-09, your Company instituted the 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 equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, 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.

Additional information as at March 31, 2011 required to be disclosed as per Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999 is given as Annexure I 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 maintaining 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 under section on Corporate Governance in this 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 has been provided as a part of this report.

DIRECTORS

As per Article 87 of the Articles of Association of the Company read with section 255 and 256 of the Companies Act, 1956, 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 and a retiring director is eligible for re-election. Accordingly, Mr. V Balaji Bhat retires by rotation and being eligible, has offered to be re-appointed at the ensuing Annual General Meeting.

The Board of Directors has, vide its resolution passed on March 31, 2011, re-appointed Mr. Sudeesh Yezhuvath as the Chief Operating Officer & Wholetime Director of the Company for the period from April 1, 2011 to September 30, 2017. In accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the said re-appointment is being placed before the Members for their approval at the ensuing AGM. The terms and conditions of the re-appointment including remuneration have been provided in the notice convening the Annual General Meeting.

The Board of Directors has vide its resolutions dated April 11, 2011 and May 17, 2011 appointed Mr. Anil Singhvi and Mr. Sanjeev Aga respectively as Additional Directors of the Company to hold office until the next Annual General Meeting of the Company. Respective notices under Section 257 of the Companies Act, 1956 have been received from Members signifying their intention to propose Mr. Anil Singhvi and Mr. Sanjeev Aga as candidates for the office of Director and accordingly resolutions are being placed before the Members at the ensuing Annual General Meeting.

AUDIT COMMITTEE

At its meeting held on April 27, 2011, the Board of Directors of the Company appointed Mr. Anil Singhvi as a member of the Audit Committee. At the same meeting, Mr. Subash Menon, Founder Chairman, Managing Director & CEO stepped down as a member and was elected as a permanent invitee to the Committee. The Audit Committee presently has 5 Directors as its members viz. Mr. V Balaji Bhat, Mr. Vinod R Sethi, Mr. Andrew Garman, Mr. Harry Berry and Mr. Anil Singhvi. All 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 (ICAI registration number 008072S), the Statutory Auditors of the Company retire at the ensuing Annual General Meeting. The Statutory Auditors have communicated their willingness to accept office, if re-appointed and have confirmed that they are eligibile as per section 224(1B) to be appointed as statutory auditors of the Company and are not disqualified to hold office as such in terms of section 226 of the Companies Act, 1956.

The Auditors have expressed an unqualified opinion on the financial statements for the year ended March 31, 2011.

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 Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Amendment Rules, 2011, read with General Circular No. 23/2011 dated May 3, 2011 issued by MCA, are given at Annexure II appended hereto and forming part of this report. In terms of Section 219(1)(b)(iv) of the Companies Act, 1956, 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 Vice President-Finance & 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 several patents for its technological innovations. The telecommunications domain, in which your Company operates, is subject to a 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. The total foreign exchange inflow and outflow during the financial year 2010-11 was as follows:

i)	Foreign Exchange earnings	Rs. 2,893.49 Million (Previous Year: Rs. 2,910.89 Million)
ii)	Foreign Exchange outgo	Rs. 1,382.47 Million (Previous Year: Rs. 2,206.52 Million)

CORPORATE SOCIAL RESPONSIBILITY - SUBEX CHARITABLE TRUST

Subex Charitable Trust extends the outlook of Subex as a corporate entity into community service. The trust has been 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, orphanages and to individuals who needed medical help. A gist of activities undertaken by the Trust has been provided as a separate section in this Annual Report.

HUMAN RESOURCE MANAGEMENT

The Human Resource function constantly endeavours to uphold the Subex Vision of "Deliver Value to Excel and Lead". The commitment and hard work of every member of the Subex family has ensured that your Company lives by the values of Fairness, Commitment and Innovation that we espouse.

During the year ended March 31, 2011, your Company surged ahead on a lot of the initiatives that were launched in the previous year. Hiring new members into the Subex team and focusing on the drivers of Subexian satisfaction were the critical focus areas. To that end your Company launched its own online

Learning Management System called the Subex Academy. Your Company also conducted a Subexian Satisfaction Survey. The Subex family is in the top quartile in terms of their satisfaction levels – an indication that the Company is doing things right! Communication within the Company was stepped up. Attraction, alignment, motivation and learning were the other critical focus areas.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a) that in the preparation of the annual accounts for the year ended March 31, 2011, the applicable accounting standards have been followed. Pursuant to, and in accordance with, the approval of the Members and the Hon'ble High Court of Karnataka to a proposal for reduction of securities premium and capital reserve obtained during 2009-10, the Company has utilised the Business Restructuring Reserve for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to the accounts in Standalone and Consolidated Financial Statements.

b) 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, 2011 and of the profit of the Company for the year ended on that date.

c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) that the accounts for the year ended March 31, 2011 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

Subash Menon

Founder Chairman,

Managing Director & CEO

Place : Bangalore

Date : June 17, 2011

ANNEXURE I

Additional Information as at March 31, 2011 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	ESOP 2008
1.	Net options granted as on March 31, 2011	645,284	1,626,923	1,187,619
	Options granted during the year	-	232,800	715,000
2.	Pricing formula	As mentioned earlier in the report	As mentioned earlier in the report	As mentioned earlier in the report
3.	Options vested but not exercised as on March 31, 2011	195,189	820,819	82,464
4.	Options exercised as on March 31, 2011	237,703	11,692	-
	Options exercised during the year	1,260	3,765	-
5.	Money realized by exercise of options during the year	84,420	242,845.35	-
6.	The total number of shares arising as a result of exercise of options during the year ended March 31, 2011	1,260	3,765	-
7.	Options lapsed/cancelled/surrendered as on March 31, 2011	960,672	2,626,454	126,335
	Options lapsed/cancelled/surrendered during the year	21,329	196,290	126,335
8.	Variation of terms of options	None	None	None
9.	No. of employees covered	624	1840	273
10.	Employee wise details of options granted during the year under review to: (i) Senior managerial personnel			
	Mr. Vinod Kumar P	-	-	80,000
	Mr. Ramanathan J	-	-	50,000
	Ms. Monisha Tambay	-	-	10,000
	Mr. David Halvorson	-	-	-
	(ii) other employee receiving a grant in the year of option amounting to 5% or more of options granted during that year			
	Mr. Sekharan Menon	-	-	60,000
	Ms. Anuradha	-	-	60,000
	Mr. Mark Nicholson	-	50,000	-
	Mr. Paul Skillen	-	-	80,000
	Mr. Greg LeNeveu	-	-	120,000
	Mr. Raj Kumar C	-	-	55,000
	Mr. Shankar Roddam	-	-	50,000
	Mr. Matthew Wilkinson	-	-	50,000
	(iii) identified employees who were granted option, during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	-	-	-

Sl. No.	Particulars	ESOP 2000	ESOP 2005	ESOP 2008
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per share'	Rs. 7.88	Rs. 7.88	Rs. 7.88
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.	Profit would have been lower by Rs. 34.77 Million.		
	The impact of this difference on profits and on EPS of the Company is:	Basic EPS would have been lower by Rs. 0.55 and Diluted EPS would have been lower by Rs. 0.35.		
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. 51.77	Weighted-average exercise price is Rs. 54.83
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	8.00%		
	ii. expected life	3 Years		
	iii. expected volatility	48.39%		
	iv. expected dividends	0%		
	v. market price on grant date	Rs. 60.37		

For and on Behalf of the Board

Place : Bangalore
Date : June 17, 2011

Subash Menon
Founder Chairman, Managing Director & CEO

REPORT ON CORPORATE GOVERNANCE

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 to the structure, activities and policies of the organization. Consequently, the organization is able to attract investors, and enhance the trust and confidence of the stakeholders.

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

The Company's Corporate Governance philosophy is based on the following principles:

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

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

II. BOARD OF DIRECTORS

As at the date of this report, the Board of Directors of Subex Limited comprises 8 Directors out of which 2 are Executive Directors and 6 are Independent Directors. Mr. Anil Singhvi and Mr. Sanjeev Aga were appointed as Additional Directors on April 11, 2011 and May 17, 2011 respectively.

Details of the composition of the Board of Directors and their attendance and other particulars are given below. These details reflect the position as at March 31, 2011 and as such do not include details of additional directors appointed after the end of the financial year.

A. Composition and Category of Directors as on March 31, 2011

Category	No. of Directors	%
Independent Directors	4	66.66
Promoter and Executive Directors	1	16.67
Other Executive Directors	1	16.67
Total	6	100.00

B. Attendance of Directors at the Board Meetings and the Last AGM and Details About Directorships and Membership in Committees as on March 31, 2011

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	4	Yes	1	-	1
Mr. V Balaji Bhat	Independent Director	5	5	Yes	4	4	4
Mr. Vinod R Sethi	Independent Director	5	1	Yes	10	-	7
Mr. Harry Berry	Independent Director	5	4	No	-	-	1
Mr. Andrew Garman	Independent Director	5	1	No	-	-	1

▲ Excluding private limited companies & overseas companies.

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

C. Number and Dates of Board Meetings

5 (Five) Board meetings were held during the financial year 2010-11. The dates on which meetings were held are as follows:

April 29, 2010
June 10, 2010
July 29, 2010
October 29, 2010
January 27, 2011

D. Brief Details of Directors Seeking Appointment

Mr. Sudeesh Yezhuvath

Mr. Sudeesh Yezhuvath heads the overall operations of Subex, excluding the legal and financial functions. 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.

Mr. Sudeesh Yezhuvath holds 372,243 equity shares of the Company.

Mr. V Balaji Bhat

Mr. V Balaji Bhat is a Chartered Accountant and Management Consultant specializing in mergers & acquisitions, advisory services and international taxation. He is associated with various medium and large corporations in India and overseas as an advisor and director. He is the Managing Director & CEO 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, footwear and related accessories.

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

Mr. Anil Singhvi

Mr. Anil Singhvi is Chairman of Ican Investments Advisors Private Limited, a Corporate Advisory firm engaged in Investment Banking and Corporate advisory.

Mr. Anil Singhvi has over 30 years of experience in corporate sector, out of which he spent 22 years with Ambuja Cements Limited, where he rose from Manager to Managing Director & CEO. A Chartered Accountant, Mr. Anil Singhvi played a defining role in making of Ambuja Cements.

Recently, Mr. Anil Singhvi conceptualized and advised merger of Enam, one of the largest investment banks in India, with Axis Bank, a deal involving around US$ 500 Million.

Mr. Anil Singhvi is also Founder Director of Foundation for Liberal and Management Education (FLAME), an educational institute engaged in higher education. He is also closely associated with SAMPARC- a non government organization that helps to empower the destitute children. Apart from this, he is also on the Indian Advisory Board of Habitat for Humanity, an NGO involved with construction of Houses for needy and poor people.

Mr. Anil Singhvi holds 60,000 equity shares of Subex Limited.

Mr. Sanjeev Aga

Business leader, organization builder, adviser and mentor, Mr. Sanjeev Aga's career has traversed 38 years, and sectors from consumer and services, entertainment and light engineering, to telecommunications.

In a business career commencing 1973, Mr. Sanjeev Aga held senior positions in Asian Paints, Chellarams (Nigeria), and Jenson & Nicholson. In 1987, he joined Blow Plast to head the Furniture business, was made Chief Executive of Mattel Toys in 1990, and in January 1993 was appointed Managing Director of Blow Plast with multi-business responsibility including the flagship VIP Luggage business.

In November 1998, Mr. Sanjeev Aga was appointed CEO of the telecom JV, Birla AT&T. He led the company through expansions, mergers and acquisitions to be CEO of Birla Tata AT&T, which was renamed Idea Cellular. In July 2002, Mr. Sanjeev Aga left Idea to be with the Aditya Birla Group, where from May 2005 until October 2006, he was Managing Director of Aditya Birla Nuvo, a conglomerate with interests spanning diverse group businesses.

With Idea's shareholding changing to become an Aditya Birla group entity, November 2006 saw Mr. Sanjeev Aga back as Managing Director. The next four years were a period of rapid progress for Idea. The company improved its national market position from No.6 to No.3, joined the ranks of the 10 biggest global telcos, and importantly, became a highly regarded profitable company in a hyper-competitive sector. Mr. Sanjeev Aga stepped down as Managing Director of Idea Cellular in March 2011.

For 2009, Idea Cellular was named the 'ET Emerging Company of the Year', and for 2010, Forbes India magazine shortlisted Mr. Sanjeev Aga as a 'Person of the Year'.

Mr. Sanjeev Aga is an Honours graduate in Physics from St. Stephen's College, Delhi (1971) and a post graduate from the Indian Institute of Management, Kolkata (1973).

Mr. Sanjeev Aga now engages in advisory and consultant roles for corporates and not-for-profit organizations.

Mr. Sanjeev Aga does not hold any equity shares of Subex Limited.

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 as on March 31, 2011

Composition	Category
Mr. V Balaji Bhat, Chairman	Independent Director
Mr. Vinod R Sethi	Independent Director
Mr. Andrew Garman	Independent Director
Mr. Harry Berry	Independent Director
Mr. Subash Menon	Founder Chairman, Managing Director & CEO

At the Board meeting held on April 27, 2011, Mr. Subash Menon, Founder Chairman, Managing Director & CEO stepped down as a member and was elected as a permanent invitee to the Committee. At the same meeting, Mr. Anil Singhvi, Independent Director was inducted as a member of the Audit Committee.

Mr. Ramanathan J, Vice President-Finance & Company Secretary is the Secretary of the Audit Committee.

C. Meetings and Attendance During the Year

During the financial year 2010-11, five Audit Committee meetings were held on April 29, 2010, June 10, 2010, July 29, 2010, October 29, 2010, and January 27, 2011. The audited financial results for the financial year ended March 31, 2011 were taken on record at the meeting held on April 27, 2011. The quarterly results for the quarters April-June 2010, July-September 2010 and October-December 2010 were taken on record on July 29, 2010, October 29, 2010, and January 27, 2011 respectively.

D. Attendance of Committee Members at the Audit Committee Meetings Held During the Financial Year 2010-11

Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Mr. V Balaji Bhat	5	5
Mr. Vinod R Sethi	5	1
Mr. Andrew Garman	5	1
Mr. Harry Berry	5	4
Mr. Subash Menon	5	5

IV. REMUNERATION COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. Vinod R Sethi, Chairman	Independent Director
Mr. V Balaji Bhat	Independent Director
Mr. Harry Berry	Independent Director

At the Board meeting held on April 27, 2011, Mr. Anil Singhvi, Independent Director has been inducted as a member of the Remuneration Committee.

The Committee considers the performance of the Company as well as general industry trends while fixing the remuneration of Executive Directors. The Committee approved the re-appointment of Mr. Sudeesh Yezhuvath as Chief Operating Officer & Wholetime Director w.e.f. April 1, 2011 based on the terms and conditions including remuneration which are being placed before the Members for their approval at the ensuing Annual General Meeting.

B. Details of Remuneration of Directors

Amount in Rs.

Name	Designation	Salary	Commission	Total
Mr. Subash Menon	Founder Chairman, Managing Director & CEO	21,217,023	-	21,217,023
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director	19,570,155	-	19,570,155

Note: Further details have been disclosed in Note II.8 under Schedule P to the Standalone Financial Statements and Note II.7 under Schedule O to the Consolidated Financial Statements.

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, 2011
Mr. V Balaji Bhat	Independent Director	7,500	7,500
Mr. Vinod R Sethi	Independent Director	7,500	7,500

The aforementioned stock options were granted on the terms and conditions 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.

C. 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, 2011
Mr. V Balaji Bhat	31,000
Mr. Vinod R Sethi	-
Mr. Andrew Garman	-
Mr. Harry Berry	-

The Non-Executive Directors were being paid sitting fees of Rs. 2,500 for attending the Board meetings. At its meeting held on April 27, 2011, the Board of Directors approved payment to the Non-Executive Directors of sitting fees of Rs. 20,000 per meeting for attendance in the Audit Committee meetings and Rs. 10,000 per meeting for attendance at the Board meetings.

The Remuneration Committee determines and recommends to the Board, the compensation payable to the Executive Directors. All Board level compensation is approved by the shareholders, where necessary, and is 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 compensation of not less than twenty times and Mr. Sudeesh Yezhuvath is eligible for compensation not less than fifteen times of their total remuneration for the preceding 12 months from the date of the notice. Subject to approval of members at the forthcoming Annual General Meeting, the Non-Executive Directors are eligible for payment of commission upto 1% of net profits of the Company and grant of upto 50,000 stock options per Director in a financial year and in the aggregate, as may be decided by the Board of Directors (including a committee thereof). The issuance of stock options is subject to the terms of the stock option schemes of the Company.

V. 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 on a periodical basis, as may be required, for approving, inter alia, the transfers/transmissions/rematerialisation of equity shares. The Company has appointed M/s. Canbank Computer Services Limited, a SEBI registered transfer agent, as its Share Transfer Agent with effect from November 6, 2001. The Share Transfer Committee has passed the following resolutions during the financial year 2010-11 on the below dates:

Date of Approval	No. of Transfer Requests Received	Shares Pursuant to the Deeds	Rematerialisation Requests Received	Equity Shares Involved
April 15, 2010	1	100	-	-
October 6, 2010	1	7,600		
November 15, 2010	2	7,800	-	-
December 24, 2010	2	400	-	-

The Committee has vide resolution passed on September 21, 2010, approved the issuance of two duplicate share certificates pertaining to 7,600 equity shares.

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

VI. INVESTOR GRIEVANCE COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. V Balaji Bhat, Chairman	Independent Director
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director

Mr. Ramanathan J, Vice President-Finance & Company Secretary, is the Compliance Officer of the Company.

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

VII. 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. The Committee grants and administers options under the stock options schemes to eligible employees.

A. Composition of the Committee

Composition	Category
Mr. V Balaji Bhat, Chairman	Independent Director
Mr. Vinod R Sethi	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.

VIII. GENERAL BODY MEETINGS

A. Location and Time of the Last Three AGMs

Year	Date of AGM	Venue	Time
2007-2008	September 23, 2008	Registered office	4.00 P M
2008-2009	July 29, 2009	Registered office	3.00 P M
2009-2010	September 13, 2010	Registered office	3.00 P M

B. Location and Time of the Last Three EGMs

Year	Date of EGM	Venue	Time
2009-10	October 20, 2009	Registered office	10.30 A M
2009-10	March 4, 2010	Registered office	3.00 P M
2010-11	February 9, 2011	Registered office	3.00 P M

No special resolutions were passed at the last three AGMs of the Company.

IX. DISCLOSURES

A. There are no material related party transactions of the Company, 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. 6 under Schedule P to the Standalone Financial Statements and Note II. 7 under Schedule O to the Consolidated Financial Statements in the Annual Report.

B. A proposal for reduction and utilization of Securities Premium and Capital Reserve under the provisions of section 78 read with section 100 to 104 of the Companies Act, 1956 was approved pursuant to the resolution passed by the Board of Directors on February 8, 2010 and special resolution passed by the Members at the Extraordinary General Meeting held on March 4, 2010. The reduction, as aforesaid, envisages transfer of certain amounts from the Securities premium and Capital Reserves as on April 1, 2009 and thereafter, to a Business Restructuring Reserve (BRR) to be utilized from or after April 1, 2009 for certain Permitted Utilizations as mentioned in the explanatory statement to the notice of the Extraordinary General Meeting held on March 4, 2010. The petition seeking approval of the reduction was approved by the Hon'ble High Court of Karnataka vide its order dated April 21, 2010. The copy of the said order and the minute confirming the reduction was registered by the Registrar of Companies, Karnataka at Bangalore vide its certificate dated May 11, 2010. In accordance with the Proposal, the BRR has been utilised for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to the accounts in Standalone and Consolidated financial statements.

