subex
powering the ROC

ROBUST FOUNDATION. SUSTAINABLE GROWTH.

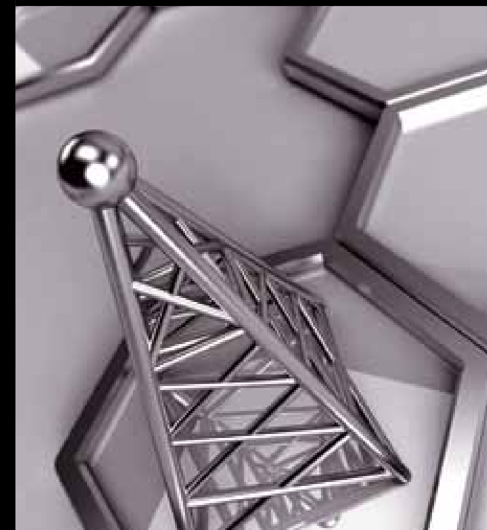
Subex Limited
Annual Report 2013-14

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Contents

Innovation with customers

Product suite for Business and Operations Support Systems (B/OSS)

Growing customer base

Strengthening our financials, expanding global footprint, winning competitive bids

The story of Subex 2.0

Strong foundation. Sustainable growth.

Subex Limited.

A global pioneer in providing Business and Operations Support Systems (B/OSS).

These services address the growing needs of telecom operators in 70 countries.

The Company's solutions enhance customer efficiency and maximize returns.

The Company's ROC solutions translate into enduring multi-project and multi-year customer engagements.

About us

Established in 1992, Subex Limited is a leading global provider of Business and Operations Support Systems (B/OSS) that empowers Communication Service Providers (CSPs) to achieve competitive advantage through Business and Capex Optimization – thereby enabling them to improve their operational efficiency to deliver enhanced service experience to subscribers.

Where we are located

Subex is headquartered in Bangalore, India with branch offices located in the Broomfield, US, London, UK and Singapore with regional offices in Dubai, Ipswich and Sydney.

Listing

The Company's shares are listed on the Bombay Stock Exchange (BSE, India) and the National Stock Exchange (NSE, India). The Company enjoyed a market capitalization of ₹152.48 crores as on 31 March, 2014.

Products and services

Subex provides industry-leading B/OSS solutions for business and capex optimization to telecom service providers. As pioneers of the Revenue Operations Centre (ROC®), Subex is adequately positioned to provide integrated infrastructural services for day-to-day operations. Built to establish a link between operations and profitability, the ROC combines disparate operations and provides assurance and governance functions in a synergistic manner. It enables service providers to monitor and control the entire revenue chain, identify revenue risks, resulting in increased margins, greater customer satisfaction, proactive management and reduced capex.

Subex BSS/OSS Portfolio

ROC - Revenue Operations Center

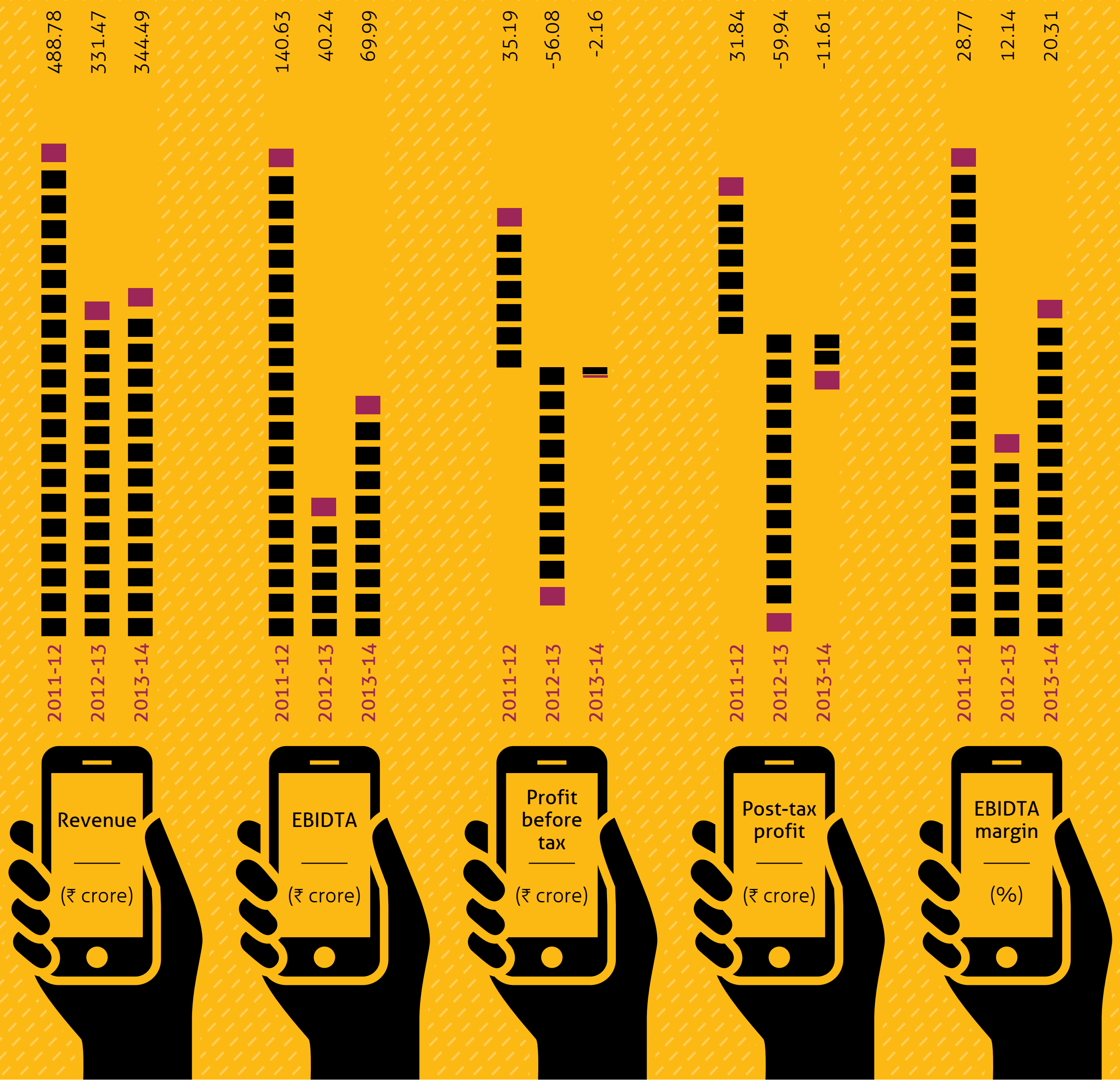
REVENUE ANALYTICS	COST ANALYTICS	NETWORK ANALYTICS
ROC Revenue Assurance	ROC Partner Settlement	ROC Asset Assurance
ROC Fraud Management	ROC Route Optimization	ROC Data Integrity Management
ROC Credit Risk Management	ROC Cost Management	ROC Capacity Management

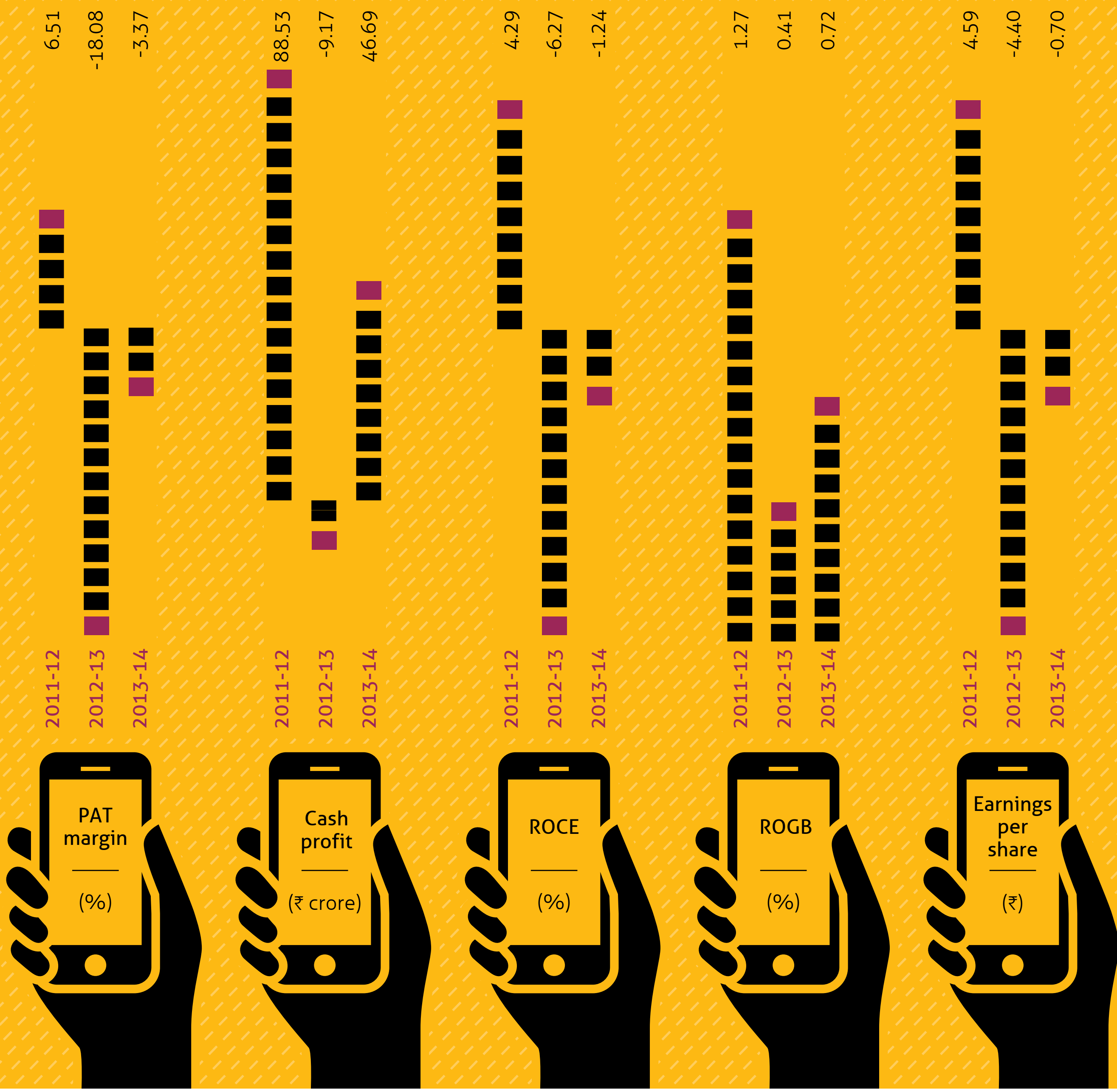
MANAGED SERVICES | SaaS (SOFTWARE AS A SERVICE) | CONSULTING SERVICES

Revenue	EBIDTA	Employees*	Global patents*	Global customer base*
₹34,449 Lakhs 2013-14	₹6,999 Lakhs 2013-14	860	16 (eight granted, eight pending)	200