C. 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.

D. The Company has complied with the listing conditions laid down in the Listing agreement of the stock exchanges where the equity shares of the Company are listed.

X. MEANS OF COMMUNICATION

A. Annual/Half Yearly and Quarterly Results

The annual/half yearly/quarterly audited/un-audited results are generally published in all editions of Financial Express/ Mint and Udayvani/Vijay Karnataka. 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.

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex proposes to send all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to investorrelations@subexworld.com by providing their DP Id and Client Id as reference.

B. Management's Discussion and Analysis section has been separately dealt with in the Annual Report.

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

XII. Auditors' Certificate with regard to compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms part of this Annual Report.

XIII. Compliance with non-mandatory requirements of Clause 49 of the listing agreement

Clause 49 states that the non-mandatory requirements provided therein 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 disclosures 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 instituted a Remuneration Committee. A detailed note on the Remuneration Committee has been provided earlier 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 and 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. The Company has not initiated sending half-yearly declaration of financial performance to the household of shareholders so far. However, the Company intends to initiate electronic dissemination of financial results to the members.

D. Audit Qualifications

The Auditors have expressed an unqualified opinion on the financial statements 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 : June 17, 2011

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, 2011.

For Subex Limited

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : June 17, 2011

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Subex Limited

1. We have examined the compliance of conditions of Corporate Governance by Subex Limited ['the Company'] for the year ended March 31, 2011 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 of the financial statements of the Company.

3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered accountants

V Balaji
Partner
Membership No. 203685

Place : Bangalore
Date : June 17, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Subex Limited ("Subex" or "the Company") has its Equity Shares listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). The Global Depositary Receipts (GDRs) of the Company are listed on the London Stock Exchange (LSE). The Company's US$ 180,000,000 2% Convertible Unsecured Bonds are listed on the London Stock Exchange (LSE) and US$ 98,700,000 5% Convertible Unsecured Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX).

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 of the Company have been prepared in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India or as per the accounting approved by the Hon'ble High Court of judicature. 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

Your Company is a provider of solutions in the Business Support Systems (BSS) and Operations Support Systems (OSS) areas for telecom applications. The key sub-areas in BSS and OSS are Revenue Maximization or Business Optimization, Billing Systems, Mediation, Service Fulfillment and Service Assurance. 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.

Commoditization of the industry is the largest threat that telecom operators around the world are facing. This, coupled with the need to roll out new products and services at regular intervals, is proving to be a tough combination for the telcos. Subex is well positioned to address the needs of the telecom carriers and help them to overcome these challenges. Our pioneering platform, the Revenue Operations Centre (ROC™) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc. Further, we offer Managed Services around our products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

2. OPPORTUNITIES AND THREATS

Strategy

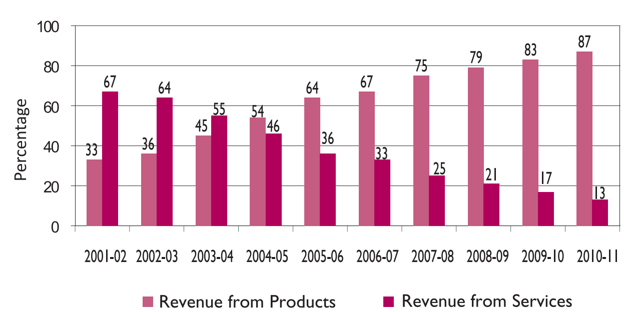
Strategy is a critical aspect in any business. The key elements of our strategy are our offering, positioning and customer acquisition and retention. We have always been at the leading edge of technology and have evolved new concepts to enable our customers to keep pace with changing scenarios. Using our products, we have structured several solutions that address and solve key problems faced by our customers. These solutions are offered as a well integrated platform called ROC. In addition to this, we also offer ROC in the form of Managed Services thereby ensuring that our customers gain significantly from our solutions. This three pronged strategy has helped us to weather the storm over the past couple of years.

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 is being discussed in detail. The latter is staff augmentation services for telcos in the United States and is fast losing its significance as can be seen from the business mix data provided herein.

Revenue Mix



3.2 Telecom Software Products

Solutions for Business Optimization

Subex offers the Revenue Operations Centre (ROC™) Solution Suite for Business Optimization, which has solutions for Revenue Assurance, Fraud Management, Credit Risk Management, Partner Settlement, Route Optimization, Cost Management, Service Fulfillment and Data Integrity Management.

Revenue Operations Centre (ROC)

ROC functions as a financial command and control centre for the telcos by,

- delivering real-time and actionable insights to effectively monitor and control the operational and tactical response
- providing an integrated platform that sits on top of all Subex OSS/BSS products or 3rd party systems
- linking service provider operations directly to financial health

ROC allows for the correlation of data across business systems, creating an end-to-end view of the customer based on products, services, revenues, margins, costs, and more. ROC also enables service providers to define key cross-domain metrics and KPIs, specific to their business strategy that can be monitored and tracked.

ROC Fraud Management

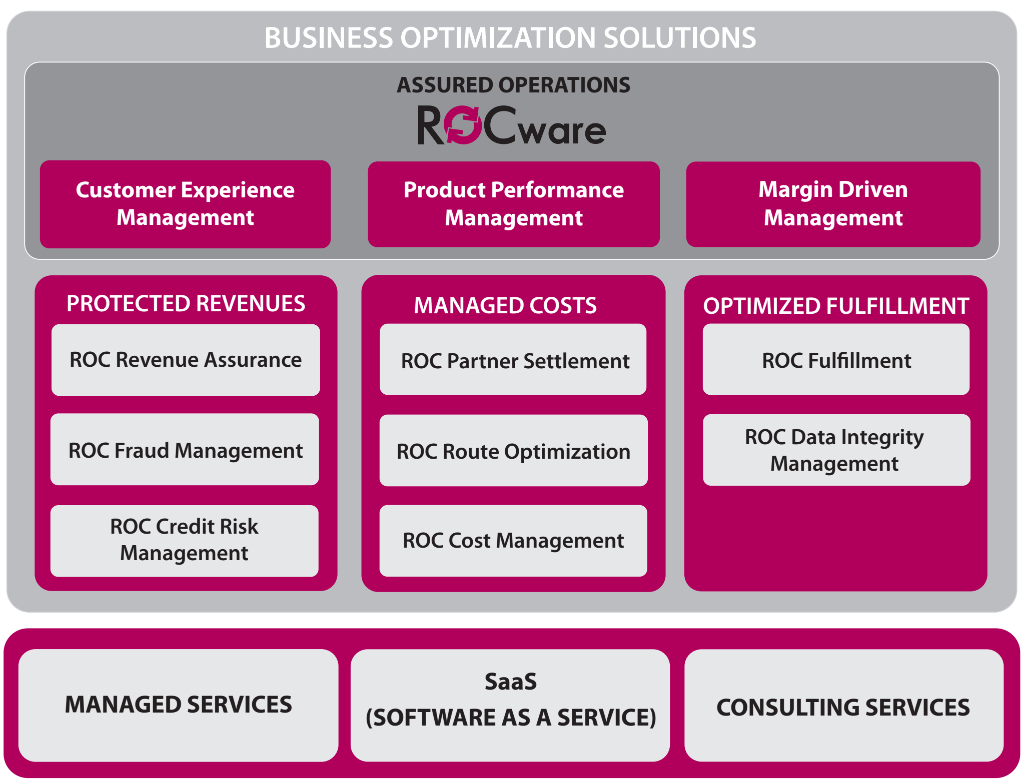
The ROC Fraud Management solution is the next generation fraud management solution built to deliver on a 3-step philosophy of Detect-Investigate-Protect. It detects known fraud types and patterns of unusual behaviour, helps investigate these unusual patterns for potential fraud and uses the knowledge thus generated to upgrade and protect against future intrusions. It is built to drive fraud prevention by eliminating known frauds, reducing free run time, augmenting internal controls and through continuous Fraud Management process improvement.

ROC Fraud Management 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.

The solution'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. The solution has the ability to detect fraud types in all telecom environments - Wireline (PSTN, ISP, VoIP) and Wireless (2G, 2.5G, 3G) and across all services - postpaid, prepaid, VAS, MMS, and M-commerce.

Subex ROC™ Portfolio



ROC Revenue Assurance

ROC Revenue Assurance is a first-of-its-kind, comprehensive revenue assurance solution, designed to tackle critical revenue assurance challenges across the entire revenue chain. It offers a set of pre-configured solution templates to address revenue assurance challenges inherent to individual service verticals-Wireless, Fixed, Cable MSPs and MVNOs.

These solution templates address revenue assurance issues across multiple functional areas such as service fulfillment, 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 and interfaces to extract data
- Reports & dashboards to present results, and
- Workflow to monitor, action and close cases

Using these solution templates, operators can dramatically reduce the time required to implement or extend the coverage of their revenue assurance practice. Moreover, operators can easily re-configure or re-model existing templates to accommodate changing business requirements.

ROC Credit Risk Management

The ROC Credit Risk Management solution empowers operators to continuously assess and mitigate risk presented by subscribers throughout their lifecycle. It tracks risk in near real-time during:

- Subscriber acquisitioning
- Ongoing usage
- Collections and recovery

The solution provides the operator with a holistic view that helps in understanding subscriber risk profile and thereby aids its management.

Further, it 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 the solution 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.

ROC Cost Management

ROC Cost Management is a state-of-the-art revenue management offering from Subex, which helps service providers effectively monitor and manage the cost of services. It enables operators to efficiently manage the process of identification, collection and comparison of cost related data across multiple sources such as partner invoices, inventory, orders and call detail records.

It ensures the profit margins and operational agility through reduction of service delivery costs. It is built on a highly integrated platform using components-based technology to provide striking performance, scalability, interoperability and reliability.

The solution collects, collates and correlates the information from switches, inventory, billing, partner invoices and financial systems to provide deeper insights about the cost aspects in an easier to understand format through dashboards and reports. It enhances margins by optimizing leased circuit costs, reducing interconnect costs, assuring access costs and by automating invoice verification process.

ROC Partner Settlement

The ROC Partner Settlement solution allows operators to quickly and accurately settle charges with their interconnect, network and content partners on a single, modular platform. Shrinking margins have highlighted the increased need for visibility of each deal's impact on the operator's bottom line. For agreements with domestic and international partners, it provides the ability to manage these major costs and revenues on a day-to-day, hour-to-hour basis. 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.

ROC Partner Settlement is able to support multiple business models within a single implementation through seamless addition of necessary modules. Examples of such modules include Retail, Wholesale and Satellite. The solution has been designed to evolve with minimal impact to ongoing operations.

ROC Route Optimization

The ROC Route Optimization solution 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.

ROC Route Optimization ensures that the entire end-to-end process from dial code/destination operator rate imports to switch updates is controllable and auditable. The solution 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.

ROC Fulfillment

Operators these days are constantly fighting over decreasing ARPU and increasing churn. In order to stay competitive and profitable in such a scenario, operators have to constantly come out with new and innovative services which increase customer involvement and help in reducing churn. Creation of new services is a very complex and time consuming process. ROC Fulfillment solution from Subex helps in simplifying the above for operators by automating the service creation process and reducing the time to market for these services from months to just a few days. Through its unique Service Creation Environment, operators can easily create new service definitions and workflows. Moreover the service catalog helps in re-using existing processes and service building blocks, which helps in bringing consistency and reliability in the service fulfillment process. It also has pre-defined "service accelerators" which capture the industry best practices and service definitions out-of-the-box. Based on production proven, best-in-breed fulfillment solutions from Subex, ROC Fulfillment's catalog driven service fulfillment approach helps operators to adapt quickly to changing requirements, bring new and differentiated service to the market rapidly, better serve customers with on-demand offerings and support, and drive costs out of their business through greater automation.

ROC Data Integrity Management

Subex is the pioneer of data integrity management, with over a decade of experience in data integrity transformations with the world's leading service providers. ROC Data Integrity Management is the industry's first Data Integrity Management solution for improving the quality of data that drives key service provider processes, resulting in lower costs and higher service profitability. ROC Data Integrity Management combines 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, ROC Data Integrity Management discovers devices and logical services in diverse network environments and reconciles this data with the 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.

3.3 Customer Base

Subex today serves over 200 customers spread across 70 countries. This includes 26 of the top 50 telcos globally. A partial list of customers is given below:

APAC	EMEA	Americas
Aircel	Avea	Bell Canada
Airtel	BT	Centennial Wireless
Bakrie Telecom	Cable & Wireless	Claro
BSNL	Cell C	Comcast
CAT	Comcast	Century Link
Chungwa Telecom	Du	Global Crossing
Dialog	Econet	Level 3
Hutchison Telecom	Global Crossing	Qwest
Idea	Matrix	Rogers
Maxis	Mobinil	Sprint
MTNL	MTN	Telefonica
Reliance Communications	O2	Telmex
Indosat	Orange	Telus
StarHub	Telefonica Spain	T Mobile
Tata Teleservices Limited	STC Kuwait	Verizon
Vodafone India	Swisscom	
	Telecom Egypt	
	Telecom Italia	
	Telenor	
	TeliaSonera	
	Vodafone	

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. Further, we also have an additional stream of revenue namely, customization.

While the above mentioned streams are directly related to the license model, we also have embarked on an additional stream of revenue namely Managed Services, which has been detailed below.

Managed Services

Service providers are increasingly turning to a Managed Services engagement model with Subex to derive higher returns from their investments in BSS/OSS products, improve product utilization, augment their teams with domain experts, improve functional maturity through best practices and methodologies, ensure accountability for results, and most importantly free up limited bandwidth to focus better on strategic priorities.

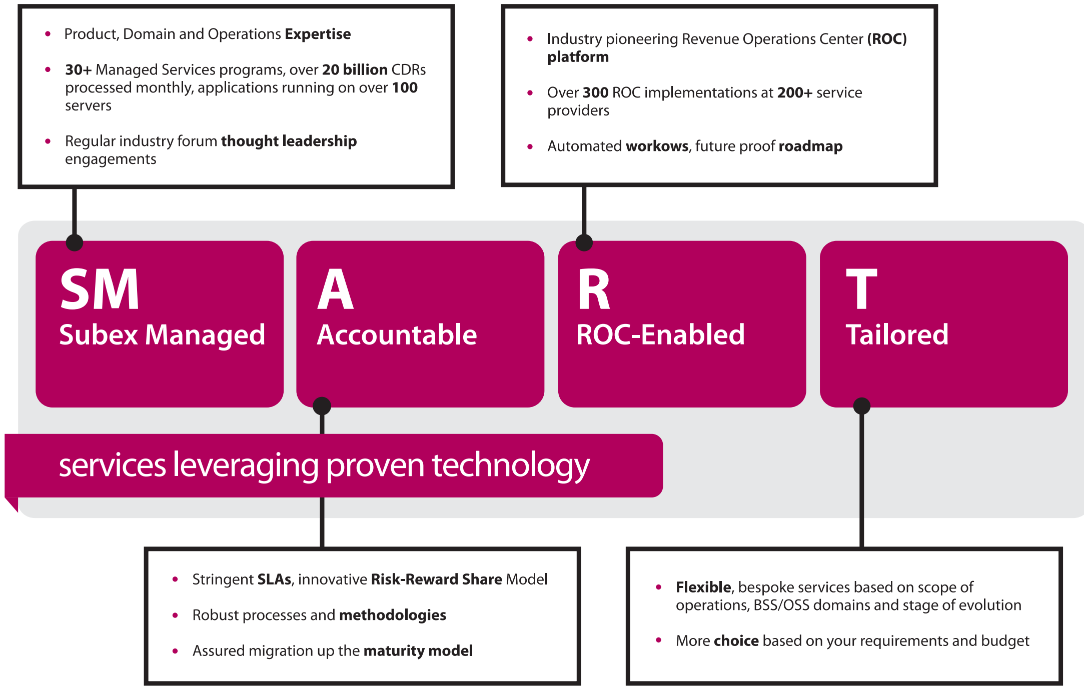
Subex's Managed Services span the entire range of business optimization solutions. We are uniquely positioned to address service provider challenges through this model primarily on account of three factors:

(i) Product Expertise: Given our long standing experience of optimizing product performance as a result of a strong product development legacy and over 300 implementations

(ii) Domain Expertise: Having demonstrated our thought leadership at various industry forums and events, and actively engaging in formulation of industry standards that help us stay in sync with emerging industry needs

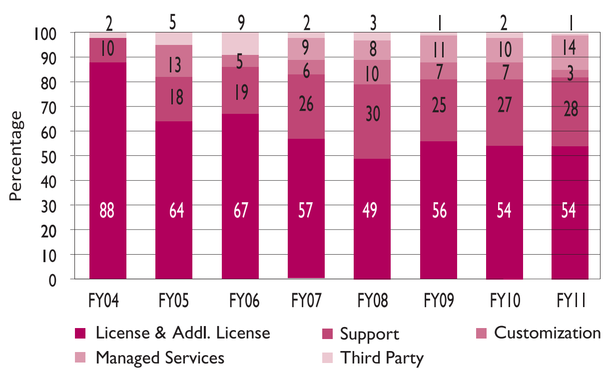
(iii) Operations Expertise: On account of incorporating industry best practices, standard operating procedures, and automation of key processes

We call this concept SMART services leveraging proven technology.



The following graph gives the revenue from each of the stream during the past several years:

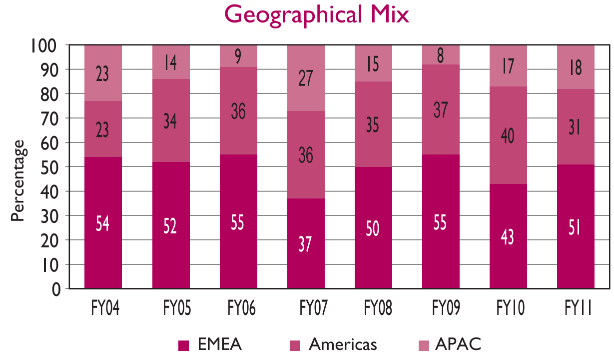
Revenue Composition



3.5 Geographical Mix

We have a dominant presence in both developing and developed markets. This is quite evident from the geographical mix given below.

Geographical Mix



4. RISKS AND CONCERNS

Risks are an inherent part of any business activity. Following are the risks associated with our business:

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. As such, 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, the Company 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 Matters

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 potentially 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. Currently, 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.

4.12 Debt Obligations

As at March 31, 2011, the Company had outstanding FCCBs aggregating to US$ 39 Million under its US$ 180,000,000 2% Convertible Unsecured Bonds and US$ 54.80 Million under its US$ 98,700,000 5% Convertible Unsecured Bonds. Both the FCCBs are due for redemption in March 2012. The ability of the Company to successfully meet the debt obligations under the FCCBs depends on its internal accruals, additional fund raising in the form of debt or equity and possible conversion of FCCBs into equity shares prior to redemption.