* As on 31st March, 2014

Operational Highlights, 2013-14




PAT margin
(%)
2011-12 6.51
2012-13 -18.08
2013-14 -3.37
Cash profit
(₹ crore)
2011-12 88.53
2012-13 -9.17
2013-14 46.69
ROCE
(%)
2011-12 4.29
2012-13 -6.27
2013-14 -1.24
ROGB
(%)
2011-12 1.27
2012-13 0.41
2013-14 0.72
Earnings per share
(₹)
2011-12 4.59
2012-13 -4.40
2013-14 -0.70

Managing Director and CEO's review

Dear shareholders,

The global telecom industry is one of the most rapidly-evolving and fastest growing industries the world over. This dynamic sector is marked by the introduction of new technologies, new services and new products, making it necessary for service providers to possess cutting-edge technologies, knowledge and experience.

Continued connectivity demands growth, persisting security challenges warran service innovation, representing some of the biggest trends catalyzing the global telecommunications industry.

A recent GSMA report indicates that the telecom industry is gearing to meet the ever-increasing demand by consumers for ubiquitous connectivity. The number of commercially-available LTE networks is forecast to increase to more than 500 in 128 countries over the next four years and almost four billion mobile broadband connections are expected to be added globally going forward to 2020. In other words, the rate of growth in data traffic is likely to outpace the growth in mobile connections over the foreseeable future.

To support this growth, telecom operators have made huge capital investments exceeding US$ 1 trillion and this number is expected to increase to US$ 1.7 trillion by 2020.

However, at a time of shrinking margins and reduced average revenue per user (ARPU), operators are recognizing the need for capex optimization. A recent study by Ovum indicates that operators could be wasting up to 20% of their network capex each year. At the crux of the problem is the unfortunate reality that operators have a limited visibility of what assets and inventory they already own, and how these assets are being used. The need of the hour is a solution that provides them actionable intelligence in near real-time for all their network assets that facilitates in capex optimization.

In the area of business optimisation, the concern for operators has been around maximizing value out of their BSS investments. A recent KPMG report indicates that a shortage of skilled staff and an absence of automation tools are some of the reasons preventing operators from making the most of their BSS systems. For operators, the most effective way to overcome these challenges is to engage in outcome-based Managed Services, which will not only complement their existing BSS functions but also bring to the table industry-best practices.

Subex is among select global telecom service providers working at the core of emerging technologies – constantly innovating, customising, delivering and providing industry-leading solutions to customers.

Subex's positioning

Over the last 20 years, Subex has helped telecom clients adapt with speed to change while enhancing competitiveness. As technologies continue to evolve rapidly, Subex is comfortably positioned to take its business ahead through cutting-edge solutions, marking the start of the Company's next growth phase in an exciting journey.

As a prominent telecom Business and Operations Support Systems (B/OSS) provider, Subex leveraged its rich experience of over 300 implementations across multiple geographies covering a diverse range of customers. This translated into a strong recall, resulting in client accretion in a weak market and the ability to report a reasonable performance even at a time of sectoral weakness. Ever since our entry into the world of telecom software a decade ago, we have continuously evolved our technology and revenue model. The result has been an ever-expanding set of products and continuing innovation on every front, covering technology, products and delivery.

Subex introduced the network analytics solution suite to facilitate substantial capex reduction for telecom operators.

Subex introduced the network analytics solution suite to facilitate substantial capex reduction for telecom operators. Asset Assurance, Data Integrity Management and Capacity Management are the three key components of the solution suite. These components moderate capex, discover devices and logical services in diverse network environments, engage analytical functions to provide actionable intelligence, forecast scenarios and estimate their impact on network capacity, in turn helping CSPs plan capacity investments better. Subex is a pioneer in this space; the Company's initial projects have yielded superior customer value. Going forward, it is expected that this segment would contribute a significant portion of annual revenues over the foreseeable future.

Subex is also a key player in the area of Managed Services. While operators focus on their core services, Subex takes care of the support services by not only providing software solutions but also allocating resources to stabilize and operate services. This helps in two ways – it increases Subex's share of the customer's wallet and provides the Company with assured revenue visibility through multi-year contracts.

Subex's FY14 financial performance:

- **A 10.64% growth in revenues**
- **A 77.7% increase in EBIDTA**
- **A 110.44% growth in profit after tax (y-o-y)**
- **License & Implementation at 40%, Managed Services at 27%, Support at 33% of the total revenue**

Subex continues to enjoy thought leadership in core areas of Revenue Assurance, Fraud Management and Partner Settlement. Continued focus on product upgradation and

With a clear prioritization of focus areas for Subex 2.0, we are now working on an operating plan for next three years even as we focus on delivering a strong 2014-15. As the industry continues to focus on enhanced efficiency and reduced capital expenditure, the prospects of a company like Subex continue to be brighter than ever, indicating better prospective performance.

customisation will evolve products around customer needs and evolving technologies. Going forward, I expect these initiatives will lead to significant growth and enhanced value in the hands of our shareholders.

Message to shareholders

I am pleased to share that with your strong support, internal transformation, currency gains and continued success in managed services business, we reported a good performance in FY14 with an improvement in EBITDA of 77.7% and operating margins of 79% compared to last year. Our revenues were at ₹34,005 lakhs (US$ 58.0 million), up by 10.64% YoY from ₹30,734 lakhs (US$ 57.2 million) and for the quarter at ₹8,541 lakhs (US$ 14.20 million). License & Implementation were at 40%, Managed Services at 27% and Support at 33% of the total revenue for the year. During the year, we competed hard and won key accounts globally, which will provide impetus to our growth journey.

Our Bangalore and London offices were certified for ISO 27001 certificate; we were jointly awarded the prestigious GTB Innovation Award 2014 along with Telstra for Business Service Innovation. These industry recognitions are testimony of our sustained focus on product innovation and strategic growth areas like ROC Asset Assurance and Managed Services. We will strive hard to continue to invest in improving our solutions to meet the dynamic needs of the telecom industry.

India Ratings & Research Pvt. Ltd. accorded Subex an Investment Grade rating in respect of our bank borrowings.

With a clear prioritization of focus areas for Subex 2.0, we are now working on an operating plan for next three years even as we focu on delivering a strong 2014-15. As the industry continues to focus on enhanced efficiency and reduced capital expenditure, the prospects of a company like Subex continue to be brighter than ever, indicating better prospective performance.

I am confident that the foundation of the business that we collectively re-created in 2013 will provide us with a launching pad to create a new Subex.

Regards,

Surjeet Singh
Managing Director & CEO

Key competitive strengths

Experienced: The Company possesses more than 20 years of experience in the telecom industry; the key management team possesses more than 15 person-years of aggregate experience.

Widespread: The Company has more than 300 installations across 70 countries, reducing its geographic revenue concentration and catering to a diverse user base.

Comprehensive: The Company transformed from a mere license provider into a complete solutions provider of managed services, imparting training to CSP employees.

Pioneering: The Company pioneered the asset assurance model, which analyses asset use and effectiveness leading to enhanced capex efficiency.

Intellectual capital: The Company possesses 16 patents across the globe (eight approved and eight pending).

Localized domain knowledge: The Company's presence in diverse geographies has helped it acquire localized consumer insights leading to the development of customized solutions.

Product portfolio: Subex's product portfolio powers the ROC and best-in-class solutions like revenue assurance, fraud management, asset assurance, capacity management, data integrity management, credit risk management, cost management, route optimization and partner settlement.

Low-cost: All the R&D, product development and engineering activities are carried out from the Company's India Development Centre, resulting in a low-cost cum high-quality advantage.

"Subex has created a robust foundation for an exciting future."

Interview with **Mr. Vinod Kumar,**
Chief Operating Officer

Q&A

Q. How would you evaluate the performance of the Company during the year under review?

A. Analytics is an integral part of Subex's business and capex optimization product offering. Operators, today, are sitting on a huge pile of data regarding their customers, but are handicapped by the inability to make use of it. This has created a world of opportunity for the Company to come with solutions that analyses these data near real-time for our customers. Our ROC solution suite harnesses operational data, transforms it into actionable intelligence and facilitates business decision. It helps operators solve business problems as diverse as revenue assurance, fraud detection, asset management, capacity management, data discovery and reconciliation and churn reduction.

Looking at the numbers below, we can confidently say that the last FY has been a phase of stabilized growth for us:

- We grew our product revenue 10.64% from ₹30,734 lakhs in 2012-13 to ₹34,005 lakhs in 2013-14
- We reported positive EBIDTA for two consecutive years
- Our EBIDTA grew 77.7% from ₹4,882 lakhs in 2012-13 to ₹8,678 lakhs in 2013-14
- We strengthened our operating profit ex-forex 79% from ₹4,455.00 lakhs in 2012-13 to ₹7,978 lakhs in 2013-14

Our positive numbers validate that we have been able to innovate and maintain foresight into the industry's roadmap.

Q. What helped revive the optimism?

A. There are multiple aspects that helped improve our performance. Firstly, we remained transparent in communicating our financial stability, the last two years, which helped stakeholders appraise our operational consistency.

Secondly, we were able to build the foundations for the next level of growth, which has begun to reflect in our numbers. The impact of the global financial crisis and saturation of telecoms markets across the globe has compelled operators and investors to look into more profitable revenue streams such as mobile content and applications. Moderate to large carriers today have network investments after depreciation and amortization in excess of US$ 50- 100 billion. With constant changes in technology, these networks are expanding at a feverish pace. Annual network spending at these operators is commonly in the range US$ 0.5-2 billion.

To address this need of network capex management, Subex introduced the industry's first comprehensive programme, ROC Asset Assurance that provides CSPs with the ability to save millions of dollars in network capex along with helping discover, recapture and re-deploy stranded and unutilized assets.

We are also a key player in offering managed services where the contract size is bigger and annuity-based. The result is that we registered a significant growth in average contract sizes over the last year, strengthening our margins.

Thirdly, we implemented SOPs and provided resources easily accessible to start new projects. We have also trained our personnel better and located them into our support organization and assigned them on three-month projects. The increase in efficiency generated a 25% increase in EBITDA. Our operating cash flow was ₹11.5 million in 2013-14.

Q. What made Subex win large contracts?

A. A look-back at all the large contracts that we have won last year indicates that these wins have been a result of multiple factors. Some of these factors are as straight forward as Subex's brand value while others are much complex like deciphering market needs and appropriate packaging and positioning of our offerings.