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 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 as otherwise indicated

Financial Highlights/Year ending 31st March	2011		2010		2009	
	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Total Income	4,925.92	3,261.16	4,747.81	3,239.51	5,725.56	3,025.63
Operating Profits (EBITDA) Before Exceptional items	1,411.17	1,188.03	947.23	999.19	662.06	559.16
Depreciation & Amortization	104.50	55.50	163.58	88.15	228.83	136.46
Profit /(Loss) Before Tax & Exceptional Items	882.46	752.79	309.49	489.14	(1.58)	70.13
Profit/(Loss) After Tax & Exceptional Items	787.79	715.09	1,002.96	1,368.61	(1,883.63)	(1,782.11)
Equity Dividend %	Nil	Nil	Nil	Nil	Nil	Nil
Share Capital	693.10	693.10	579.83	579.83	348.47	348.47
Reserves & Surplus	1,337.93	2,361.23	2,093.05	2,932.03	3,464.34	4,167.89
Net Worth	2,094.20	3,117.50	2,730.00	3,568.98	3,844.51	4,562.67
Gross fixed Assets	1,638.65	725.49	1,605.11	708.83	1,746.33	764.23
Net Fixed Assets	130.38	63.73	195.75	97.53	306.65	163.34
Total Assets (Net)	7,552.21	8,412.59	9,217.96	9,753.02	15,902.45	15,830.78
Key Indicators						
Earnings/(Loss) Per Share - Rs.	12.47	11.32	25.87	35.30	(54.05)	(51.14)
Cash Earnings/(Loss) Per Share - Rs.	7.68	7.61	7.87	(2.06)	23.62	12.61
Book Value Per Share - Rs.	30.22	44.98	47.08	61.55	110.33	130.93
Debt (including Working capital) Equity Ratio	2.61	1.70	2.32	1.73	2.83	2.28
EBITDA/Sales - %	29.23%	37.89%	20.46%	31.21%	11.85%	18.57%
Net Profit Margin - %	16.32%	22.81%	21.66%	42.75%	(33.73%)	(59.19%)
Return on Year End Net Worth %	37.62%	22.94%	36.74%	38.35%	(49.00%)	(39.06%)
Return on Year End Capital Employed %	10.43%	8.50%	11.06%	14.03%	(12.78%)	(11.92%)

7. COMMENTARY ON FINANCIAL STATEMENTS

7.1 Share Capital

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

- 115,000 shares of Rs. 10/- each, towards the balances in the current account of partners, Mr. Subash Menon and Mr. Alex J. Puthenchira, on the takeover of Subex Systems, a partnership firm, by the Company during 1993-94.
- 4,626,940 Shares of Rs. 10/- each to all eligible shareholders as on March 31, 1999 in the ratio of 1:1 by capitalizing the General Reserves.
- 12,840 shares of Rs. 10/- each to the erstwhile owners of M/s. Ivth Generation Inc., towards part consideration of the cost of acquisition of that Company at Rs.1,023/- per share during 1999-2000.
- 10,878,784 Shares of Rs. 10/- each to all eligible shareholders as on January 6, 2006 in the ratio of 1:1 by capitalizing the securities premium.
- 1,109,878 Shares of Rs. 10/- each to the GDR holders as on April 7, 2006 at Rs. 400/-.
- 11,728,728 Shares of Rs. 10/- each to the GDR holders as on June 22, 2006 towards consideration of the cost of acquisition of Azure Solutions Limited 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 During 2009-10, the Company issued 1,203 equity shares of Rs. 10/- each under its ESOP III scheme and 1,210 equity shares of Rs. 10/- each under its ESOP II scheme to various Employees on exercise of Stock Options.

7.1.5 During 2009-10, the Company issued 4,000,000 equity shares of Rs. 10/- each, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/ Promoter group, at an issue price of Rs. 80/- per share.

7.1.6 During 2009-10, the Company issued 19,133,637 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US$ 31.9 Million, out of its US$ 98.7 Million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

7.1.7 During 2010-11, the Company issued 4,124,254 equity shares of Rs. 10/- each, on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at an issue price of Rs 81/- per share.

7.1.8 During 2010-11, the Company issued 7,197,607 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US$ 12.0 Million, out of its US$ 98.7 Million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

7.1.9 During 2010-11, the Company issued 3,765 equity shares of Rs. 10/- each under its ESOP III scheme and 1,260 equity shares of Rs. 10/- each under its ESOP II scheme, to various Employees upon exercise of Stock Options.

7.1.10 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 Limited.

During the year 2009-10, additions to capital reserve due to restructuring of FCCBs net of expenses amounted to Rs. 1,786.54 Million, reductions due to transfer to Business Restructuring Reserve amounted to Rs. 1,700 Million and deferred interest on restructured FCCBs amounted to Rs. 203.06 Million.

During the year 2010-11, additions to capital reserve due to reversal of accrued interest on conversion of FCCBs into equity shares amounted to Rs. 159.89 Million, reductions due to transfer to Business restructuring reserve amount to Rs. 40 Million and deferred interest on restructured FCCBs amounted to Rs. 122.27 Million.

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 1999-00.
- 330,800 equity shares issued at a premium of Rs. 740/- per share to Mutual Funds and Bodies Corporate on a preferential basis during 1999-00.
- 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 during 2004-05.
- 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 during 2004-05 and 2005-06.
- 1,109,878 equity shares issued at a premium of Rs. 390/- per share to holders of GDR at a price of Rs. 400/- during 2006-07.
- 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 during 2006-07.
- 258,353 (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.

- 26,331,244 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of US$ 43.9 Million, out of its US$ 98.7 Million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof
- 4,000,000 equity shares were allotted, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/Promoter group, at an issue price of Rs. 80/- per share including a premium of Rs. 70/- per share
- 4,124,254 equity shares of Rs. 10/- each, on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at an issue price of Rs 81 per share including a premium of 71 per share

7.2.3 Business Restructuring Reserve created pursuant to order of Honourable High Court of Karnataka :

- During the year 2009-10, Rs. 5,000 Million and Rs. 1,700 Million were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, Rs. 6,499.79 Million were utilised (as explained in Note II.1 of Schedule P and Schedule O to the Standalone and Consolidated Financial Statements respectively) and consequently, the balance in Business Restructuring Reserve as of March 31, 2010 was Rs. 200.21 Million.
- During the year 2010-11, Rs. 1,700 Million and Rs. 40 Million were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, Rs. 1,830.37 Million were utilised (as explained in Note II.1 of Schedule P and Schedule O to the consolidated financial statements) and consequently, the balance in Business Restructuring Reserve as of March 31, 2011 was Rs. 109.84 Million on Consolidated basis.

7.3 Employee Stock Options

In accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 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, 2011 amounts to Rs.63.17 Million (Previous Year: Rs. 57.12 Million).

7.4 Deferred Tax

In accordance with the generally accepted accounting principles in India Deferred Tax assets of Rs. 12.18 Million (Previous Year 12.18 Million) on a standalone and consolidated basis and Deferred Tax Liabilities to Rs. 0.89 Million (Previous Year– 1.00 Million) on consolidated basis, have been carried forward.

7.5 Secured Loans

On consolidated basis, the secured loan of Rs. 979.98 Million (Previous Year: Rs. 1,588.88 Million) outstanding in the books as at March 31, 2011 consists of Rs. 9.16 Million pertaining to motorcars financed by the Company through Hire purchase scheme with the financiers and is secured by hypothecation of the vehicles and Rs.200 Million pertaining to the Short term loan from Axis Bank Limited secured by charge on Current Assets and pledge of a portion of shares held by Promoter group, and Rs. 770.82 Million pertaining to working capital loan from Axis Bank Limited and State bank of India secured by the charge on Fixed and Current Assets.

On standalone basis, the secured loan of Rs. 949.51 Million (Previous Year: Rs.1433.62 Million) as at March 31, 2011 consists of Rs. 9.16 Million pertaining to motorcars financed by the company through Hire purchase scheme with the financiers and is secured by the hypothecation of vehicles and Rs. 200 Million pertaining to the Short term loan from Axis Bank Limited secured by the charge on Current Assets and pledge of a portion of shares held by Promoter group, and Rs. 740.25 Million pertaining to the working capital loan from Axis Bank Limited State Bank of India secured by the charge on Fixed and Current Assets.

7.6 Unsecured Loans

On a consolidated basis, the unsecured loan outstanding in the books as at March 31, 2011 consists of:

a. Rs. 1,739.21 Million (Previous Year: Rs. 1,751.10 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. 2,443.80 Million (Previous Year: Rs. 2,999.32 Million) relating to Foreign Currency Convertible Bonds issued in fiscal 2009-10 as a result of restructuring existing bonds mentioned in (a) above. The bonds carry interest of 5% per annum and are redeemable by March 9, 2012 if not converted into equity shares as per terms of issue. These bonds are listed on the Singapore Exchange Securities Trading Limited. The premium payable on these bonds is accrued over the life of the bonds and is carried under Current Liabilities & Provisions.

c. Rs. Nil (Previous Year: Rs. 2.25 Million) relates to an unsecured loan availed in one of the subsidiaries.

d. Rs. 294.13 Million (Previous Year: Nil) relating to working capital loan from Banks and financials Institutions

On a standalone basis, the unsecured loan outstanding in the books as at March 31, 2011 consists of:

a. Rs. 1,739.21 Million (Previous Year: Rs. 1,751.10 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. 2,443.80 Million (Previous Year: Rs. 2,999.32 Million) relating to Foreign Currency Convertible Bonds issued in fiscal 2009-10 as a result of restructuring existing bonds mentioned in (a) above. The bonds carry interest of 5% per annum and are redeemable by March 9, 2012 if not converted into equity shares as per terms of issue. These bonds are listed on the Singapore Exchange Securities Trading Limited. The premium payable on these bonds is accrued over the life of the bonds and is carried under Current Liabilities & Provisions.

c. Rs. 162.57 Million (Previous Year: Nil) relating to working capital loan from Banks and financials Institutions.

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 and has been fully written of during the year.

7.7.2 During the year, the Company added Rs. 40.15 Million on consolidated basis and Rs. 24.08 Million on standalone basis, to its gross block. The Company disposed off certain assets no longer required. The Company's net block of fixed assets was Rs. 130.38 Million (Previous year Rs. 195.75 Million) on consolidated basis and Rs. 63.73 Million (Previous year Rs. 97.53 Million) on standalone 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 Hon'ble High Court of Karnataka to transfer the Services Business Division (which included the investment in Subex Technologies Inc.) to Subex Technologies Limited, a wholly owned subsidiary of Subex Limited 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 Limited with effect from September 1, 2007 (appointed date) at an aggregate consideration of Rs. 310 Million. In accordance with the order of the Hon'ble High Court, the Company shall receive 3,000,000 shares of Subex Technologies Limited valued at Rs. 30 Million in settlement of the consideration with the balance Rs. 280 Million being treated then as unsecured loan taken by the subsidiary from the Company.

7.8.2 On June 23, 2006, the Company acquired the entire share holding of Azure Solutions Limited, 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 Limited, Canada, a company engaged in Service Assurance and fulfillment space in the Telecom service industry. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

7.8.4 During the year 2009-10, the Company recognized an amount of Rs. 5,000 Million as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2010 is Rs. 2,749.57 Million.

7.8.5 During the year 2010-11, the Company recognized an amount of Rs. 1,500 Million as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2011 is Rs. 1,249.57 Million.

7.8.6 During the year 2010-11, the Company recognized an amount of Rs. 40 Million as diminution in carrying value of investments in Subex Technologies Limited Consequently, the investment carrying value as of March 31, 2011 is Nil.

7.9 Sundry Debtors

7.9.1 During the year, on a standalone basis the Company has securitized a portion of its receivables amounting to Rs. 368.01 Million (Previous year: Rs. 286.65 Million) with Axis Bank Limited and on consolidated basis Rs. 1,082.01 Million (Previous Year: Rs. 957.87 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 outstanding as at March 31,2011 as a percentage of total revenue is 12.54% as against 10.35% in the previous year, on a consolidated basis.

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

Amount in Rs. Million

Period in days	March 31, 2011		March 31, 2010	
	Value	%	Value	%
Less than 180 days	561.98	92.82	446.84	93.25
More than 180 days	43.44	7.18	32.37	6.75
Total	**605.42**	**100.00**	**479.21**	**100.00**

The age profile on standalone basis is as given below:

Amount in Rs. Million

Period in days	March 31, 2011		March 31, 2010	
	Value	%	Value	%
Less than 180 days	1,597.98	98.91	1,241.01	99.12
More than 180 days	17.61	1.09	11.04	0.88
Total	**1,615.59**	**100.00**	**1,252.05**	**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. 84.09 Million (Previous Year Rs. 105.99 Million) on consolidated basis and Rs. 72.64 Million (Previous Year Rs. 92.08 Million) on standalone 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. 5.97 Million (Previous Year 25.97 Million on consolidated basis and 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)

Amount in Rs. Million

	2010-11	2009-10
Subex (UK) Limited	-	0.50
Subex (Asia Pacific) Pte Limited	-	45.98
Subex Americas Inc	400.88	312.89
Subex Inc	-	(0.04)
Subex Technologies Limited	169.47	168.47

Advances to Subex Technologies Limited provided for during the year 2010-11 for Rs. 169.47 Million (Previous Year : Nil) out of utilisation of BRR.

7.12 Provisions

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

Provisions on a consolidated basis also includes redemption premium accrued on Foreign Currency Convertible bonds – Rs. 1,140.35 Million (Previous Year – Rs. 612.71 Million), Provision for Other Long Term Employee Benefits Rs. 359.20 Million (Previous Year: Rs. 628.60), and Differential Interest on Restructured FCCBs Rs. 80.79 Million (Previous Year: Rs. 203.06) MTM Losses on Option contracts – Nil (Previous Year Rs. 0.95 Million) on consolidated basis.

7.13 Other Matters

7.13.1 Letters of Credit

The Company has an outstanding Letters of credit amounting to Rs. Nil (Previous Year: Rs. 23.25 Million) on consolidated and standalone basis. These letters of credit are in the nature of procurement of capex.

7.13.2 Guarantees

On Standalone Basis

The Company has provided Corporate Guarantees to Banks for credit facilities availed by its wholly owned subsidiaries to the amount of Nil (Previous Year: Rs. 500 Million). The subsidiaries had utilized such facilities to the extent of Nil (Previous Year: Rs. 155.26 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	2010-11		2009-10	
	Value	%	Value	%
Software Products	4,181.18	86.61	3,829.43	82.70
Software Services	646.32	13.39	801.35	17.30
Total	**4,827.50**	**100.00**	**4,630.78**	**100.00**

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

7.15 Non Operating Income

7.15.1 Non Operating income consists of income derived by the Company from bad debts recoveries, reversal of provision for doubtful debts and profit on sale of fixed assets and income from a right to use of trademark.

7.16 Expenditure

7.16.1 The staff cost decreased to Rs. 2,615.24 Million (Previous Year: Rs. 2,968.34 Million) on consolidated basis and increased to Rs. 764.89 Million (Previous Year: Rs. 658.48 Million) on standalone basis.

The Company incurred administration and other expenses at 16.64% of its total Income during the year as compared to 15.04% during the previous year on consolidated basis and 39.66% of its total income during the year as compared to 48.14% during the previous year on a standalone basis.

7.17 Operating Profits

During the year, on consolidated basis, the Company earned an Operating Profit before Interest, depreciation, tax and exceptional items of Rs. 1,411.17 Million being 28.65% of total income as against Rs. 947.23 Million at 19.95% during the previous year. On a standalone basis, the Company earned Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of Rs. 1,188.03 Million being 36.43% of total income as against Rs. 999.19 Million at 30.84% during the previous year.

7.18 Interest and Bank Charges

The Company incurred an expenditure of Rs.424.21 Million (Previous year: Rs. 474.16 Million) on consolidated basis and Rs. 379.74 Million (Previous year: Rs. 421.90 Million) on standalone basis. The interest paid is related to temporary overdrawls and securitized receivables and interest on FCCBs.

7.19 Depreciation

7.19.1 The provision for depreciation for the year amounted to Rs. 104.50 Million (Previous Year: Rs. 148.23 Million) on consolidated basis and Rs. 55.50 Million (Previous Year: Rs. 88.15 Million) on standalone 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. 18.49 Million (Previous Year: Rs. 50.85 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 consolidated basis, the net profit of the Company amounted to Rs. 787.79 Million, as against Rs. 1,002.96 Million during the previous year. On standalone basis, the net profit of the Company amounted to Rs. 715.09 Million as against Rs. 1,368.61 Million during the previous year.

7.22 Earnings Per Share

Basic Earnings per share computed on the basis of number of common stock outstanding for the year was Rs. 12.47 per share (Previous year: Rs. 25.87 per share) on consolidated basis and Rs. 11.32 per share (Previous year: Rs. 35.30 per share) on standalone basis.

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

Subexians

Our greatest assets are our people - Subexians! Subexians are our biggest differentiator and how we define our capability requirements, training needs and retention strategies becomes crucial. The Subex work culture hinges on our core values of Fairness, Innovation and Commitment and nurtures initiative and creativity, bringing out the best in every Subexian. We know that when Subexians realize their full potential, we can achieve our broader business goals. The Subex population is spread across the globe in our multiple offices. The larger centers are our offices in Bangalore, London, Toronto and Denver. As of March 31, 2011, we had 1051 Subexians on our rolls globally.

Human Resources at Subex is centralized at our corporate headquarters in Bangalore, with regional HR teams providing local support aligned to the global HR strategy. The HR team provides a competitive edge to the business by enabling and supporting a very unique business model of value based delivery, processes and programs on global product development and delivery capabilities on the one hand and complex distributed managed services delivery capabilities on the other. HR at Subex consistently strives to adopt leading best practices in designing and deploying HR process and programs across various areas like recruitment, total rewards management, talent management, organizational development, performance management, change management, learning and development, mergers and acquisitions etc.

Recruitment

During the year, the recruitment team had to execute a well thought out manpower planning and analysis exercise and adopt global recruitment best practices to fulfill the organization's talent requirements. In addition to the well established processes (like "Coffee with the Hiring Manager", "Post-offer feedback", Subexian referral program, partner feedback, interviewer feedback, etc.), already entrenched in the Subex way of adding talent to our team, the focus this year was on enhancing the quality of the various touch-points with potential Subexians through employer branding and strong messaging.

The main sources for hires were referrals from Subexians (the best bring the best!), campus recruitments, placement consultants, website postings and walk-ins. We explored innovative processes on the campus recruitment side, where we introduced a process of "hiring for learnability". This process, we believe, will add scalability to our model while continuing to give us great technical talent like we have had before.

One of the key focus areas for the recruitment team was to attract high quality resources into Subex. A new challenge was to add the capability of doing "just-in-time" recruitment for the managed services part of the business. For this we have created a dedicated "sourcing engine" to focus on ramping up the managed services team in line with business growth.

Induction and Training

Welcoming new Subexians into our fold continues to be extremely critical for us. We believe that the quality of induction that new hires go through determines how successful they are in the Company and has a huge impact on retention. We have customized the induction based on the role and function that new Subexians join in. This has resulted in having more targeted induction, yielding greater benefits.

For the new engineering recruits that we welcomed into Subex this year, we had a packed agenda spanning across 2 months. In addition to the regular induction, they also went through additional training programs tailored to their area of technology. In addition, we provided them with out-bound training at Pegasus to inculcate in them our Subex values and help them bond as a team.

On the learning and development side, the focus this year was on the launch of Subex Academy - a global Learning and Development Platform (supporting instructor led training, on the job learning, as well as e-learning) that would enable a role based curriculum led approach to learning, while streamlining the training process as well as ensuring global reach and appropriateness of content. This automated platform adds significant value to training identification, design, delivery and evaluation. This has been very well received by Subexians globally and is a giant stride on the path of continuous learning!

Two batches of the Bullet Proof Manager program graduated this year at Subex. This is a program that is being internally managed and conducted by senior Subexians. The year long development program targeted at first time and mid-level managers to enhance their leadership and management skills. We now have over 60 Bullet-Proof Managers at Subex!

This year also saw 43 Subexians get certified in Fraud Management through the TUFF certification (an internationally recognized Fraud Management certification).

Performance Management System

During the past year, we focused on ensuring adoption of the new Cascading Key Result Areas (KRAs) system within the organization. Cascading KRAs help in aligning the individual's KRAs to the corporate, functional and departmental KRAs. The KRAs along with the new competency model which comprises four categories of competencies (F.E.L.T) provide Subexians with a complete view of what the organization expectations from them are.