- First and foremost, Subex's record of more than 300 installations across 70 countries carries a lot of value while pursuing large deals. These numbers represent a rich insight into consumer behaviour across global telecom markets, making it possible to emerge as a preferred vendor for operators.
- The strength and proven ability of our ROC solution suite has also been a great influencer in such deals. Our offerings in the areas of Fraud Management and Revenue Assurance are the most comprehensive in the market and our newer solutions like Asset Assurance address specific issues plaguing telecom operators currently. The easily demonstrable value delivery and ROI for operators through our solutions has been the key factor in helping us pocket many large deals.
- Managed Services contracts are usually large in size and are more preferable owing to the recurring nature of revenues involved. From an operator's perspective as well, there is a clear need for Managed Services due to higher value delivery. Realizing this win-win situation for both the customer and ourselves, we have significantly strengthened our Managed Services offering. We now have a range of flexible and scalable engagement options that add both strategic and tactical value to operators' business. Many of our large wins were for Managed Services contracts and today, around 27% of our revenues are derived from this area.
- Innovation and forward thinking have always been a part of Subex's culture and this can take the credit for some large wins in untapped/nascent domains. While the telecom industry embraced the increasing CAPEX investments, we delved deeper and understood that the need for CAPEX optimization would soon be realized. Long before other players in the market envisioned a similar solution, we had already established ourselves as the pioneers in Asset Assurance in the industry. From an operator's perspective, this was the need of the hour and was well received in the market.

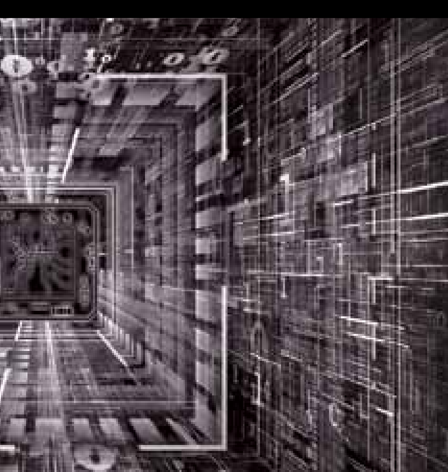
Q. How are you poised to grow in the coming years?

A. We believe that companies that thrive in difficult market conditions are the ones that go a long way ahead. Subex has been on course so far with respect to our growth strategy and we will continue to focus on executing our short and long term plans. We have always been one of the top players in the BSS market and now have a strong foothold in the Asset Assurance space by virtue of being the prime mover. All our solutions are constantly evolving to address changing market needs and we are all set to reinforce our position at the top.

Emerging markets will continue to receive a lot of attention as there still exists a huge potential for BSS in that market. We understand the need of CAPEX optimization in developed markets and our efforts in these markets will be concentrated around related solutions.

The focus areas for Subex 2.0 are clear and a solid plan for the next 3 years is being worked upon. Our positive performance in 2014 has given the required impetus and the outlook for the next FY looks bright. With the industry's focus pinned on increasing efficiency and reducing CAPEX, the prospects of Subex continue to be very positive, indicating better performance ahead. Our commitment, achievements and innovation has given us a perfect launching pad to excel in the coming financial year.

Innovative product offerings

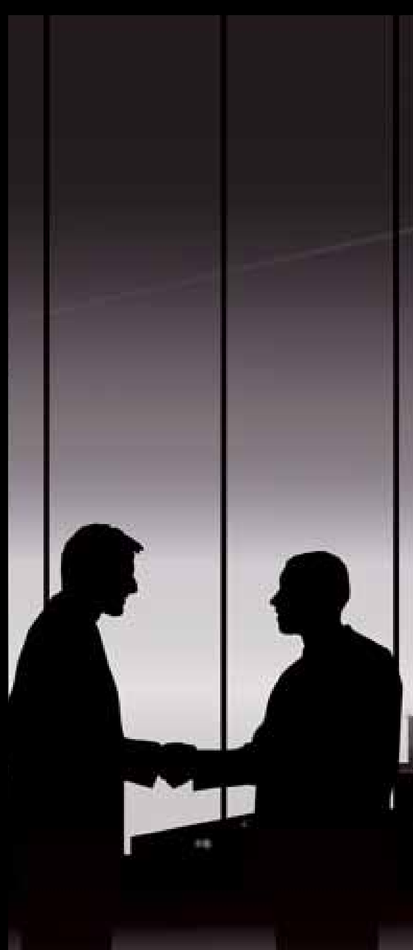


At Subex, effective sustainability is derived from technological contemporarisation within a dynamic industry environment.

- The Company's ROC Asset Assurance is a one-of-its kind industry solution that reduces capex while improving network efficiency. This solution counters low visibility in understanding asset disposition, poor data integrity, eroding asset contribution and the need to counter governance absence. Subex's ROC Asset Assurance solution also extends beyond analytics to drive changes in critical business processes, enhancing data accuracy-supporting capital decisions, idle equipment tracking and utilization enhancement
- The Company was among the first to commence data analytics for telecom players, managing large amounts of data with corresponding management tools
- The ROC facilitates profitable growth through coordinated operational control
- The Company was the first to develop an operator /vendor risk-reward share model for fraud management
- As CSPs evolve their technology, it becomes imperative for them to upgrade existing modules. By catering to their needs, the Company aims to maximise revenues.




Growing Managed Services



Business sustainability is derived from increasing the proportion of annuity income, providing assured revenue visibility over the foreseeable future.

- Subex continues to be one of the leading players in the business optimisation space with over 300 customers trusting Subex products for their B/OSS needs.

- Subex possesses extensive experience in executing some of the largest, complex, multi-million dollar, multi-year-long managed services programs across the world. CSPs of varying tiers and solution portfolios benefited in the form of efficient, streamlined operations and reduced costs, thanks to Subex's sound business process knowledge in the Managed Services arena.

- Subex's expertise in Managed Services stems from an entrenched experience of functional processes and operations and their implications on the CSP business.

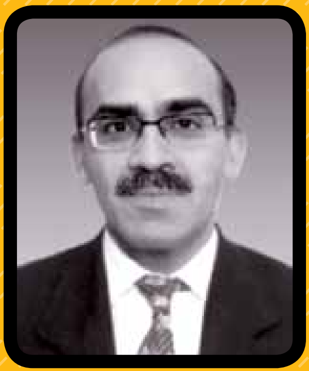
- Subex's commitment to improve operations does not end with day-to-day delivery of Managed Services; on the contrary, it translates into incremental efficiency through the review of organisational design and rightsizing, analysing and automating processes to guarantee maximum B/OSS product utilisation.

Result: The Company has progressively increased the share of managed services, which now accounts for 27% of the revenue. This delivery model is fast emerging as a key differentiator leading to a considerable increase in contract sizes while maintaining healthy profit margins. Going forward, the Company expects a considerable part of the revenue to be derived from Managed Services.

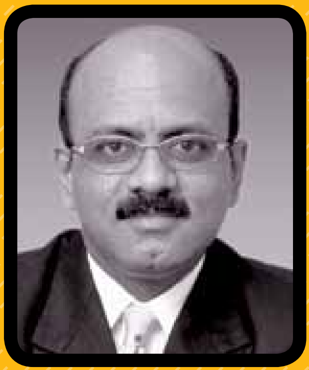
Board of Directors

Sanjeev Aga
(Independent Director)

Surjeet Singh
(Managing Director & CEO)



Anil Singhvi
(Independent Director)



Subash Menon
(Non-executive Director)

Karthikeyan Muthuswamy
(Nominee Director)

Executive Leadership Team

Surjeet Singh
(Managing Director & CEO)

Vinod Kumar
(Chief Operating Officer)

Ganesh K.V.
(Chief Financial Officer, Global Head-Legal And Company Secretary)

Sekharan Y. Menon
(Chief People and Administrative Officer)

Shankar Roddam
(Market Head-Sales and Client Relations-Emerging Markets)

Ashwin Chalapathy
(Global Head-Portfolio Management, Managed Services and Consulting)

Pankaj Parmar
(Global Head, Delivery and Client Servicing)

David Halvorson
(General Counsel)

Charles E. Crenshew
(Market Head-Sales and Client Relations-Americas)

Subex Charitable Trust (SCT)
Updates 2013-14

Strong education focus with SCT believing in empowerment through education

Nurture Merit

- Scholarship scheme to support the education of economically challenged students
- Support for 30+ students from rural areas
- Scholarships amounting to approximately ₹1,20,000

Fund for Anand Marg School

- Support to Anand Marg School, Kithandur Village, Kolar District
- This is a school for underprivileged children from in and around Kithanur village
- It comprises eight sections with seven teaching staff and approximately 120 students

Footwear donation

- Donated footwear to 207 students of Kaggadasapura Government Primary School who otherwise would come barefoot to school
- Providing scholarships to students referred by fellow Subexians
- Organizing periodic old clothes / toys / books collection drives and distributing them to needy organizations

STARS - Long Service Awards

Employee Name	Service Years
Akshatha Kashinath Suvarna	7
Alan Forbes	7
Anandakumar K	7
Annapoorna R	7
Arun L	10
Ashley Hill	10
Ashwin Chalapathy	7
Ashwin Menon	7
Bogdan Zadzilko	15
Channakeshav Joshi	7
Chetan P Herkal	7
Cigy Mathen	7
David Ross	10
Dipak Kumar Mondal	7
G Santosh Kumar Reddy	7
Graham Ellis	40
Harish H S	7
Harsha Burly	7
Harsha S	7
Hemanshu Dhingra	7
Ian Thornton	10
Jeeson Thekkekara	7
Jithu Thomas	10
John Taylor	35
Kalpana T K	7
Manu G Nair	7
Mark Jenkins	10
Martin Bedford	7
Mithun Josalyn Gonsalvez	7
Mohan Kumara P E	7
Nandagopal R	7
Nataraja Prathab D	10
Niranjan B R	7
Nithin Gangadharan	7
Om Prakash Agrawal	7
Parthiban G Pillai	10
Pavan Kumar GV	7
Prabhu H	7

Employee Name	Service Years
Prakash S	7
Praveen Kulkarni	7
Purushotham Reddy A	10
Rahul Joseph Alexander	15
Rajesh Abraham	10
Rakesh M S	7
Ramesh S	7
Ravikanth N	7
Reji Kumar R V	7
Roddam Naga Shiva Shankar	10
Rohith P	7
Sandeep Jain	10
Sandeep Naganur	7
Santhosh Vellore Rajendramudaliar	10
Satyanarayana K	7
Sham Ummer Kallarakkal	7
Shankar Nag H S	10
Siva Koteswara Reddy	15
Sivannarayana Reddy	7
Soorej M V	7
Sreedhanya R	7
Srihari U S A	7
Srinath S	7
Subeer Mitra	7
Sudarshan T S	7
Sudha Yeramati	7
Swagato Patra	7
Syed Rehan Sajjad	10
Teresa Orme	7
Tony Adolphus	10
Veeresh Kanavalli	10
Venkatesh N	7
Chethan Kumar Rai D	7
James MacEwan	15
Mohammed Muzammil	7

Directors' Report

To

The Members of Subex Limited

Your Directors have pleasure in presenting the Twentieth Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2014.