Foundation Competencies are the basic Values based competencies required by all in Subex. Excel competencies are those that are required to do your current job really well. Lead Competencies focus on the future needs and are the skills required to succeed in leadership roles. Technical Competencies take care of the core areas of the role - knowledge about our products, the various technologies and domains. These, along with the KRAs help build and reinforce the performance oriented 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. The Company provides robust and comprehensive cash compensation and benefits as per industry trends. We also arrive at the salary bands of Subexians by conducting comprehensive job matching, data validation and quality audits. We have achieved 36% penetration (i.e. 36% of Subexians were rewarded in the past year monetarily) with the newly launched Rewards and Recognition program called STARS. The satisfaction levels of Subexians with the recognition culture at Subex came out as high on the Subexian Satisfaction Survey – a testimonial to the efficacy of the program.

financial review

subex limited (standalone)

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of Subex Limited ("the Company") as at March 31, 2011, 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 Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. Without qualifying our opinion, we draw attention to Note II.3.A and II.3.B of Schedule P regarding the existence of certain liabilities and commitments which are due for payment during the financial year ending March 31, 2012 and the management's plans for meeting the same as detailed in Note I.1 of Schedule P. The Company's ability to continue as a going concern is dependent on the successful outcome of the management plans.

4. Without qualifying our opinion, we draw attention to Note II.1 of Schedule P. As more fully explained therein, during the year the Company has, in accordance with the Proposal approved by the Hon'ble High Court of Karnataka, debited expenses of Rs. 1,550.37 Million (net) to the Business Restructuring Reserve, instead of recording such expenses in the Profit and Loss Account as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.

5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government 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.

6. Further to our comments in the Annexure referred to in paragraph 5 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 purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the 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, except to the extent indicated in paragraph 4 above for the reasons stated therein;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon and our comments in paragraph 4 above, 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, 2011;

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

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

7. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
(Membership No.203685)

Place : Mumbai
Date : April 27, 2011

ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph 5 of our report of even date)

1. Having regard to the nature of the Company's business/activities/result, clauses iii (b) to (d), iii (f), iii (g), v, vi, viii, xii, xiii, xiv, xix and xx of CARO are not applicable.

2. In respect of its fixed assets:

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

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

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

3. In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.

(b) In our opinion and according to the information and explanation 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 neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed 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 purchase of goods and services are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

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

7. According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2011 on account of disputes are given below:

Statute	**Nature of Dues**	**Forum where Dispute is pending**	**Period to which the amount relates**	**Amount involved (Rs. Million)**
Income Tax Act, 1961	Income Tax (Incl. Interest)	Hon'ble High court of Karnataka	2003-04	5.56
Income Tax Act, 1961	Income Tax (Incl. Interest)	Income Tax Appellate Tribunal	2004-05	18.02
Income Tax Act, 1961	Income Tax (Incl. Interest)	Income Tax Appellate Tribunal	2005-06	17.87

8. The Company does not have accumulated losses at March 31, 2011. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

9. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions. The Company has not issued debentures and accordingly there are no amounts that were due to debenture holders.

10. In our opinion and according to the information and explanations given to us, having regard to the explanation that the Company has provided certain guarantees to financial institutions for loans taken by the subsidiaries of the Company in order to support the subsidiaries' operations, the terms of such guarantees are not prima facie prejudicial to the interests of the Company.

11. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

12. In our opinion and according to the information and explanations given to us and on overall examination of Balance Sheet, we report that funds raised on short term basis have not been used during the year for long term investment.

13. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

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

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
(Membership No.203685)

Place : Mumbai
Date : April 27, 2011

BALANCE SHEET AS AT

Amount in Rs. Million

	Schedule	March 31, 2011		March 31, 2010	
SOURCES OF FUNDS :					
SHAREHOLDERS' FUNDS :					
Share Capital	A	693.10		579.83	
Employees Stock Options Outstanding account	B	63.17		57.12	
Reserves and Surplus	C	2,361.23	3,117.50	2,932.03	3,568.98
LOAN FUNDS :					
Secured Loans	D	949.51		1,433.62	
Unsecured Loans	E	4,345.58	5,295.09	4,750.42	6,184.04
TOTAL			**8,412.59**		**9,753.02**
APPLICATION OF FUNDS :					
FIXED ASSETS & INTANGIBLES :	F				
Gross Block		725.49		708.83	
Less : Depreciation		661.76	63.73	611.30	97.53
Net Block					
INVESTMENTS :	G		7,723.44		9,263.44
DEFERRED TAX ASSET			12.18		12.18
CURRENT ASSETS, LOANS & ADVANCES :					
Sundry Debtors	H	1,615.59		1,252.06	
Cash & Bank balances	I	8.68		29.49	
Loans & Advances	J	725.48		919.47	
Unbilled Revenue		203.73		156.42	
		2,553.48		2,357.44	
Less : Current liabilities & Provisions	K				
Current liabilities		516.34		418.42	
Provisions		1,423.90		1,559.15	
		1,940.24		1,977.57	
Net Current Assets			613.24		379.87
TOTAL			**8,412.59**		**9,753.02**
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 attached

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 & Wholetime Director

V Balaji Bhat
Independent Director & Chairman of Audit Committee

Mumbai
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

Bangalore
April 27, 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs. Million

	Schedule	March 31, 2011		March 31, 2010	
INCOME :					
Sales & Services			3,135.53		3,201.44
Other Income	L		125.63		38.07
Total			**3,261.16**		**3,239.51**
EXPENDITURE :					
Cost of Hardware, Software and Support Charges			14.72		22.29
Personnel Costs	M		764.89		658.48
Other Operating, Selling and Administrative Expenses	N		1,293.52		1,559.55
Financial Costs (Net)	O		379.74		421.90
Depreciation & Amortisation	F		55.50		88.15
Total			**2,508.37**		**2,750.37**
Profit Before Taxation and Exceptional Items			**752.79**		**489.14**
Exceptional Items					
Managerial Remuneration of earlier years (Refer Note: II.8.A of Schedule P)			(33.27)		-
Exchange Gain/(Loss) on Restatement of FCCBs			2.98		918.81
Exchange Gain/(Loss) on intra group foreign currency loans and advances			3.21		(27.15)
			(27.08)		**891.66**
Profit Before Tax			**725.71**		**1,380.80**
Provision for taxation					
- Current tax (including Wealth Tax)		10.62		0.14	
- Fringe Benefit Tax		-		0.05	
- Deferred tax		-	10.62	12.00	12.19
Profit After Taxation			**715.09**		**1,368.61**
Balance brought forward from Previous year			**310.25**		**(1,058.36)**
Surplus carried to Balance Sheet			**1,025.34**		**310.25**
Earnings Per Share (Face value of Rs.10/- each)					
(Refer Note II.7 of Schedule P)					
- Basic			11.32		35.30
- Diluted			7.88		8.44
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 attached

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 & Wholetime Director

V Balaji Bhat
Independent Director & Chairman of Audit Committee

Mumbai
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

Bangalore
April 27, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED

Amount in Rs. Million

	Schedule	March 31, 2011	March 31, 2010
Cash flow from Operating Activities			
Net Profit before Tax		725.71	1,380.80
Adjustments for :			
a) Depreciation and amortization		55.50	88.15
b) Interest Income		(32.14)	(23.88)
c) Interest and bank charges		411.88	445.77
d) Profit on sale of assets (net)		(0.41)	(0.38)
e) Employee stock compensation expenses		2.61	4.57
f) Provision for doubtful debts written off/(back)		-	(33.47)
g) Unrealised exchange fluctuations		(66.22)	(928.82)
Operating Profit before Working Capital Changes		**1,096.93**	**932.74**
Adjustments for :			
a) Sundry Debtors		(362.39)	(722.79)
b) Loans and advances		11.86	(141.59)
c) Trade and other payables		(162.07)	(99.84)
Cash generated from/(used in) operations		**584.33**	**(31.48)**
a) Direct Taxes paid and Others [Refer Note II.13.3 Schedule P]		(57.01)	(87.70)
Net Cash provided by operating activities	**A**	**527.32**	**(119.18)**
Cash Flow from Investing activities			
a) Purchase of Fixed Assets		(24.08)	(23.87)
b) Sale / disposal of fixed assets		2.79	1.45
c) Interest received		32.14	22.29
d) Loans (given to)/repaid by Subsidiaries (Net)		(42.55)	245.76
Net Cash from Investing Activities	**B**	**(31.70)**	**245.63**
Cash Flow from Financing Activities			
a) Proceeds/(Utilisation) from issue of shares/warrants/options		334.55	320.24
b) Proceeds from/(repayment) of short term borrowings - Net		395.97	224.14
c) Proceeds/(Repayment) from Long term borrowings		(717.50)	(48.65)
d) Dividends & Dividend tax paid		(0.05)	(0.11)
e) Interest and bank charges paid		(498.23)	(492.22)
f) Expenditure incurred on restructuring of FCCBs		-	(153.48)
g) Expenditure incurred on issue of Shares		(31.22)	
Net Cash from Financing Activities	**C**	**(516.48)**	**(150.08)**
Net increase in Cash or Cash equivalents [A + B + C]		(20.86)	(23.63)
Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents		0.05	0.08
Cash or Cash equivalents at the start of the year		29.49	53.04
Cash or Cash equivalents at the close of the year *		**8.68**	**29.49**

** Refer Note II.13.3, Schedule P*

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 attached

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 & Wholetime Director

V Balaji Bhat
Independent Director & Chairman of Audit Committee

Mumbai
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

Bangalore
April 27, 2011

SCHEDULES TO ACCOUNTS FOR THE YEAR ENDED

Amount in Rs. Million

	Schedule	March 31, 2011		March 31, 2010	
SCHEDULE - A :					
SHARE CAPITAL :					
AUTHORISED :					
128,040,000 Equity Shares of Rs. 10/- each (Previous Year: 128,040,000 Equity Shares of Rs. 10/- each)			1,280.40		1,280.40
200,000 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs.98/- each			19.60		19.60
Total			**1,300.00**		**1,300.00**
ISSUED, SUBSCRIBED AND PAID UP:					
EQUITY :					
69,310,025 Equity Shares of Rs. 10/- each (Previous Year : 57,983,139 Equity Shares of Rs. 10/- each)			693.10		579.83
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			**693.10**		**579.83**
SCHEDULE - B :					
EMPLOYEES STOCK OPTIONS OUTSTANDING ACCOUNT :					
Employees Stock Options Outstanding			71.88		74.40
Less: Deferred Employees Compensation Expenses			8.71		17.28
Total			**63.17**		**57.12**
SCHEDULE - C :					
RESERVES AND SURPLUS :					
Capital Reserve					
Opening Balance		37.06		153.57	
Additions due to:					
- restructuring of FCCBs net of expenses [Refer Note II.1, Schedule P]		-		1,583.49	
- reversal of accrued interest on conversion of FCCBs into Equity shares		37.62		-	
Transferred to Business Restructuring Reserve [Refer Note II.1, Schedule P]		(40.00)	34.68	(1,700.00)	37.06
General Reserve			177.98		177.98
Securities Premium Account					
Opening Balance		2,206.53		4,894.70	
Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares		785.71		1,562.63	
Expenses on issue of shares		(31.22)		-	
Write back from/(accrual for) redemption premium on FCCBs (Net) [Refer Note II.3, Schedule P]		(527.63)		749.20	
Transferred to Business Restructuring Reserve [Refer Note II.1, Schedule P]		(1,700.00)	733.39	(5,000.00)	2,206.53
Business Restructuring Reserve [Refer Note II.1, Schedule P]					
Opening Balance		200.21		-	
Transferred from Securities Premium/Capital Reserve		1,740.00		6,700.00	
Amounts utilised for Permitted Utilisations - net		(1,550.37)	389.84	(6,499.79)	200.21
Profit & Loss Account			1,025.34		310.25
Total			**2,361.23**		**2,932.03**

Amount in Rs. Million

	March 31, 2011	March 31, 2010
SCHEDULE - D :		
SECURED LOANS :		
Short Term:		
Working Capital Loans from Banks	740.35	706.95
(Secured by charge on Fixed and Current Assets)		
Loans from Banks [Refer Note II.13.6, Schedule P]	200.00	-
(Secured by charge on current assets and pledge of portion of shares of Promoter Group)		
Long Term:		
Loans from Banks	-	708.93
[Amount repayable within one year: Rs. Nil, Previous Year: Rs. 708.93 Million]		
Hire Purchase Loans from Banks	9.16	17.74
(Secured by hypothecation of assets financed by these loans)		
[Amount repayable within one year: Rs. 5.43 Million, Previous Year: Rs. 6.95 Million]		
Total	**949.51**	**1,433.62**

	March 31, 2011	March 31, 2010
SCHEDULE - E :		
UNSECURED LOANS :		
Short Term:		
Working Capital Loans from Banks and Financial Institutions	162.57	-
[Refer Note II.13.6 of Schedule P]		
Long Term:		
Foreign Currency Convertible Bonds [Refer Note II.3, Schedule P]	4,183.01	4,750.42
Total	**4,345.58**	**4,750.42**

SCHEDULE - F :

FIXED ASSETS & INTANGIBLES :

Amount in Rs. Million

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
Sl. No.	**Particulars**	**As at April 1, 2010**	**Additions**	**Deletions**	**As at March 31, 2011**	**Upto March 31, 2010**	**For the year**	**Withdrawn on Deletions**	**Upto March 31, 2011**	**As at March 31, 2011**	**As at March 31, 2010**
	Tangible Fixed Assets										
1	Computer Hardware and Software	227.91	19.76	-	247.67	181.04	24.94	-	205.98	41.69	46.87
2	Furniture & Fixtures	5.52	0.20	-	5.72	5.10	0.20	-	5.30	0.42	0.42
3	Vehicles	42.19	-	7.40	34.79	20.42	7.82	5.03	23.21	11.58	21.77
4	Office Equipments	22.04	4.12	0.02	26.14	12.07	4.04	0.01	16.10	10.04	9.97
	Intangibles										
1	Goodwill	13.77	-	-	13.77	12.36	1.41	-	13.77	-	1.41
2	Intellectual Property Rights	397.40	-	-	397.40	380.31	17.09	-	397.40	-	17.09
	TOTAL	**708.83**	**24.08**	**7.42**	**725.49**	**611.30**	**55.50**	**5.04**	**661.76**	**63.73**	**97.53**
	PREVIOUS YEAR	**764.23**	**23.41**	**78.81**	**708.83**	**600.89**	**88.15**	**77.74**	**611.30**	**97.53**	**163.34**

Amount in Rs. Million

	March 31, 2011		March 31, 2010	
SCHEDULE - G :				
INVESTMENTS :				
(Long term, trade, unquoted)				
In wholly owned subsidiaries				
Subex Technologies Ltd., India	40.00		40.00	
(Equity shares 3,999,994 fully paid up, at par value Rs.10/- each)				
Provision for dimunition in the value of investment	(40.00)	-	-	40.00
[Refer Note II.1, Schedule P]				
Subex (UK) Ltd., UK		6,473.87		6,473.87
(5,039,565,245 Equity shares fully paid, Par value of GBP 0.00001 each)				
Subex Americas Inc, Canada	7,749.57		7,749.57	
(100 equity shares fully paid; No par value)				
Provision for dimunition in the value of investment	(6,500.00)	1,249.57	(5,000.00)	2,749.57
[Refer Note II.1, Schedule P]				
Total		**7,723.44**		**9,263.44**
SCHEDULE - H :				
SUNDRY DEBTORS :				
(Unsecured)				
Outstanding for more than six months				
- Considered Good	17.61		11.04	
- Considered Doubtful	72.64		92.09	
		90.25		103.13
Others				
- Considered Good	1,597.98		1,241.01	
		1,597.98		1,241.01
		1,688.23		1,344.14
Less: Provision for Doubtful Debts		72.64		92.08
Total (considered good)		**1,615.59**		**1,252.06**
SCHEDULE - I :				
CASH & BANK BALANCES :				
Cash on hand		-		-
Balance with Scheduled Banks				
- in Current Account in Indian Rupees		2.01		2.69
- in Deposit Account in Indian Rupees		5.97		25.97
- in Exchange Earner's Foreign Currency Account		0.16		0.22
Balance with Non Scheduled Banks				
- in Checking Account with Wachovia Bank, New Jersey		0.05		0.06
(Maximum outstanding during the year Rs. 0.06 Million, Previous Year : 0.09 Million)				
- in HSBC Bank - Paris		0.49		0.55
(Maximum outstanding during the year Rs. 0.55 Million, Previous Year : 9.91 Million)				
Total		**8.68**		**29.49**

Amount in Rs. Million

	March 31, 2011		March 31, 2010	
SCHEDULE - J :				
LOANS & ADVANCES (Unsecured)				
(Considered Good)				
Loans and advances recoverable in cash or in kind or for value to be received		123.28		215.84
Loans and advances to wholly owned subsidiaries		400.88		527.80
Advance Income Tax including TDS		129.69		104.20
Other Deposits		71.63		71.63
(A)		**725.48**		**919.47**
(Considered Doubtful)				
Loans and advances to Wholly Owned Subsidiary		169.47		-
Less: Provision for Doubtful Advances		169.47		-
(B)		-		-
Total [(A)+(B)]		**725.48**		**919.47**
SCHEDULE - K :				
CURRENT LIABILITIES & PROVISIONS :				
Sundry Creditors				
- Due to Micro & Small Enterprises [Refer Note II.13.10 of Schedule P]	-		-	
- Due to Others	263.33		192.52	
Advance received from Customers	38.73		57.78	
Deferred Income	154.84		98.12	
Duties & Taxes	49.26		58.05	
Interest Accrued but not due	9.59		11.31	
Unclaimed Dividends	0.59	516.34	0.64	418.42
PROVISIONS :				
Taxation	75.85		75.85	
Employee Benefits	43.48		33.75	
Warranty	4.23		4.23	
Others [Note II.13.4, Schedule P]	1,300.34	1,423.90	1,445.32	1,559.15
Total		**1,940.24**		**1,977.57**

Amount in Rs. Million

	March 31, 2011		March 31, 2010	
SCHEDULE - L :				
OTHER INCOME :				
Provision for Doubtful Debts written back/Bad Debts recovered		15.34		33.47
Other income		11.66		4.22
Profit on sale of Fixed Assets (Net)		0.41		0.38
Exchange Fluctuation gain (Net)		98.22		-
Total		**125.63**		**38.07**
SCHEDULE - M :				
PERSONNEL COSTS :				
Salaries, Wages & Allowances		705.57		615.54
Contribution to Provident Fund and Other Funds		32.54		29.17
Other staff related costs		26.78		13.77
Total		**764.89**		**658.48**
SCHEDULE - N :				
OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES :				
Software Purchases		5.15		6.06
Rent		88.49		95.34
Power, Fuel and Water Charges		22.08		22.36
Repairs & Maintenance		34.06		25.82
Insurance		13.17		11.63
Communication Costs		12.24		14.67
Printing & Stationery		4.68		3.25
Travelling & Conveyance		117.47		81.46
Rates & Taxes Including Filing Fees		5.54		8.49
Advertisement & Business Promotion (including Consultancy charges)		29.12		52.27
Marketing & Allied Service Charges		959.83		1,201.39
Exchange Fluctuation Loss (Net)		-		36.35
Miscellaneous Expenses		1.69		0.46
Directors sitting fees		-		-
Total		**1,293.52**		**1,559.55**
SCHEDULE - O :				
FINANCIAL COSTS (NET):				
Interest on FCCB and other term loans	170.97		244.17	
Other Interest & Bank Charges	240.91	411.88	201.61	445.78
Interest on deposit accounts from banks (Gross of TDS of Rs. 0.07 Million, Previous Year Rs. 0.19 Million)	(2.02)		(2.04)	
Interest on Inter Company loans	(30.12)	(32.14)	(21.84)	(23.88)
Total		**379.74**		**421.90**

SCHEDULE - P :

Significant Accounting Policies and Notes to the Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

I.1. Basis for Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention on accrual basis in accordance with the mandatory Accounting Standards or as per the Proposal approved by the Honourable High Court of Karnataka.

The Company has outstanding foreign currency convertible bonds (FCCBs) that are redeemable in March 2012, if not converted earlier. Refer Note II.3.A and II.3.B below. The Company is pursuing various options not limiting to fund raising in the form of debt or equity, or a mix of both, and negotiations with the current lenders, to meet any potential FCCB debt obligations that arise in March 2012. The Company firmly believes that, with a combination of its internal cash accruals in the next financial year and on achieving successful closure on these options in the coming months, it would be able to meet all repayment obligations that arise during financial year ending March 31, 2012. Consequently these financial statements are prepared on a going concern basis.

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 of such licenses.

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/amortization adopted are as under:

Particulars	Depreciation/Amortization 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) and SBI Life Insurance. 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

The Company has introduced long term employee compensation plans under which certain employees are eligible for retention and performance linked payouts. These payouts are accrued as the services are rendered and/or when the specific criteria are met.

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

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.

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. Accounting Under the Proposal Approved by the Hon'ble High court

During the year ending March 31, 2010, the shareholders of the Company approved the Board's proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities Premium and Capital reserves as on or arising after April 1, 2009 (upto March 31, 2012) to a Business Restructuring Reserve (BRR) to be utilized from April 1, 2009 for certain Permitted Utilisations as mentioned in the Proposal.

The Proposal was approved by the Hon'ble High court of Karnataka on May 4, 2010 and was registered with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

Adjustments in the BRR in the previous year ended March 31, 2010

In accordance with the Proposal, the Board of Directors of the Company had thus approved the following for financial year ended March 31, 2010

- transfer of amounts standing to the credit of Securities premium and Capital reserve (including the Profit of Rs. 1,583.49 Million arising out of reduction in liability to the Foreign currency convertible bond holders pursuant to the Restructuring of the US$ 180 Million Foreign currency convertible bonds. Refer Note II.3.A below) to the extent of Rs. 6,700 Million to the BRR.
- utilization of the BRR for certain Permitted utilisations for the amounts aggregating to Rs. 6,499.79 Million.

Adjustments in the BRR during the current year ended March 31, 2011

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2011

- transfer of Rs. 1,740 Million during the year from the balances in Securities Premium Account and Capital Reserve to the BRR.
- utilization of the BRR for permitted utilisations to the extent of Rs. 1,550.37 Million (net).

Had the Proposal not provided for the above, the effect of accounting under the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 would have been as under:

Amount in Rs. Million Except as Otherwise Indicated

In the Profit & loss Account	Year Ended March 31, 2011	Year Ended March 31, 2010
The Loss under Exceptional Items would have been higher as follows:		
- Diminution in carrying value of Investments	1,540.00	5,000.00
- One time non-recurring expenses including restructuring fees, advisory fees, specialised marketing expenses and unrealizable advances, etc	390.78	871.19
- One time non-recurring Long term Retention benefit plan accrued / (reversed)	(480.41)	628.60
Sub-Total	**1,450.37**	**6,499.79**
Provision for doubtful debts/ write-off of unrealizable Assets would have been higher by:	100.00	-
One time non-recurring Profit on account of restructuring of FCCBs under Exceptional items would have been higher by	-	(1,583.49)
Profit after Tax would have been lower by	**1,550.37**	**4,916.30**
Basic and Diluted Earnings/(Loss) per share would have been – Rs.	**(13.22)**	**(91.50)**

Out of the balance outstanding in the Business Restructuring Reserve as at March 31, 2011, an amount of Rs. 280 Million is reserved for adjustment in Consolidation.

II.2. Contingent Liabilities

Receivables factored: Current Year - Rs. 368.01 Million (Previous year - Rs. 286.65 Million)

Claims against the Company not acknowledged as debt: Current Year – Rs. 64.52 Million (Previous year - Rs. 69.06 Million). These claims relate to Indian Income Tax demands which 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. Nil (Previous Year - Rs. 500 Million) at the year end. These facilities were utilized to the extent of Rs. Nil (Previous Year - Rs. 155.26 Million) by the subsidiaries.

II.3. A. Foreign Currency Convertible Bonds (FCCBs)

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

During the year 2009-10, the Company restructured the Old FCCBs by offering in exchange new FCCBs having a face value of US$ 126 Million. Pursuant to the offer, Old FCCBs with a face value of US$ 141 Million were exchanged for new FCCBs with a face value of US$ 98.7 Million. The remaining bondholders holding US$ 39 Million worth of Old FCCBs (out of the original bondholders holding US$ 180 Million) didn't chose the option for restructuring and are thus outstanding at March 31, 2011 (were outstanding at March 31, 2010 also). Liability in respect of the US$ 39 Million FCCBs at March 31, 2011 amounts to Rs. 1,739.21 Million (Previous Year: 1,751.10 Million) (included in Long Term Unsecured loans in Schedule E, under the head Foreign currency convertible bonds).

The terms and conditions governing the US$ 39 Million FCCBs outstanding 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

h) Redeemable on March 9, 2012, if not converted into Equity shares earlier.

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 charged to Securities Premium over the life of the bonds.

B. New Foreign Currency Convertible Bonds (New FCCBs)

During the financial year 2009-10, in terms of the Company's offer to exchange and restructure its outstanding Old FCCBs, the Company received Old FCCBs with a face value of US$ 141

Million for issue of New FCCBs with a face value of US$ 98.7 Million. The new bonds carry an initial interest rate of 5% 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 new FCCBs are as follows:

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after November 2, 2009
b) Conversion Price - Rs.80.31per share
c) Exchange Rate for purpose of conversion - 1 US$ = Rs.48.17
d) Compensating the bond holders for the reduction in principal amount by providing an increased interest element in the New FCCBs of 5% per annum payable semi-annually in arrears.
e) Redemption with yield to maturity guaranteed return of 20% 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 Singapore Exchange Securities Trading Limited.
h) Redeemable on March 9, 2012, if not converted into Equity shares earlier.

The difference between the yield to maturity guaranteed rate of return of 20% and the coupon rate of 5% represents the premium payable on redemption and is charged to Securities Premium over the life of the bonds.

Out of the US$ 98.7 Million new FCCBs, bonds having a face value of US$ 31.9 Million were converted into equity shares as of March 31, 2010 and bonds with a face value of USD 12 Million were converted during the year ending March 31, 2011. Consequently new FCCBs outstanding at March 31, 2011 amount to US$ 54.8 Million (Rs. 2,443.80 Million) (Previous Year: 2,999.32 Million) and is included in Long Term Unsecured loans in Schedule E, under the head Foreign currency convertible bonds.

II.4. Operating Leases

The Company has entered into operating lease arrangements for its office facilities. These leases are for periods 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 Profit and Loss account for the year is Rs. 88.49 Million (Previous year - Rs. 95.34 Million)

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

Amount in Rs. Million

	March 31, 2011	March 31, 2010
Within one year	97.33	90.72
Due in a period between one year and five years	61.91	159.25
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.5. 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.

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. 0.03 Million (Previous Year: Rs. 2.12 Million) 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.

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. 2.43 Million (Previous Year: credit of Rs. 8.24 Million) to the Profit & Loss Account during the year.

ESOP – IV

During 2008-2009, the Company established the Employee Stock Option Scheme 2008 ("ESOP 2008") under which 2,000,000 options have been allocated for grant to the employees. 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.

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. 3.75 Million (Previous Year : Rs. 0.54 Million) 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	**2010-11**		**2009-10**	
	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	300,848	74.04	358,117	75.47
ESOP – III	1,582,488	113.72	1,794,382	127.49
ESOP – IV	598,954	53.34	-	-
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	232,800	51.77	131,300	48.45
ESOP – IV	715,000	54.83	598,954	53.34
Exercised during the year				
ESOP – II	1,260	-	1,210	-
ESOP – III	3,765	-	1,203	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	21,329	-	56,059	-
ESOP – III	196,290	-	341,991	-
ESOP – IV	126,335	-	-	-
Options outstanding at the end of the year				
ESOP – II	278,259	71.71	300,848	74.04
ESOP – III	1,615,233	104.11	1,582,488	113.72
ESOP – IV	1,187,619	54.17	598,954	53.34
Options exercisable at the end of the year				
ESOP – II	195,189	-	161,663	-
ESOP – III	820,819	-	468,088	-
ESOP – IV	82,464	-	N.A	-
Options available for Grant at the end of the year				
ESOP - II	-	-	-	-
ESOP - III	373,075	-	409,585	-
ESOP - IV	812,381	-	1,401,046	-

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

ESOP – II At March 31, 2010 : 3.02 Years ESOP – III At March 31, 2010 : 3.53 Years ESOP – IV At March 31, 2010 : 5.79 Years
At March 31, 2011 : 2.07 Years At March 31, 2011 : 2.98 Years At March 31, 2011 : 4.88 Years

Fair Value Methodology

The fair value of options used to compute proforma 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 8%, expected life: 3 years, expected volatility of share: 48.39% (Previous Year: 34.267%) and expected dividend yield: 0% (Previous Year: 0.71%). The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

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

Amount in Rs. Million except as otherwise indicated

Particulars	March 31, 2011	March 31, 2010
Net Profit for the year (as reported)	715.09	1,368.61
Add : Stock-based employee compensation (net of recoveries)	2.62	4.57
Less : Stock-based compensation expenses determined under fair value based method	37.39	30.07
Net Profit (Proforma)	**680.32**	**1,343.11**
Basic earnings per share (as reported) - Rs	11.32	35.30
Basic earnings per share (proforma) - Rs	10.77	34.64
Diluted earnings per share (as reported) - Rs	7.88	8.44
Diluted earnings per share (proforma) - Rs	7.53	8.08

II.6. Related Party Information

(a) Related Parties

Wholly Owned Subsidiaries

Subex Americas Inc
Subex (UK) Ltd
Subex Technologies Limited
Syndesis Development India Private Ltd
Subex Azure Holdings Inc
Subex (Asia Pacific) Pte Ltd
Subex Inc
Subex Technologies Inc

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:

Amount in Rs Million

Particulars	Subsidiaries		Enterprises Over Which Some of the Directors Exercise Significant Influence		Key Management Personnel	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
a) Marketing and allied Service Charges and reimbursement *						
i) Subex (UK) Limited	445.21	705.18	-	-	-	-
ii) Subex Inc	601.90	590.64	-	-	-	-
iii) Subex Americas Inc	36.15	560.82	-	-	-	-
iv) Subex (Asia Pacific) Pte Ltd	66.28	81.71	-	-	-	-
b) Income from Software Development and Services:						
i) Subex (UK) Limited	648.05	540.63	-	-	-	-
ii) Subex Inc	307.41	572.40	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	332.91	188.35	-	-	-	-
iv) Subex Americas Inc	428.63	567.71	-	-	-	-
c) Reimbursement of expenses incurred on behalf of						
i) Subex Technologies Inc	-	16.71	-	-	-	-
d) Salary, Perquisites & Commission (Refer Note: II.8, Schedule P)	-	-	-	-	40.78	47.93
e) Amount due as at year end from/(to)						
i) Subex UK Limited	(226.66)	(157.57)	-	-	-	-
ii) Subex Inc	368.99	688.58	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	429.83	253.16	-	-	-	-
iv) Subex Americas Inc	837.39	149.04	-	-	-	-
f) Loans outstanding as at year end from/(to)						
i) Subex UK Limited	-	0.50	-	-	-	-
ii) Subex (Asia Pacific) Pte Ltd	-	45.98	-	-	-	-
iii) Subex Americas Inc	400.88	312.89	-	-	-	-
iv) Subex Inc	-	(0.04)	-	-	-	-
v) Subex Technologies Limited	169.47	168.47	-	-	-	-
vi) Key Management Personnel (Refer Note: II.8.A, Schedule P)	-	-	-	-	-	56.26
g) Interest received on Inter Company Loans						
i) Subex UK Limited	0.03	0.57	-	-	-	-
ii) Subex Americas Inc	28.25	18.19	-	-	-	-
iii) Subex Inc	-	1.14	-	-	-	-
iv) Subex (Asia Pacific) Pte Ltd	1.84	1.94	-	-	-	-
h) Expenses allocated to/(from):						
i) Subex (UK) Limited	1.43	2.62	-	-	-	-
ii) Subex Inc	1.18	1.10	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	0.07	0.27	-	-	-	-
iv) Subex Americas Inc	0.91	2.34	-	-	-	-
i) Corporate Guarantee provided by Company to financial institutions in respect of finances availed by Subsidiaries	-	155.26	-	-	-	-
j) Preferential allotment of Equity Shares to M/s Woodbridge Consultants (Subsidiary of Kivar Holdings) (4,000,000 shares at a premium of Rs. 70 per share)	-	-	-	320.00	-	-

* Amount paid/payable in Foreign Currency.

\# Advances to Subex Technologies Limited provided for during the year 2010-11 for Rs. 169.47 Million (Previous Year: Rs. Nil) out of utilisation of BRR.

II.7. Earning per Share (EPS):

Amount in Rs. Million Except as Otherwise Indicated

	2010-11	2009-10
Profit after Tax attributable to shareholders (A)	715.09	1,368.61
Add : Interest on FCCBs	54.83	155.88
Add/(Less) : Exchange Fluctuation on FCCB	8.91	(918.81)
Adjusted Profits after Tax for Diluted EPS (B)	778.83	605.68
Weighted Average Number of Shares for Basic EPS (C)	63.18	38.77
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs)	35.65	32.99
Weighted Average Number of Shares for Diluted EPS (D)	98.83	71.76
Earning per Share – Basic [(A)/(C)] - Rs.	11.32	35.30
Earning per Share - Diluted [(B)/(D)] - Rs.	7.88	8.44

Face value of shares: Rs. 10/- each.

Note: Certain FCCBs that were outstanding during 2010-11 are anti-dilutive and the effects of the same have been ignored in the computation of diluted earnings per share for the year 2010-11.

II.8. A) Managerial Remuneration to Managing Director and Wholetime Director

Amount in Rs. Million

		2010-11	2009-10
i)	**Remuneration to Wholetime Directors**		
	Salary and Allowances (including perquisites)	38.20	45.35
	Contribution to Provident Fund	2.58	2.58
	Total (i)	**40.78**	**47.93**
ii)	**Remuneration to Non-Executive directors**		
	Sitting fees paid to Non-Executive directors	-	-
	Commission paid to Non-Executive Directors	-	-
	Total [(i)+(ii)]	**40.78**	**47.93**

Note : a) Contribution to PF represents the amounts paid by the Company to the PF Authorities.

b) Remuneration to wholetime directors relating to earlier years which were subject to approval of Central Government at the beginning of the year was Rs. 56.26 Million. During the year company has received the approval for a portion of the above and has accordingly charged Rs. 33.27 Million to the Profit and Loss account and the balance has been recovered from the whole time Directors

B) Computation of Net Profit in Accordance with Section 349 of the Companies Act, 1956 as per Legal Advice Received by the Company

Amount in Rs. Million

Particulars	2010-11	2009-10
Profit / (Loss) before tax as per the Profit & Loss Account	725.71	1,380.79
Remuneration to Directors (Including Commission & Sitting Fees) charged to Profit & Loss Account	40.78	47.93
Remuneration to Wholetime Directors relating to earlier years charged to Profit & Loss Account on account of receipt of approval from Central Government	33.27	-
Exchange Fluctuation on FCCB	(2.98)	(918.81)
(Surplus)/Loss on sale of Fixed Assets (Net)	(0.41)	(0.38)
Net Profit / (Loss) U/s 349 of the Companies Act, 1956	796.37	509.53
Maximum Remuneration of Wholetime Directors under provisions of the Companies Act.	79.64	50.95
Remuneration paid to Wholetime Directors (including Commission Rs. Nil, Previous Year : Nil)	40.78	47.93
Maximum Commission to Non-Executive Directors under the Companies Act	7.96	5.09
Commission Paid	Nil	Nil

II.9. Auditors Remuneration

Amount in Rs. Million

	2010-11	2009-10
Audit Fees (including fees for audit of certain subsidiaries consolidated accounts & issuance of report on the corporate governance) – excluding Service tax as applicable	6.50	6.50
For Tax Audit (excluding Service tax as applicable)	0.15	0.15
Other Matters (excluding Service Tax as applicable)	1.00	1.00
Reimbursement of Expenses (excluding Service Tax as applicable)	0.21	0.18

II.10. Details of Warranty

Amount in Rs. Million

Year	Opening Balance	Additions During the Year	Utilisation / Reversal During the Year	Closing Balance
2010-11	4.23	-	-	4.23

Probable period of outflow in case of warranty is 3 months

II.11. Other Information Pursuant to Schedule VI of the Companies Act, 1956.

Amount in Rs. Million

	Year Ended March 31, 2011	Year Ended March 31, 2010
CIF Value of Imports :		
Import of systems and solutions	7.83	5.63
Capital goods	13.99	14.45
Expenditure in Foreign Currency (on payment basis)		
Travelling expenses	47.29	50.41
Interest expense	161.78	178.53
Product marketing expense and other expenditure incurred overseas for software development	2.04	19.15
Earnings in Foreign Exchange (on accrual basis)		
Income from software development services and products	2,882.13	2,910.89
Miscellaneous Income	11.36	-

II.12. Deferred Tax

The deferred tax asset recognised, comprises of the tax impact arising from timing differences on account of the following:

Amount in Rs. Million

Particulars	March 31, 2011	March 31, 2010
Depreciation & other items (Claimable in Indian Tax Jurisdiction)	12.18	12.18

II.13. Others

1. Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs. 3.41 Million (Previous year - Rs 6.05 Million)

2. Unclaimed Dividend of Rs. 0.59 Million as at March 31, 2011 (Previous Year - Rs. 0.64 Million) represent dividends not claimed for earlier years. During the current year, the Company has transferred Rs. 0.05 Million (Previous Year Rs. 0.10 Million) to Investor Education and Protection Fund. As on March 31, 2011, no portion of the unclaimed dividends are outstanding for a period of seven years from the due date of payment, requiring a transfer to Investor Education and Protection Fund.

3. Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs. 0.59 Million (Previous Year - Rs. 0.64 Million), Fixed Deposit of Rs. 5.97 Million (Previous Year - Rs. 25.97 Million) which are not available for use by the Company. The breakup of Cash and Cash Equivalents are given in Schedule I of financial statements.

   Direct Taxes paid and Others in the Cash Flow Statement includes outflows on account of permitted utilisations from the BRR of Rs. 20.91 Million (Previous Year - Rs. 43.56 Million) and Direct Taxes of Rs. 36.10 Million (Previous Year - Rs. 44.14 Million).

4. Other Provisions comprises of -

Provision for Redemption Premium on FCCBs	-	Rs. 1,140.35 Million (Previous Year Rs. 612.71 Million)
Provision for Other Long Term Employee Benefits	-	Rs. 79.20 Million (Previous Year: Rs. 628.60 Million)
Differential Interest on Restructured FCCBs	-	Rs. 80.79 Million (Previous Year: Rs. 203.06 Million)
MTM Losses on Option Contracts	-	Rs. Nil (Previous Year: Rs. 0.95 Million)

5. Personnel Cost for the year includes expenditure on Research and Development of Rs. 107.42 Million (Previous year - Rs. 85.14 Million). This is as certified by the management and relied upon by the auditors.

6. A director of the Company has provided a personal guarantee in respect of short term loans from Banks/ Financial Institutions included in Schedule D and Schedule E of the financial statements. Further, portion of promoters' shares have also been pledged towards portion of these loans.

7. 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. Nil (Previous Year - Rs. 0.95 Million) on outstanding option contracts.