Financial results

Amount in ₹ Lakhs

	Consolidated		Standalone	
	2013-14	2012-13	2013-14	2012-13
Total Revenue	34,449.28	30,823.24	29,669.48	26,677.95
Profit/(Loss) Before Interest, Depreciation, Exceptional Items & Taxes	7,215.96	4,623.45	4,680.87	3,338.21
Interest, Depreciation & Amortization	6,953.70	5,558.63	5,990.14	5,131.07
Profit/(Loss) before Exceptional items & tax	262.26	(935.18)	(1,309.27)	(1,792.86)
Exceptional Items	-	3,069.92	1,497.04	1,663.56
Profit/(Loss) before tax	262.26	(4,005.10)	(2,806.31)	(3,456.42)
Provision for taxes	936.38	386.24	146.57	-
Profit/(Loss) after tax	(674.12)	(4,391.34)	(2,952.88)	(3,456.42)
Discontinuing Operations:				
Profit/(Loss) from discontinuing operations before tax	(478.71)	(1603.37)		
Tax expenses of discontinuing operations on ordinary activities attributable to discontinuing operations	(8.44)	-		
Profit/(Loss) after tax	(487.15)	(1603.37)	-	-
APPROPRIATIONS				
Interim Dividend Preference Dividend	-	-	-	-
Dividend proposed on equity shares	-	-		-
Provision for tax on Dividends		-	-	-
Transfer to General Reserve	-	-	-	-
Surplus/(Deficit) carried to Balance Sheet	(1,161.27)	(5,994.71)	(2,952.88)	(3,456.42)

Results of Operations

During the financial year ended March 31, 2014, the total revenue on a consolidated basis was ₹34,449.28 Lakhs. The Company has during the year under review incurred a loss of ₹1,161.27 Lakhs as against loss of ₹5,994.71 Lakhs in the previous year.

On standalone basis, the total revenue stood at ₹29,669.48 Lakhs. The loss for the financial year 2013-14 was ₹2,952.88 Lakhs as against loss of ₹3,456.42 Lakhs in the previous year.

The Directors have not proposed any dividend to be paid for the financial year 2013-14.

Business

Your Company is a leading global provider of Business Support Systems (BSS) that empowers Communications Service Providers (CSPs) to achieve competitive advantage through Business Optimisation - thereby enabling them to improve their operational efficiency to deliver enhanced service experiences to subscribers.

The Company pioneered the concept of a Revenue Operations Centre (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 such as revenue assurance, fraud management, asset assurance, capacity management, data integrity management, credit risk management, cost management, route optimization and partner settlement. Subex also offers a scalable Managed Services program with 30+ customers. Your Company has been awarded the Global Market Share Leader in Financial Assurance 2012 by Frost & Sullivan and has been the winner of Pipeline Innovation Award 2013 in Business Intelligence & Analytics; Capacity Magazine Best Product/ Service 2013. Subex has continued to innovate with customers and have been jointly awarded the Global Telecoms Business Innovation Award for 2012 with Idea Cellular for Managed Services and in 2011 with Swisscom for Fraud Management.

The Company's customers include 29 of top 50 operators and 33 of the world's 50 biggest telecommunications service providers worldwide. The Company has more than 300 installations across 70 countries. Headquartered out of Bangalore, India, your Company has sales and support offices in the United States, UK, UAE, India, Singapore and Australia.

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. The Company's 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, Subex offers Managed Services around its products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

Share Capital

As at March 31, 2014, the authorized share capital of the Company was ₹497,00,00,000 (Rupees Four Hundred and Ninety Seven Crores only) divided into 49,50,40,000 (Forty Nine Crores Fifty Lakhs and Forty Thousand only) equity shares of ₹10 (Rupees Ten only) each and 2,00,000 (Two Lakhs only) preference shares of ₹98 (Rupees Ninety Eight only) each.

As at March 31, 2014, the paid-up share capital of the Company stood at ₹166,63,99,620 (Rupees One Hundred Sixty Six Crores Sixty Three Lakhs Ninety Nine Thousand Six Hundred and Twenty only) consisting of 16,66,39,962 (Sixteen Crores Sixty Six Lakhs Thirty Nine Thousand Nine Hundred Sixty Two) equity shares of ₹10/- each.

Subsidiaries

Subex Technologies Limited

For the year ended March 31, 2014, Subex Technologies Limited had NIL income, on a consolidated basis, as against ₹2323.68 Lakhs last year and a net loss of ₹487.15 Lakhs as against a net loss of ₹1603.37 Lakhs last year.

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

Subex (UK) Limited

For the year ended March 31, 2014, the consolidated income of Subex (UK) Limited was ₹32,380.87 Lakhs as against

₹32,152.02 Lakhs last year, and the net profit was ₹714.59 Lakhs as against a net profit of ₹584.37 Lakhs 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, 2014, the consolidated income of Subex Americas Inc was ₹2812.88 Lakhs as against ₹2,728.40 Lakhs last year, and Net Profit was ₹66.74 Lakhs as against a loss of ₹1,516.70 Lakhs last year.

Subex Azure Holding Inc., is a wholly owned subsidiary of Subex Americas Inc. There were no transactions during the year under review.

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 May 29, 2014, 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 39 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 on March 31, 2014, the Company had outstanding FCCBs aggregating to US$ 1,000,000 under its US$ 180,000,000 2% Convertible Unsecured Bonds (**"FCCBs I"**) and US$ 1,400,000 under its US$ 98,700,000 5% Convertible Unsecured Bonds (**"FCCBs II"**). In July 2012, pursuant to the exchange offer of FCCBs I and FCCBs II, the Company issued US$127,721,000 5.70% Secured Convertible Bonds with a maturity period due July 2017 (**"FCCBs III"**). Principal amount of US$ 36,321,000 were mandatorily converted and US$ 3,250,000 million out of FCCBs III were subsequently converted into equity shares. Pursuant to the mandatory and subsequent conversions, US$ 88,150,000 is currently outstanding under FCCBs III.