8. The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

(a) Forward contracts to hedge foreign currency risk on export receivables: *Amount in Million*

Particulars	**March 31, 2011**			**March 31, 2010**		
	Foreign Currency	**Buy/Sell**	**Amount (INR)**	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**
Forward contracts						
- USD contracts	$ 31.50	Sell	1,444.30	$ 25.40	Sell	1,231.49
- GBP contracts	-	Sell	-	£ 4.00	Sell	318.40

(b) Option contracts outstanding *Amount in Million*

Particulars	**March 31, 2011**			**March 31, 2010**		
	Foreign Currency	**Buy/Sell**	**Amount (INR)**	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**
Option Contracts	-	-	-	$ 0.20	Sell	8.54

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

Amount in Million

Particulars	**March 31, 2011**		**March 31, 2010**	
	Amount (INR)	**Foreign Currency**	**Amount (INR)**	**Foreign Currency**
Receivable towards Export of Goods & Services (including receivables from wholly owned subsidiaries - net)	920.43	USD 20.64	1,896.70	USD 44.27
	1,039.42	GBP 14.48	473.11	GBP 7.65
	559.32	SGD 15.81	211.61	SGD 6.60
	5.09	AUD 0.11	20.37	AUD 0.49
	12.95	EUR 0.20	34.78	EUR 0.58
	8.75	AED 0.72	15.74	AED 1.29
	-	-	5.29	CHF 0.13
	-	-	3.65	CAD 0.08
	-	-	0.20	CNY 0.03
	1.38	QAR 0.11		
Loans to wholly owned subsidiaries	-	-	0.50	AED 0.04
	44.48	CAD 0.97	42.73	CAD 0.97
	-	-	45.98	SGD 1.43
	356.40	USD 7.99	270.13	USD 6.01

Other amounts payable in foreign currency on account of: *Amount in Million*

	March 31, 2011		**March 31, 2010**	
	Amount (INR)	**Foreign Currency**	**Amount (INR)**	**Foreign Currency**
Import of goods and services	5.12	USD 0.11	47.92	USD 1.07
	2.44	EUR 0.03	2.36	EUR 0.04
			0.06	THB 0.05
			1.09	GBP 0.02
Capital Imports [including intangibles]	3.80	USD 0.09	0.46	GBP 0.01
Towards Interest on Foreign Currency loans	9.59	USD 0.22	11.31	USD 0.25
Differential Interest on restructured FCCBs	80.79	USD 1.81	203.06	USD 4.52
Towards Foreign Currency Convertible Bonds	4,183.01	USD 93.80	4,750.42	USD 105.80
Redemption Premium accrued on FCCBs	1,140.35	USD 25.57	612.71	USD 13.65
Marketing and Allied Service Charges payable to wholly owned subsidiaries (net)	0.80	AED 0.07	0.88	AED 0.07
	-	-	2.37	AUD 0.06
	0.95	CAD 0.02	4.55	CAD 0.10
	-	-	0.21	CNY 0.03
	129.47	EUR 2.04	0.12	EUR -
	963.32	GBP 13.42	953.20	GBP 14.03
	13.07	MYR 0.89	0.01	MYR -
	52.14	SGD 1.47	87.84	SGD 2.74
	1,229.98	USD 27.58	1,746.41	USD 38.90
	6.26	THB 4.25		

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

Amount in Rs Million Except Assumptions

		Gratuity	
		March 31, 2011	**March 31, 2010**
I	**Components of Employer Expense**		
1	Current Service cost	6.32	5.36
2	Interest cost	1.89	1.17
3	Expected return on plan assets	(0.34)	(0.28)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	4.08	-
7	Actuarial Losses/(Gains)	0.44	(1.07)
8	Total expense recognized in the Statement of Profit & Loss Account	12.39	5.18
II	**Actual Contribution and Benefit Payments for Year Ended March 31, 2011**		
1	Actual benefit payments	2.16	1.46
2	Actual Contributions	-	4.76
III	**Net Asset/(Liability) Recognized in Balance Sheet as at March 31, 2011**		
1	Present value of Defined Benefit Obligation (DBO)	29.93	19.32
2	Fair value of plan assets	3.30	5.08
3	Funded status [Surplus/(Deficit)]	(26.63)	(14.24)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(26.63)	(14.24)
IV	**Change in Defined Benefit Obligations During the Year Ended March 31, 2011**		
1	Present Value of DBO at beginning of year	19.32	15.33
2	Current Service cost	6.32	5.36
3	Interest cost	1.89	1.17
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	4.08	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	0.48	(1.07)
9	Benefits paid	(2.16)	(1.46)
10	Present Value of DBO at the end of year	29.93	19.32
V	**Change in Fair Value of Assets During the Year Ended March 31, 2011**		
1	Plan assets at beginning of year	5.08	1.50
2	Acquisition Adjustment	-	-
3	Actual return on plan assets(estimated)	0.34	0.28
4	Actuarial Gain/(Loss)	0.04	-
5	Actual Company contributions(less risk premium, ST)	-	4.76
6	Benefits paid	(2.16)	(1.46)
7	Plan assets at the end of period	3.30	5.08
VI	**Actuarial Assumptions**		
1	Discount Rate	8.30%	8.30%
2	Expected Return on plan assets	8.50%	8.60%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	5.00%	5.00%

Amount in Rs. Million

Experience History	**Period Ending**			
	March 31, 2008	**March 31, 2009**	**March 31, 2010**	**March 31, 2011**
Defined Benefit Obligation at end of the period	(10.30)	(15.33)	(19.32)	(29.94)
Plan Assets at end of the period	1.09	1.50	5.08	3.30
Funded Status	(9.21)	(13.83)	(14.24)	(26.64)
Experience Gain/(Loss)adjustments on Plan Liabilities	(1.13)	0.81	0.39	(0.48)
Experience Gain/(Loss)adjustments on Plan Assets	-	0.03	-	0.04
Actuarial Gain/(Loss) due to change on assumptions	(0.13)	(1.22)	0.68	-

- 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. 29.18 Million (Previous Year Rs. 26.15 Million)

10. 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.

11. Revenue is net of Rs. 20.62 Million (Previous Year: Rs. 23.87 Million) being reversal of Unbilled Revenues.

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

13. 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 and / software.

14. 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 and consequently that, these transactions do not have any impact on the financials statements, particularly on account of tax expense and that of provision for taxation.

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

YEAR : 2010-2011

I Registration Details

Registration No.	16663	State Code	08
Balance Sheet Date	31-03-11		

II Capital Raised during the Year (Amount in Rs. Thousands)

Public issue	-NIL-	Right issue	-NIL-
Bonus issue	-NIL-	Private placement	00041242
Preferential offer of shares under Employee Stock Option Plan scheme* - Equity			00050.25

III Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total liabilities	08412595	Total assets	08412595
Paid up capital	00693100	Unsecured loans	04345575
Secured Loans	00949516	Deferred tax liability	-NIL-
Advance for share capital	-NIL-	Reserve & Surplus	02424403

Application of Funds

Net fixed assets	00063730	Investments	07723444
Net current assets	00613245	Deferred tax assets	00012176
Miscellaneous expenditure	-NIL-	Accumulate losses	-NIL-

IV Performance of Company (Amount in Rs. Thousands)

Turnover	03135530	Total expenditure	02535440
Profit before tax	00725721	Profit after tax	00715090
Earnings per share from ordinary activities (basic) (Rs.)	00011.32	Earnings per share from ordinary activities (diluted) Rs.	00007.88

V Generic name of three principal Products / Services of Company (As per monetary terms)

Item code	85/24
Product Description	COMPUTER SOFTWARE

* Issue of shares arising out of exercise of stock options granted to employees under the Company's ESOP II and ESOP III scheme

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Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V Balaji Bhat
Independent Director & Chairman of Audit Committee

Bangalore
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

financial review

subex limited (consolidated)

AUDITORS' REPORT TO THE BOARD DIRECTORS OF SUBEX LIMITED

1. We have audited the attached Consolidated Balance Sheet of Subex Limited ("the Company"), its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement 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 total assets of Rs. 221.67 Million as at March 31, 2011, total revenues of Rs 646.41 Million and net cash outflows amounting to Rs. 0.07 Million for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.

4. Without qualifying our opinion, we draw attention to Note II.3.A and II.3.B of Schedule O regarding the existence of certain liabilities and commitments which are due for payment during the financial year ending March 31, 2012 and the management's plans for meeting the same as detailed in Note I.1 of Schedule O. The Company's ability to continue as a going concern is dependent on the successful outcome of the management plans.

5. Without qualifying our opinion, we draw attention to Note II.1 of Schedule O. As more fully explained therein, during the year the Company has, in accordance with the Proposal approved by the Hon'ble High Court of Karnataka, debited expenses of Rs. 1,830.37 Million to the Business Restructuring Reserve, instead of recording such expenses in the Profit and Loss Account as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.

6. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 ('Consolidated Financial Statements'), as notified under the Companies (Accounting Standards) Rules, 2006.

7. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, 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, read with the notes thereon and our comments in paragraph 5 above, give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;

   (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

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

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
(Membership No.203685)

Place : Mumbai
Date : April 27, 2011

CONSOLIDATED BALANCE SHEET AS AT

Amount in Rs. Million

	Schedule	March 31, 2011		March 31, 2010	
SOURCES OF FUNDS :					
SHAREHOLDERS' FUNDS					
Share Capital	A	693.10		579.83	
Employees Stock Options Outstanding account	B	63.17		57.12	
Reserves and Surplus	C	1,337.93	2,094.20	2,238.46	2,875.41
LOAN FUNDS					
Secured Loans	D	979.98		1,588.88	
Unsecured Loans	E	4,477.14	5,457.12	4,752.67	6,341.55
DEFERRED TAX LIABILITY			0.89		1.00
Total			**7,552.21**		**9,217.96**
APPLICATION OF FUNDS					
FIXED ASSETS & INTANGIBLES :	F				
Gross Block		1,638.65		1,605.11	
Less : Depreciation		1,508.27		1,409.36	
Net Block			130.38		195.75
GOODWILL ON CONSOLIDATION			8,656.89		10,366.36
DEFERRED TAX ASSET			12.18		12.18
CURRENT ASSETS, LOANS & ADVANCES					
Sundry Debtors	G	605.42		479.21	
Cash & Bank balances	H	41.07		72.39	
Loans & Advances	I	477.59		538.95	
Unbilled Revenue		817.16		438.07	
		1,941.24		1,528.62	
Less: Current liabilities & Provisions	J				
Current liabilities		1,344.58		1,334.49	
Provisions		1,843.90		1,695.87	
		3,188.48		3,030.36	
Net Current Assets			(1,247.24)		(1,501.74)
PROFIT AND LOSS ACCOUNT		-		323.39	
Less : Transfer from General Reserve as per Contra		-	-	177.98	145.41
Total			**7,552.21**		**9,217.96**
Significant Accounting Policies & Notes to the Accounts	O				

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

In terms of our report attached

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 & Wholetime Director

V Balaji Bhat
Independent Director & Chairman of Audit Committee

Mumbai
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

Bangalore
April 27, 2011

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs. Million

	Schedule	March 31, 2011		March 31, 2010	
INCOME :					
Sales & Services			4,827.50		4,630.78
Other Income	K		98.42		117.03
Total			**4,925.92**		**4,747.81**
EXPENDITURE :					
Cost of Hardware, Software and Support Charges			79.66		118.06
Personnel Costs	L		2,615.24		2,968.34
Other Operating, Selling and Administrative Expenses	M		819.85		714.18
Financial Costs (Net)	N		424.21		474.16
Miscellaneous Expenses amortised			-		15.35
Depreciation & Amortisation	F		104.50		148.23
Total			**4,043.46**		**4,438.32**
Profit Before Taxation and Exceptional Items			**882.46**		**309.49**
Exceptional Items					
Managerial Remuneration of earlier years (Refer Note II.10.13 of Schedule O)			(33.27)		-
Exchange Gain/(Loss) on Restatement of FCCBs			2.98		918.81
Exchange Gain/(Loss) on intra group foreign currency loans and advances			(20.19)		(124.09)
			(50.48)		**794.72**
Profit Before Tax			**831.98**		**1,104.21**
Provision for taxation					
- Current tax (including Wealth Tax)		44.19		69.89	
- Fringe Benefit Tax		-		0.05	
- Deferred tax		-	44.19	31.31	101.25
Profit After Taxation			**787.79**		**1,002.96**
Balance brought forward from Previous year			**(323.39)**		**(1,326.35)**
Surplus/(Deficit) carried to Balance Sheet			**464.40**		**(323.39)**
Earnings Per Share (Face value of Rs.10/- each) (Refer Note II.8, Schedule O)					
- Basic			12.47		25.87
- Diluted			8.62		3.34
Significant Accounting Policies & Notes to the Accounts	O				

The Schedules referred to above form an integral part of the profit and loss account

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board

V.Balaji
Partner

Subash Menon
Founder Chairman, Managing Director & CEO

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Mumbai
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

Bangalore
April 27, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

Amount in Rs. Million

		March 31, 2011	March 31, 2010
Cash flow from Operating Activities			
Net Profit/(Loss) before Tax		831.98	1,104.21
Adjustments for :			
a) Depreciation and amortization		104.50	162.83
b) Interest / Dividend Income		(2.00)	(2.21)
c) Interest and bank charges		426.21	476.36
d) (Profit)/Loss on sale of assets		0.54	(0.38)
e) Employee stock compensation expenses		6.05	10.82
f) Provision for doubtful debts written off/(back)		-	(107.19)
g) Unrealised exchange fluctuations		(0.52)	(752.54)
Operating Profit before Working Capital Changes		**1,366.76**	**891.90**
Adjustments for :			
a) Sundry Debtors		(181.63)	191.35
b) Loans and advances		(314.17)	46.55
c) Trade and other payables		(251.05)	10.09
Cash generated from operations		**619.91**	**1,139.89**
a) Direct Taxes paid and Others [Refer Note II.10.3 Schedule O]		(87.72)	(683.36)
Net Cash provided by operating activities	**A**	**532.19**	**456.53**
Cash Flow from Investing activities			
a) Purchase of Fixed Assets		(40.15)	(49.47)
b) Sale / disposal of fixed assets		2.76	1.45
c) Interest received		2.00	0.62
Net Cash from Investing Activities	**B**	**(35.39)**	**(47.40)**
Cash Flow from Financing Activities			
a) Proceeds from issue of Share Capital/Options/Warrants		334.55	320.24
b) Proceeds from/(repayment) of short term borrowings - Net		558.00	(90.15)
c) Repayment of Long term borrowings		(875.02)	(51.04)
d) Dividends paid		(0.05)	(0.11)
e) Interest and bank charges		(512.56)	(522.81)
f) Expenditure incurred on restructuring of FCCBs		-	(153.49)
g) Expenditure incurred on issue of Shares		(31.22)	
Net Cash from Financing Activities	**C**	**(526.30)**	**(497.36)**
Net increase in Cash or Cash equivalents [A + B + C]		(29.50)	(88.23)
Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents		(1.82)	(26.79)
Cash or Cash equivalents at the start of the year		72.39	187.41
Cash or Cash equivalents at the close of the year *		**41.07**	**72.39**
* Refer Note II.10.3, Schedule O			
Significant Accounting policies & Notes to the accounts	**O**		

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

In terms of our report attached

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 & Wholetime Director

V Balaji Bhat
Independent Director & Chairman of Audit Committee

Mumbai
April 27, 2011

Ramanathan J
Vice President- Finance & Company Secretary

Bangalore
April 27, 2011

Amount in Rs. Million

	March 31, 2011		March 31, 2010	
SCHEDULE - A :				
SHARE CAPITAL :				
AUTHORISED :				
128,040,000 Equity Shares of Rs. 10/- each (Previous Year: 128,040,000 Equity Shares of Rs. 10/- each)		1,280.40		1,280.40
200,000 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs.98/- each		19.60		19.60
Total		**1,300.00**		**1,300.00**
ISSUED, SUBSCRIBED AND PAID UP:				
EQUITY :				
69,310,025 Equity Shares of Rs. 10/- each (Previous Year : 57,983,139 Equity Shares of Rs. 10/- each)		693.10		579.83
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		**693.10**		**579.83**
SCHEDULE - B :				
Employees Stock Options Outstanding		71.88		74.40
Less: Deferred Employees Compensation Expenses		8.71		17.28
Total		**63.17**		**57.12**
SCHEDULE - C :				
RESERVES AND SURPLUS :				
Capital Reserve				
Opening Balance	37.05		153.56	
Additions due to:				
- restructuring of FCCBs net of expenses [Refer Note II.1, Schedule O]	-		1,583.49	
- reversal of accrued interest on conversion of FCCBs into Equity shares	37.62		-	
Transferred to Business Restructuring Reserve [Refer Note II.1, Schedule O]	(40.00)	34.67	(1,700.00)	37.05
General Reserve	177.98		177.98	
Transfer from Profit & Loss Account as per contra	-	177.98	(177.98)	-
Securities Premium Account				
Opening Balance	2,206.53		4,894.70	
Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares	785.71		1,562.63	
Expenses on issue of shares	(31.22)		-	
Write back from/(accrual for) redemption premium on FCCBs (Net) [Refer Note II.3, Schedule O]	(527.63)		749.20	
Transferred to Business Restructuring Reserve [Refer Note II.1, Schedule O]	(1,700.00)	733.39	(5,000.00)	2,206.53
Business Restructuring Reserve [Refer Note II.1, Schedule O]				
Opening Balance	200.21		-	
Transferred from Securities Premium/Capital Reserve	1,740.00		6,700.00	
Amounts utilised for Permitted Utilisations	(1,830.37)	109.84	(6,499.79)	200.21
Exchange Reserve on Consolidation		**(182.35)**		**(205.33)**
Profit & Loss Account		**464.40**		**-**
Total		**1,337.93**		**2,238.46**

Amount in Rs. Million

	March 31, 2011	March 31, 2010
SCHEDULE - D :		
SECURED LOANS :		
Short Term:		
Working Capital Loans from Banks	770.82	706.95
(Secured by charge on Fixed and Current Assets)		
Loans from Banks [Refer Note II.10.12 of Schedule O]	200.00	-
(Secured by charge on current assets and pledge of portion of shares of Promoter Group)		
Long Term:		
Loans from Banks	-	864.19
[Amount repayable within one year: Rs. Nil, Previous Year: Rs. 864.19 Million]		
Hire Purchase Loans from Banks	9.16	17.74
[Amount repayable within one year: Rs. 5.43 Million, Previous Year: Rs. 6.95 Million]		
Total	**979.98**	**1,588.88**
SCHEDULE - E :		
UNSECURED LOANS :		
Short Term:		
Working Capital Loans from Banks and Financial Institutions	294.13	-
[Refer Note II.10.12 of Schedule O]		
Long Term:		
Loans from Banks	-	2.25
[Amount repayable within one year: Rs. Nil, Previous Year: Rs. 2.25 Million]		
Foreign Currency Convertible Bonds [Refer Note II.3, Schedule O]	4,183.01	4,750.42
Total	**4,477.14**	**4,752.67**

SCHEDULE - F :

FIXED ASSETS & INTANGIBLES :

Amount in Rs. Million

		GROSS BLOCK					DEPRECIATION					NET BLOCK	
Sl. No.	**Particulars**	**As at April 1, 2010**	**Addi-tions**	**Addi-tions**	**Dele-tions**	**As at March 31, 2011**	**Upto March 31, 2010**	**Adjust-ments**	**For the year**	**With-drawn on Dele-tions**	**Upto March 31, 2011**	**As at March 31, 2011**	**As at March 31, 2010**
	Tangible Fixed Assets												
1	Computer Hardware and Software	932.53	4.09	35.50	4.01	968.11	794.35	1.99	71.00	3.26	864.08	104.03	138.18
2	Furniture & Fixtures	80.22	(0.07)	0.20	-	80.35	76.71	(0.21)	1.57	-	78.07	2.28	3.51
3	Vehicles	42.19	-	-	7.40	34.79	20.42	-	7.82	5.03	23.21	11.58	21.77
4	Office Equipments	82.44	0.82	4.45	0.55	87.16	69.28	0.77	5.10	0.35	74.80	12.36	13.16
5	Lease Hold Improvements	56.56	0.51	-	-	57.07	55.92	0.50	0.52	-	56.94	0.13	0.64
	Intangibles												
1	Goodwill	13.77	-	-	-	13.77	12.37	-	1.40	-	13.77	-	1.40
2	Intellectual Property Rights	397.40	-	-	-	397.40	380.31	-	17.09	-	397.40	-	17.09
	TOTAL	**1,605.11**	**5.35**	**40.15**	**11.96**	**1,638.65**	**1,409.36**	**3.05**	**104.50**	**8.64**	**1,508.27**	**130.38**	**195.75**
	PREVIOUS YEAR	**1,723.96**	**(100.89)**	**66.60**	**84.56**	**1,605.11**	**1,439.68**	**(95.06)**	**148.23**	**83.49**	**1,409.36**	**195.75**	**284.28**

Amount in Rs. Million

	March 31, 2011		March 31, 2010	
SCHEDULE - G :				
SUNDRY DEBTORS :				
(Unsecured)				
Outstanding for more than six months				
- Considered Good	43.44		32.37	
- Considered Doubtful	84.09		105.99	
		127.53		138.36
Others				
- Considered Good	561.98		446.84	
		561.98		446.84
		689.51		585.20
Less: Provision for Doubtful Debts		84.09		105.99
Total (considered good)		**605.42**		**479.21**
SCHEDULE - H :				
CASH & BANK BALANCES :				
Cash on hand		0.07		0.06
Balance with Scheduled Banks				
- in Current Account in Indian Rupees		2.03		2.78
- in Deposit Account in Indian Rupees		16.72		37.46
- in Exchange Earner's Foreign Currency account		0.16		0.23
Balance with Non Scheduled Banks		22.09		31.86
Total		**41.07**		**72.39**
SCHEDULE - I :				
LOANS & ADVANCES (Unsecured)				
(Considered good)				
Loans and advances recoverable in cash				
or in kind or for value to be received		178.80		266.43
Advance Income Tax including TDS		219.71		192.75
Other Deposits		79.08		79.77
Total		**477.59**		**538.95**
SCHEDULE - J :				
CURRENT LIABILITIES & PROVISIONS :				
SUNDRY CREDITORS :				
Sundry Creditors				
- Due to Micro & Small Enterprises [Refer Note II.10.9 of Schedule O]	-		-	
- Due to Others	555.83		694.06	
Advance received from Customers	45.42		203.78	
Deferred Income	616.35		287.19	
Duties & Taxes	116.80		137.51	
Interest Accrued but not due	9.59		11.31	
Unclaimed Dividends	0.59	1,344.58	0.64	1,334.49
PROVISIONS :				
Taxation	141.15		136.70	
Employee Benefits	118.19		109.62	
Warranty	4.23		4.23	
Others [Refer Note II.10.4, Schedule O]	1,580.33	1,843.90	1,445.32	1,695.87
Total		**3,188.48**		**3,030.36**

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED

Amount in Rs. Million

		March 31, 2011		March 31, 2010
SCHEDULE - K :				
OTHER INCOME :				
Provision for Doubtful Debts written back/Bad Debts recovered		15.34		107.20
Other income		39.75		9.45
Profit on sale of Fixed Assets (Net)		-		0.38
Exchange Fluctuation gain (Net)		43.33		-
Total		**98.42**		**117.03**
SCHEDULE - L :				
PERSONNEL COSTS :				
Salaries, Wages & Allowances		2,228.29		2,544.82
Contribution to Provident Fund and Other Funds		114.70		104.69
Other staff related costs		127.63		128.60
Sub Contract Charges		144.62		190.23
Total		**2,615.24**		**2,968.34**
SCHEDULE - M :				
OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES:				
Software Purchases		8.71		13.06
Rent		160.59		192.09
Power, Fuel and Water Charges		31.61		37.15
Repairs & Maintenance		87.14		81.78
Insurance		19.25		17.84
Communication Costs		68.40		71.13
Printing & Stationery		8.90		7.04
Travelling & Conveyance		276.16		215.90
Directors sitting fees		-		0.01
Rates & Taxes Including Filing Fees		13.16		14.74
Advertisement & Business Promotion (including Consultancy charges)		107.38		5.20
Commission on Sales		28.09		18.75
Loss on sale of Assets & Assets Written Off (Net)		0.54		-
Exchange Fluctuation Loss (Net)		-		29.66
Miscellaneous Expenses		9.92		9.83
Total		**819.85**		**714.18**
SCHEDULE - N :				
FINANCIAL COSTS (NET):				
Interest on FCCBs and other term loans	173.62		247.03	
Interest & Bank Charges	252.59	426.21	229.33	476.36
Less : Interest Income		(2.00)		(2.20)
Total		**424.21**		**474.16**

SCHEDULE - O :

Significant Accounting Policies and Notes to the Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

I.1. Basis for Preparation of Consolidated Financial Statements

The financial statements have been prepared under the historical cost convention on accrual basis in accordance with the mandatory Accounting Standards or as per the Proposal approved by the Honourable High Court of Karnataka.

The Company has outstanding foreign currency convertible bonds (FCCBs) that are redeemable in March 2012, if not converted earlier. Refer Note II.3.A and II.3.B below. The Company is pursuing various options not limiting to fund raising in the form of debt or equity, or a mix of both, and negotiations with the current lenders, to meet any potential FCCB debt obligations that arise in March 2012. The Company firmly believes that, with a combination of its internal cash accruals in the next financial year and on achieving successful closure on these options in the coming months, it would be able to meet all repayment obligations that arise during financial year ending March 31, 2012. Consequently these financial statements are prepared on a going concern basis.

I.2. Use of Estimates

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

I.3. Principles of Consolidation

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

The excess of cost to the Company of its investments in the subsidiary over it's share of the equity of the subsidiary, at the date on which the investments in the subsidiary Company was made, is recognized as 'Goodwill on Consolidation' 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	%age of Ownership Held at March 31, 2011	%age of Ownership Held at March 31, 2010
1	Subex Technologies Limited	India	100	100
2	Subex Technologies Inc. (Wholly owned subsidiary of Subex Technologies Limited, India)	United States of America	100	100
3	Subex (UK) Limited	United Kingdom	100	100
4	Subex Inc. (wholly owned subsidiary of Subex (UK) Limited)	United States of America	100	100
5	Subex (Asia Pacific) Pte. Ltd, (wholly owned subsidiary of Subex (UK) Limited)	Singapore	100	100
6	Subex Americas Inc	Canada	100	100
7	Subex Azure Holdings Inc (wholly owned subsidiary of Subex Americas Inc)	United States of America	100	100
8	Syndesis Development India Private Limited (wholly owned subsidiary of Subex Americas Inc)	India	100	100

The financial statements of the Company and its subsidiaries are prepared under uniform accounting policies.

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 of such licenses.

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.

I.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.

I.6. Depreciation

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

The rates of depreciation/amortization adopted are as under;

Particulars	Depreciation/ Amortization 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.

I.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.

I.8. Employee Benefits

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

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 form 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.

The Company has introduced long term employee compensation plans under which certain employees are eligible for retention and performance linked payouts. These payouts are accrued as the services are rendered and/or when the specific criteria are met.

I.9. Research and Development

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

I.10. Foreign Currency Transactions

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

I.11. 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. Accounting Under the Proposal Approved by the Hon'ble High court

During the year ending March 31, 2010, the shareholders of the Company approved the Board's proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities Premium and Capital reserves as on or arising after April 1, 2009 (upto March 31, 2012) to a Business Restructuring Reserve (BRR) to be utilized from April 1, 2009 for certain Permitted Utilisations as mentioned in the Proposal.

The Proposal was approved by the Hon'ble High court of Karnataka on May 4, 2010 and was registered with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

Adjustments in the BRR in the previous year ended March 31, 2010

In accordance with the Proposal, the Board of Directors of the Company had thus approved the following for financial year ended March 31, 2010

- transfer of amounts standing to the credit of Securities premium and Capital reserve (including the Profit of Rs. 1,583.49 Million arising out of reduction in liability to the Foreign currency convertible bond holders pursuant to the Restructuring of the US$ 180 Million Foreign currency convertible bonds. Refer Note II.3.A below) to the extent of Rs. 6,700 Million to the BRR.
- utilization of the BRR for certain Permitted utilisations for the amounts aggregating to Rs. 6,499.79 Million.

Adjustments in the BRR during the current year ended March 31, 2011

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2011

- transfer of Rs. 1,740 Million during the year from the balances in Securities Premium Account and Capital Reserve to the BRR.
- utilization of the BRR for permitted utilisations to the extent of Rs. 1,830.37 Million.

Had the Proposal not provided for the above, the effect of accounting under the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 would have been as under:

Amount in Rs. Million except as otherwise indicated

In The Profit & Loss Account	**Year ended March 31, 2011**	**Year ended March 31, 2010**
The Loss under Exceptional Items would have been higher as follows:		
- Diminution in carrying value of Goodwill on consolidation	1,709.47	5,000.00
- One time non-recurring expenses including restructuring fees, advisory fees, specialised marketing expenses and unrealizable advances, etc	20.90	871.19
- One time non-recurring Long term Retention benefit plan accrued	-	628.60
Sub-Total	**1,730.37**	**6,499.79**
Provision for doubtful debts and unrealizable advances would have been higher by:	100.00	-
One time non-recurring Profit on account of restructuring of FCCBs under Exceptional items would have been higher by	-	(1,583.49)
Profit after Tax would have been lower by	**1,830.37**	**4,916.30**
Basic and Diluted Earnings/(Loss) per share would have been- Rs	**(16.50)**	**(100.93)**

II.2. Deferred Income Taxes

a) The deferred tax asset/(liability) as at March 31, 2011 comprises the tax impact arising from timing differences on account of:

Amount in Rs. Million

Particulars	**March 31, 2011**	**March 31, 2010**
- Depreciation	12.18*	12.18*
- Business Loss	-	-
Deferred Tax Asset	12.18*	12.18*
Deferred tax liability on depreciation	(0.89)	(1.00)

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

II.3. A. Foreign Currency Convertible Bonds (FCCBs)

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

During the year 2009-10, the Company restructured the Old FCCBs by offering in exchange new FCCBs having a face value of US$ 126 Million. Pursuant to the offer, Old FCCBs with a face value of US$ 141 Million were exchanged for new FCCBs with a face value of US$ 98.7 Million. The remaining bondholders holding US$ 39 Million worth of Old FCCBs (out of the original bondholders holding US$ 180 Million) didn't chose the option for restructuring and are thus outstanding at March 31, 2011 (were outstanding at March 31, 2010 also). Liability in respect of the US$ 39 Million FCCBs at March 31, 2011 amounts to Rs. 1,739.21 Million (Previous Year: 1,751.10 Million) (included in Long Term Unsecured loans in Schedule E, under the head Foreign Currency Convertible Bonds).

The terms and conditions governing the US$ 39 Million FCCBs outstanding 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
h) Redeemable on March 9, 2012, if not converted into Equity shares earlier.

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 charged to Securities Premium over the life of the bonds.

B. New Foreign Currency Convertible Bonds (New FCCBs)

During the financial year 2009-10, in terms of the Company's offer to exchange and restructure its outstanding Old FCCBs, the Company received Old FCCBs with a face value of US$ 141 Million for issue of New FCCBs with a face value of US$ 98.7 Million. The new bonds carry an initial interest rate of 5% per annum and are redeemable by March 9, 2012, if not converted into equity shares as per terms of issue.

Other terms and conditions governing the new FCCBs are as follows:

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after November 2, 2009
b) Conversion Price – Rs. 80.31 per share
c) Exchange Rate for purpose of conversion-1 US$ = Rs. 48.17
d) Compensating the bond holders for the reduction in principal amount by providing an increased interest element in the New FCCBs of 5% per annum payable semi-annually in arrears

e) Redemption with yield to maturity guaranteed return of 20% 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 Singapore Exchange Securities Trading Limited.

h) Redeemable on March 9, 2012, if not converted into Equity shares earlier.

The difference between the yield to maturity guaranteed rate of return of 20% and the coupon rate of 5% represents the premium payable on redemption and is charged to Securities Premium over the life of the bonds.

Out of the US$ 98.7 Million new FCCBs, bonds having a face value of US$ 31.9 Million were converted into equity shares as of March 31, 2010 and bonds with a face value of US$ 12 Million were converted during the year ending March 31, 2011. Consequently new FCCBs outstanding at March 31, 2011 amount to US$ 54.8 Million (Rs. 2,443.80 Million) (Previous Year: US$ 66.8 Million, Rs. 2,999.32 Million) and is included in Long Term Unsecured loans in Schedule E, under the head Foreign Currency Convertible Bonds.

II.4. Contingent Liabilities

Receivables factored: Current Year – Rs. 1,082.01 Million (Previous year - Rs. 957.87 Million)

Claims against the Company not acknowledged as debts: Current Year : Rs. 64.52 Million (Previous year : Rs. 69.06 Million). These claims relate to Indian Income Tax demands which are being contested by the Company.

II.5. Operating Leases

The Group has entered into operating lease arrangements for its office facilities. These leases are for periods 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 Profit and Loss account for the year is Rs. 160.59 Million (Previous year Rs. 192.09 Million)

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

Amount in Rs. Million

Particulars	**March 31, 2011**	**March 31, 2010**
Within one year	142.20	141.94
Due in a period between one year and five years	121.92	286.65
Due after five years	-	-

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.

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. 0.03 Million (Previous Year: Rs. 2.12 Million) 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.

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. 2.43 Million (Previous Year: credit of Rs. 8.24 Million) to the Profit & Loss Account during the year.

ESOP – IV

During 2008-2009, the Company established the Employee Stock Option Scheme 2008 ("ESOP 2008") under which 2,000,000 options have been allocated for grant to the employees. 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.

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. 3.75 Million (Previous Year: Rs. 0.54 Million) 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	**2010-11**		**2009-10**	
	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	300,848	74.04	358,117	75.47
ESOP – III	1,582,488	113.72	1,794,382	127.49
ESOP – IV	598,954	53.34	-	-
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	232,800	51.77	131,300	48.45
ESOP – IV	715,000	54.83	598,954	53.34
Exercised during the year				
ESOP – II	1,260	-	1,210	-
ESOP – III	3,765	-	1,203	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	21,329	-	56,059	-
ESOP – III	196,290	-	341,991	-
ESOP – IV	126,335	-	-	-
Options outstanding at the end of the year				
ESOP – II	278,259	71.71	300.848	74.04
ESOP – III	1,615,233	104.11	1,582,488	113.72
ESOP – IV	1,187,619	54.17	598,954	53.34
Options exercisable at the end of the year				
ESOP – II	195,189	-	161,663	-
ESOP – III	820,819	-	468,088	-
ESOP – IV	82,464	-	N.A	-
Options available for Grant at the end of the year				
ESOP - II	-	-	-	-
ESOP - III	373,075	-	409,585	-
ESOP - IV	812,381	-	1,401,046	-

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

ESOP – II	At March 31 2010: 3.02 Years	ESOP – III	At March 31, 2010: 3.53 Years	ESOP – IV	At March 31, 2010: 5.79 Years
	At March 31 2011: 2.07 Years		At March 31, 2011: 2.98 Years		At March 31, 2011: 4.88 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 8%, expected life: 3 years, expected volatility of share: 48.39% (Previous Year: 34.267%) and expected dividend yield: 0% (Previous Year: 0.71%). The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

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

Amount in Rs. Million except as otherwise indicated

Particulars	31-March-2011	31-March-2010
Net Profit for the year (as reported)	787.79	1,002.96
Add: Stock-based employee compensation	6.21	10.89
Less : Stock-based compensation expenses determined under fair value based method	37.39	30.07
Net Profit (proforma)	**756.61**	**983.78**
Basic earnings per share (as reported)-Rs	12.47	25.87
Basic earnings per share (proforma)-Rs	11.97	25.37
Diluted earnings per share (as reported)-Rs	8.62	3.34
Diluted earnings per share (proforma)-Rs	8.30	3.08

II.7. 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 Chief Operating Officer & Wholetime Director.

Note: Related parties are as identified by the Company and relied upon by the auditors.

b) Details of the Transactions With the Related Parties are as under:

Amount in Rs Million

Particulars	Enterprises Over Which Some of the Directors Exercise Significant Influence		Key Management Personnel	
	2010-11	2009-10	2010-11	2009-10
a) Salary, Perquisites & Commission	-	-	40.78	47.93
b) Loans outstanding as at year end from Key Management Personnel (Refer Note II.10.13 of Schedule O)	-	-	-	56.26
c) Preferential allotment of Equity Shares to M/s Woodbridge Consultants (Subsidiary of Kivar Holdings) (4,000,000 shares at a premium of Rs 70/- per share)	-	320.00	-	-

II.8. Earnings per Share (EPS):

Amount in Rs. Million Except as Otherwise Indicated

	2010-11	2009-10
Profit after Tax attributable to shareholders (A)	787.79	1,002.96
Add : FCCB Interest	54.83	155.88
Add/(Less) : Exchange Fluctuation on FCCB	8.91	(918.81)
Adjusted Profits after Tax for diluted EPS (B)	851.53	240.03
Weighted Average Number of Shares for Basic EPS (C)	63.18	38.77
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs)	35.65	32.99
Weighted Average Number of Shares for Diluted EPS (D)	98.83	71.76
Earnings per Share – Basic [(A)/(C)] - Rs	12.47	25.87
Earnings per Share - Diluted [(B)/(D)] - Rs	8.62	3.34

Face value of shares: Rs. 10/- each

Note: Certain FCCBs that were outstanding during 2010-11 are anti-dilutive and the effects of the same have been ignored in the computation of diluted earnings per share for the year 2010-11

II.9. Segmental Reporting

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

Information about Primary Business Segment:

Amount in Rs. Million

	Products		Services		Consolidated	
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
Revenues	4,181.18	3,829.43	646.32	801.35	4,827.50	4,630.78
Segment results before interest & taxes	1,296.29	780.20	10.38	3.45	1,306.67	783.65
Unallocable Income, net of unallocable expense					(50.48)	794.72
Interest expense					(424.21)	(474.16)
Profit/(Loss) Before Tax					**831.98**	**1,104.21**
Provision for taxation:					-	-
Current					44.19	69.89
Fringe benefit tax					-	0.05
Deferred					-	31.31
Profit/(Loss) After Tax					**787.79**	**1,002.96**

Particulars of Segment Assets & Liabilities

Amount in Rs. Million

	Products		Services		Consolidated	
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
Segment Assets	10,353.30	11,551.37	155.51	346.61	10,508.81	11,897.98
Segment Liabilities	1,779.80	2,019.23	36.22	46.71	1,816.02	2,065.94
Unallocable Assets Exclude						
Advance Income Taxes					219.71	192.75
Deferred tax assets (Net)					11.29	11.18
Total					**231.00**	**203.93**
Unallocable Liabilities Exclude						
Loans					5,457.12	6,341.55
Provisions for Tax					141.15	136.70
Others					1,231.33	827.71
Total					**6,829.60**	**7,305.96**

Additions to Assets:

Amount in Rs. Million

	2010-11		2009-10	
	Products	**Services**	**Products**	**Services**
AMERICAS	8.69	-	30.47	0.14
EMEA	5.84	-	12.58	-
APAC etc	25.60	-	23.41	-

Information About Secondary Business Segment

Revenue attributable to location of customers is –

Amount in Rs .Million

	Products		Services		Consolidated	
Region	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
AMERICAS	1,493.96	1,521.86	646.32	801.35	2,140.28	2,323.21
EMEA	922.60	797.29	-	-	922.60	797.29
APAC Etc	1,764.62	1,510.28	-	-	1,764.62	1,510.28
Total	**4,181.18**	**3,829.43**	**646.32**	**801.35**	**4,827.50**	**4,630.78**

Segment Assets Based on Their Location

Amount in Rs. Million

Region	2010-11	2009-10
AMERICAS	590.65	4,051.33
EMEA	7,612.60	6,861.89
APAC etc	2,305.56	984.76
Total	**10,508.81**	**11,897.98**

II.10. Others

1. Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs. 5.35 Million (Previous year: Rs 6.05 Million).

2. Unclaimed Dividend of Rs. 0.59 Million as at March 31, 2011 (Previous Year - Rs. 0.64 Million) represent dividends not claimed for earlier years. During the current year, the Company has transferred Rs. 0.05 Million (Previous Year Rs. 0.10 Million) to Investor Education Protection Fund. As on March 31, 2011, no portion of the unclaimed dividends are outstanding for a period of seven years from the due date of payment, requiring a transfer to Investor Education Protection Fund.

3. Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs. 0.59 Million (Previous Year: Rs. 0.64 Million), fixed deposit of Rs. 5.97 Million (Previous Year: Rs. 25.97 Million) which are not available for use by the Company. The breakup of Cash and Cash Equivalents are given in Schedule H of financial statements.

   Direct Taxes paid and Others in the Cash Flow Statement includes outflows on account of permitted utilisations from the BRR of Rs. 20.91 Million (Previous Year: Rs. 557.72 Million) which were accrued and paid off in the respective years and Direct Taxes of Rs. 66.81 Million (Previous Year: Rs. 125.64 Million).

4. Other Provisions comprises -

   Provision for Redemption Premium on FCCBs - Rs. 1,140.35 Million (Previous Year: 612.71 Million)

   Provision for Other Long Term Employee Benefits - Rs. 359.20 Million (Previous Year: Rs.628.60 Million)

   Differential Interest on Restructured FCCBs - Rs. 80.79 Million (Previous Year: Rs. 203.06 Million)

   MTM Losses on Option Contracts - Rs. Nil (Previous Year: Rs. 0.95 Million)

5. Personnel Cost for the year includes expenditure on Research and Development of Rs. 132.92 Million (Previous year, Rs. 122.18 Million). This is as certified by the management and relied upon by the auditors.

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

Amount in Rs Million Except Assumptions

		Gratuity	
		March 31, 2011	**March 31, 2010**
I	**Components of Employer Expense**		
1	Current Service cost	6.32	5.36
2	Interest cost	1.89	1.17
3	Expected return on plan assets	(0.34)	(0.28)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	4.08	-
7	Actuarial Losses/(Gains)	0.44	(1.07)
8	Total expense recognized in the Statement of Profit & Loss Account	12.39	5.18
II	**Actual Contribution and Benefit Payments for Year Ended March 31, 2011**		
1	Actual benefit payments	2.16	1.46
2	Actual Contributions	-	4.76
III	**Net Asset/(Liability) Recognized in Balance Sheet as at March 31, 2011**		
1	Present value of Defined Benefit Obligation (DBO)	29.93	19.32
2	Fair value of plan assets	3.30	5.08
3	Funded status [Surplus/(Deficit)]	(26.63)	(14.24)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(26.63)	(14.24)

Amount in Rs Million Except Assumptions

		Gratuity	
		March 31, 2011	March 31, 2010
IV	**Change in Defined Benefit Obligations During the Year Ended March 31, 2011**		
1	Present Value of DBO at beginning of year	19.32	15.33
2	Current Service cost	6.32	5.36
3	Interest cost	1.89	1.17
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	4.08	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	0.48	(1.07)
9	Benefits paid	(2.16)	(1.46)
10	Present Value of DBO at the end of year	29.93	19.32
V	**Change in Fair Value of Assets During the Year Ended March 31, 2011**		
1	Plan assets at beginning of year	5.08	1.50
2	Acquisition Adjustment	-	-
3	Actual return on plan assets(estimated)	0.34	0.28
4	Actuarial Gain/(Loss)	0.04	-
5	Actual Company contributions(less risk premium, ST)	-	4.76
6	Benefits paid	(2.16)	(1.46)
7	Plan assets at the end of period	3.30	5.08
VI	**Actuarial Assumptions**		
1	Discount Rate	8.30%	8.30%
2	Expected Return on plan assets	8.50%	8.60%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	5.00%	5.00%

Amount Rs. Million

Experience History	Year Ending			
	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Defined Benefit Obligation at end of the period	(10.30)	(15.33)	(19.32)	(29.94)
Plan Assets at end of the period	1.09	1.50	5.08	3.30
Funded Status	(9.21)	(13.83)	(14.24)	(26.64)
Experience Gain/(Loss)adjustments on Plan Liabilities	(1.13)	0.81	0.39	(0.48)
Experience Gain/(Loss)adjustments on Plan Assets	-	0.03	-	0.04
Actuarial Gain/(Loss) due to change on assumptions	(0.13)	(1.22)	0.68	-

Note: Contributions under Defined Contribution Schemes Rs. 41.14 Million (Previous Year: Rs. 35.13 Million)

7. The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures.

i. Forward contracts to hedge foreign currency risk on export receivables: *Amount in Million*

Particulars	March 31, 2011			March 31, 2010		
	Foreign Currency	Buy/ Sell	Amount (INR)	Foreign Currency	Buy/ Sell	Amount (INR)
Forward contracts						
- USD contracts	$ 31.50	Sell	1,444.30	$ 25.40	Sell	1,231.49
- GBP contracts	-	-	-	£ 4.00	Sell	318.40

ii. Option contracts outstanding

Amount in Million

Particulars	March 31, 2011			March 31, 2010		
	Foreign Currency	Buy/ Sell	Amount(INR)	Foreign Currency	Buy/ Sell	Amount(INR)
Option Contracts	-	-	-	$ 0.20	Sell	8.54

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. Nil (Previous Year Rs. 0.95 Million) on outstanding option contracts.

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

Amount in Million

Receivable at March 31, 2011 in		Receivable at March 31, 2010 in	
Foreign Currency	Equivalent Rupees	Foreign Currency	Equivalent Rupees
EUR 0.78	49.67	EUR 1.34	81.09
AUD 1.47	67.74	AUD 0.12	4.96
-	-	CAD 0.03	1.37
AED 0.40	4.91	AED 0.94	11.52
-	-	USD 14.94	670.77
THB 0.18	0.26	THB 4.25	5.90
-	-	CHF 0.13	5.29
OMR 0.06	6.69	OMR 0.04	5.17
-	-	SGD 0.15	4.82
GBP 0.15	10.59	GBP 0.08	5.76
MYR 0.11	1.61	-	-
QAR 0.12	1.42	-	-
SAR 0.02	0.29	-	-

Note : The above does not include exposure on intra-group balances, being eliminated on consolidation

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. Revenue is net of Rs. 3.42 Million (Previous Year: Rs. 79.86 Million) being reversal of Unbilled Revenues.

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 and consequently that, these transactions do not have any impact on the financials statements, particularly on account of tax expense and that of provision for taxation.

12. A director of the Company has provided a personal guarantee in respect of short term loans from Banks/Financial Institutions included in Schedule D and Schedule E of the financial statements. Further, portion of promoters' shares have also been pledged towards portion of these loans.

13. Remuneration to whole time directors relating to earlier years which were subject to approval of Central Government at the beginning of the year was Rs. 56.26 Million. During the year company has received the approval for a portion of the above and has accordingly charged Rs. 33.27 Million to the Profit and Loss account and the balance has been recovered from the whole time Directors.

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

II.11 Details of the Subsidiaries Consolidated for the Year Ended March 31, 2011

For the Year 2010-11 *Amount in Rs. Million*

	Subex Technologies Limited (Note 1)	Subex Technologies Inc (Note 1)	Subex (UK) Limited (Note 2)	Subex Inc (Note 2)	Subex (Asia Pacific) Pte Ltd (Note 2)	Subex Americas Inc (Note 2 & 3)
Country of Incorporation	**India**	**USA**	**UK**	**USA**	**Singapore**	**Canada**
Capital	40.00	209.05	4.06	-	-	3,533.90
Reserves	31.33	125.56	585.55	(259.40)	(214.72)	(5,074.19)
Total Assets	141.29	371.94	2,520.56	218.95	250.14	1,067.73
Total Liabilities	69.96	37.32	1,930.96	478.35	464.87	2,608.02
Details of investment (other than Subsidiaries)	-	-	-	-	-	-
Turnover	-	646.32	1,523.49	1,261.57	432.69	1,205.44
Profit before taxation	(1.17)	8.57	68.82	63.92	10.57	(44.44)
Provision for taxation	(0.10)	0.00	15.26	3.15	8.90	6.36
Profit after taxation	(1.07)	8.57	53.56	60.76	1.66	(50.80)
Proposed Dividend	-	-	-	-	-	-
Exchange Rate						
Base Currency	INR	USD	GBP	USD	SGD	USD
Balance Sheet	1.0000	44.5950	71.7950	44.5950	35.3850	44.5950
Profit & Loss account	1.0000	45.5705	70.7300	45.5705	34.0939	45.5705

Note:

1. These entities have been audited by the independent auditors of the respective subsidiaries. The details below are extracted from such financial statements.
2. The details in respect of these entities are extracted from the financial statements of the respective subsidiaries which were audited by the statutory auditors solely for purposes of being included in the consolidation financial statements of the Company.
3. The details given in respect Subex Americas Inc is on a consolidated basis. The subsidiaries of Subex Americas Inc that have been consolidated are as follows:

Subsidiary	Country of Incorporation
Subex Azure Holdings Inc	United States of America
Syndesis Development India Private Limited	India

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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 27, 2011

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

Time : 12 Noon

DATES OF BOOK CLOSURE

From July 25, 2011 to July 27, 2011 (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, 2011 – on July 27, 2011

For quarter ending September 30, 2011 – on October 31, 2011

For quarter ending December 31, 2011 – on January 27, 2012

For the year ending March 31, 2012 – on April 27, 2012

DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2010-11.

LISTING ON STOCK EXCHANGES

Equity Shares of the Company are quoted on the Bombay Stock Exchange Limited (BSE) since July 31, 2000 and on the National Stock Exchange of India Limited (NSE) since September 5, 2003. The Company has paid listing fees for the year 2011-12 in accordance with the provisions of the Listing Agreement with BSE and NSE.

The Global Depositary Receipts (GDRs) and the US$ 180 Million 2% Coupon Convertible Unsecured Bonds of the Company are listed on the London Stock Exchange since March 9, 2007.

The Company's US$ 98.7 Million 5% Convertible Unsecured Bonds, issued pursuant to the restructuring of US$ 180 Million 2% Coupon Convertible Unsecured Bonds, have been listed on the Singapore Exchange Securities Trading Limited since November 6, 2009.

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, Bandra Kurla Complex, Bandra (East) Mumbai- 400051	SUBEX
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai - 400001	532348
London Stock Exchange 10 Paternoster Square London EC4M 7LS	SUBX
Singapore Exchange Securities Trading Limited 2 Shenton Way #19-00 SGX Centre I Singapore 068804	4AFB

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

CUSTODIAL FEE

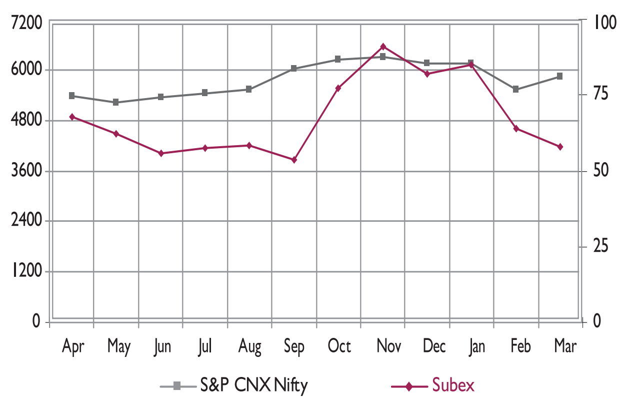
Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 issuer companies are required to pay custodial fees to the depositories with effect from April 1, 2005. The said circular has been partially modified vide SEBI's Circular No MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009. The Company has, in accordance with the aforesaid circulars, paid custodial fees for the year 2011-12 to National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) on the basis of the number of beneficial accounts maintained by them as on March 31, 2011.

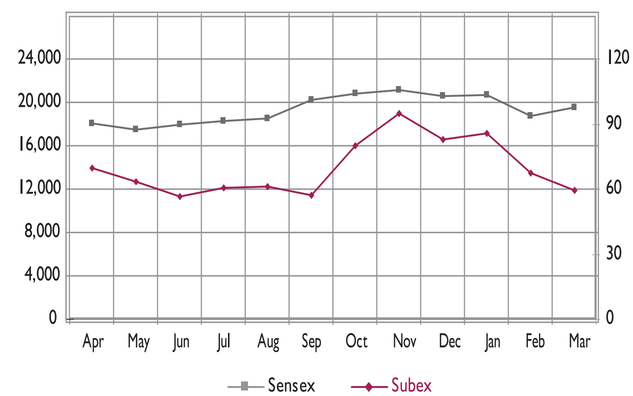
STOCK MARKET DATA RELATING TO EQUITY SHARES LISTED IN INDIA

Monthly high and low quotations during each month in the financial year 2010-11 as well as the volume of Equity 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-10	68.00	62.00	11,972,343	69.80	60.60	7,455,844
May-10	62.05	46.70	6,756,359	63.50	45.85	3,684,279
Jun-10	56.00	51.00	8,076,207	56.80	49.40	4,391,335
Jul-10	57.65	50.70	16,291,486	60.75	50.10	10,528,185
Aug-10	58.25	50.00	20,836,526	61.00	49.25	14,353,488
Sep-10	53.75	51.30	5,557,687	57.00	50.50	3,634,050
Oct-10	77.15	52.10	47,524,958	80.25	52.00	29,974,557
Nov-10	91.05	70.65	81,280,407	94.90	66.00	42,617,018
Dec-10	81.90	68.25	36,869,936	83.05	66.50	18,860,464
Jan-11	84.90	64.50	24,095,067	85.75	60.95	13,261,176
Feb-11	64.10	50.15	10,559,336	67.20	48.00	5,500,831
Mar-11	58.00	49.45	17,326,846	59.40	48.95	8,819,077
	TOTAL		**287,147,158**	**TOTAL**		**163,080,304**

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, 2011		As on March 31, 2010	
	No. of Shareholders	% to Total Shareholders	No. of Shareholders	% to Total Shareholders
1 – 5000	47,720	85.12	39,526	86.84
5001 – 10000	4,267	7.61	3,146	6.91
10001 – 20000	1,989	3.55	1,465	3.22
20001 – 30000	608	1.08	485	1.07
30001 – 40000	335	0.60	202	0.44
40001 – 50000	316	0.56	190	0.42
50001 – 100000	444	0.79	233	0.51
100001 and above	383	0.69	267	0.59
TOTAL	**56,062**	**100.00**	**45,514**	**100.00**

Categories of Shareholders:

Category	As on March 31, 2011			As on March 31, 2010		
	No. of Shareholders	Voting Strength %	No. of Shares Held	No. of Shareholders	Voting Strength %	No. of Shares Held
Public & Others	54,806	40.99	28,409,375	44,346	33.26	19,283,242
Companies/Bodies Corporate	1,178	11.49	7,962,242	1,091	21.53	12,483,894
Core Promoters	3	11.69	8,101,801	3	13.97	8,101,801
Mutual Funds	4	2.43	1,682,482	5	3.31	1,920,482
ESOP- employee shareholders	54	0.25	177,609	54	0.25	146,410
FIIs	17	33.15	22,976,516	15	27.68	16,047,310
TOTAL	**56,062**	**100.00**	**69,310,025**	**45,514**	**100.00**	**57,983,139**

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 one month from the date of receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee meetings on a periodical basis, as may be required, for approving the transfers/transmissions of equity shares.

Share transfers and other communication regarding Share certificates, updation of records, e-mail ids, etc. may be addressed to:

M/s Canbank Computer Services Limited,
J P Royale, 1st Floor,
No. 218, 2nd Main,
Sampige Road (Near 14th Cross),
Malleswaram,
Bangalore - 560 003

Tel Nos. +91 80-23469661/62, 23469664/65
Fax Nos. +91 80-23469667/68
E-mail: canbankrta@ccsl.co.in
Website: www.canbankrta.com

SHARES HELD IN PHYSICAL AND DEMATERIALISED FORM

As on March 31, 2011, 99.93 % of the Company's Equity 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, 2011, 9,192,035 GDRs were outstanding. The Company also has outstanding FCCBs aggregating to US$ 39 Million under its US$ 180 Million 2% Convertible Unsecured Bonds and US$ 54.80 Million under its US$ 98.7 Million 5% Convertible Unsecured Bonds. The details of impact of the aforesaid instruments on the equity of the Company have been provided under the shareholding pattern for the year ended March 31, 2011 available on the Company's website under the Investors section.

LEGAL PROCEEDINGS

There are no legal proceedings against the Company which are material in 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 Canbank Computer Services Limited, the R&T Agents. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

UPDATION OF E-MAIL ADDRESS

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Subex proposes to send all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to investorrelations@subexworld.com by providing their DP Id and Client Id as reference.

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:

Year to Which Dividend Pertains	Declared at the AGM/Board Meeting Held on	Nature of Dividend	% of Dividend	Due Date for Transfer to the Fund
2002-03	September 9, 2003	Final	10	See note below*
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 financial year 2002-03 which was unclaimed for 7 years from the date of payment being due, was transferred to the Investor Education and Protection Fund.

Members can claim the unpaid dividend from the Company before transfer to the Investors Education and Protection Fund. It may be noted that the unpaid dividend cannot be claimed from the Company after it has been transferred to the Investors Education and Protection Fund.

INVESTOR GRIEVANCES

Investor grievances received from April 1, 2010 to March 31, 2011:

Nature of Complaints	Received	Cleared
Non-receipt of share certificates/refund orders/call money notice/allotment advice/dividend warrant/transfer	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, 2011, the Company has attended to all the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, if the requisite documents, if any, were clear and complete in all respects.

ADDRESS FOR CORRESPONDENCE

For any queries, please write to:

Mr. Ramanathan J
Vice President- Finance & 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 : ramanathan.j@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 as a source of information to the shareholders by providing key information about Board of Directors and the committees, financial results, shareholding pattern, distribution of shareholding, dividend etc.

About Subex

Subex Limited is a leading global provider of Operations and Business Support Systems (OSS/BSS) that empowers communications service providers (CSPs) to achieve competitive advantage through Business Optimization and Service Agility - thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers.

The company pioneered the concept of a Revenue Operations Center (ROC™) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's product portfolio powers the ROC and its best-in-class solutions enable new service creation, operational transformation, subscriber-centric fulfilment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect /inter-party settlement. Subex also offers a scalable Managed Services program and has been the market leader in Business optimization for three consecutive years. Subex has been awarded the Global Telecoms Business Innovation Award 2011 along with Swisscom for the industry's first successful Risk Reward Share model for fraud management.

Subex's customers include 16 of top 20 wireless operators worldwide* and 26 of the world's 50 biggest telecommunications service providers. The company has more than 300 installations across 70 countries.

*RCR Wireless list, 2010
*Forbes' Global 2000 list, 2010

For more information please visit www.subexworld.com

powering the ROC

www.subexworld.com

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Fax: +65 6338 1216

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