The maturity period of the un-exchanged FCCBs I worth US$ 1,000,000 and the un-exchanged FCCBs II worth US$ 1,400,000 was extended to March 2017.

Employee Stock Options Schemes

Your Company has introduced various Stock Option plans for its employees. Details of these 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 8,83,750 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.

During the year 2011-12, the employees voluntarily surrendered 241,012 stock options under ESOP 2000 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2005 and ESOP 2008 scheme.

The tenure for grant of stock options under ESOP 2000 scheme has expired and the Company is only administering the outstanding stock options issued under the scheme.

Employee Stock Option Plan-2005 (ESOP-III)

Under this scheme, an initial corpus of 5,00,000 options was created for grant to the eligible employees, with each option convertible into one fully paid-up equity share of ₹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 15,00,000 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.

During the year 2011-12, the employees voluntarily surrendered 9,64,969 stock options under ESOP 2005 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2005 scheme.

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 20,00,000 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.

During the year 2011-12, the employees voluntarily surrendered 10,19,583 stock options under ESOP 2008 scheme. Also, the Company issued equivalent stock options to the aforesaid eligible employees under ESOP 2008 scheme.

Additional information as at March 31, 2014 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 in the 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 the provisions of Section 152 of the Companies Act, 2013 (corresponding to Section 255 and Section 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. Karthikeyan Muthuswamy retires by rotation and being eligible, has offered to be re-appointed at the ensuing Annual General Meeting.

Mr. Surjeet Singh was re-appointed as the Managing Director & CEO of the Company at the Board Meeting held on October 30, 2013 for a period of one year from October 5, 2013 to October 4, 2014. 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 as Managing Director & CEO is being placed before the Members for their approval at the ensuing AGM.

Pursuant to the provisions of section 149 of the Companies Act, 2013, it is proposed to the members of the Company to appoint Mr. Anil Singhvi and Mr. Sanjeev Aga, Independent Directors of the Company to hold office from the conclusion of the 20th Annual General Meeting upto the conclusion of the 21st Annual General Meeting.

Audit Committee

The Audit Committee presently has 3 Directors as its members viz. Mr. Anil Singhvi, Chairman, Mr. Sanjeev Aga and Mr. Surjeet Singh. 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 eligible as per section 141 of the Companies Act, 2013 to be appointed as statutory auditors of the Company and are not disqualified to hold office as such in terms of the said section 141.

Pursuant to the provisions of section 139 of the Companies Act, 2013, M/s. Deloitte Haskins & Sells can be appointed as the auditors of the Company upto a period of 3 years ie. upto the conclusion of the 23rd Annual General Meeting of the Company. However, it is proposed to the shareholders to appoint M/s. Deloitte Haskins & Sells to hold office from the conclusion of 20th Annual General Meeting of the Company up to the conclusion of the 21st Annual General Meeting of the Company.

Fixed Deposits

Your Company has not accepted any deposits from the public.

Particulars of Employees

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and 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 Mr. Ganesh K V, Chief Financial Officer, Global Head – Legal & 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 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.

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 year. During the year 2013-14 total foreign exchange inflow and outflow is as follows:

i) Foreign Exchange earnings ₹27,867.41 Lakhs (Previous Year ₹26,105.91 Lakhs)

ii) Foreign Exchange outgo ₹17,000.16 Lakhs (Previous Year ₹15,079.66 Lakhs)

Note: The foreign exchange outgo is inclusive of the inter company charges and the Previous Year's figure have been restated accordingly.

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, donated footwear to Government School students, donated baby diapers and milk powder to an orphanage, provided financial aid by way of payment of the water and electricity bills of a Centre which provides vocational training to destitute girls and organizing blood donation camps. A gist of activities undertaken by the Trust has been provided as a separate section in this Annual Report.

Human Resource Management

Working environment and organization's culture plays a key role in attracting right talents into any organization and retaining them. Your Company continued with it's focused effort focus in maintaining such a great working environment and organization culture that was built and developed over a period of time, since it's inception. All senior members of your Company worked really hard and supported Human Resource function in maintaining this.

During the year ended March 31, 2014, your Company surged ahead on a lot of the initiatives that were launched in the previous year. Continued infusion of fresh talent and ongoing development and up-skilling of existing talent were the critical focus areas. Online Learning Management System called the Subex Academy, has been completely rolled out. Your Company also refined the Subexians (Employee) Engagement Programme, which is an extremely critical employee retention tool.

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, 2014, 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 utilized 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, 2014 and of the loss 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, 2014 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 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 **Subex Limited**

Karthikeyan Muthuswamy
Director
Mumbai, India
May 29, 2014

Surjeet Singh
Managing Director & CEO
Mumbai, India
May 29, 2014

ANNEXURE - I

Additional Information as at March 31, 2014 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, 2014	2,40,678	8,76,389	5,67,518
	Options granted during the year	-	-	-
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, 2014	2,975	7,09,638	4,98,483
4.	Options exercised as on March 31, 2014	2,37,703	12,439	-
	Options exercised during the year	-	-	-
5.	Money realized by exercise of options during the year	-	-	-
6.	The total number of shares arising as a result of exercise of options during the year ended March 31, 2014	-	-	-
7.	Options lapsed/cancelled/ surrendered as on March 31, 2014	9,95,894	49,62,529	17,66,019

Sl. No	Particulars	ESOP 2000	ESOP 2005	ESOP 2008
	Options lapsed/cancelled/ surrendered during the year	1,695	2,67,197	1,63,288
8.	Variation of terms of options	None	None	None
9.	No. of employees covered	623	2,291	273
10.	Employee wise details of options granted during the year under review to:			
	(i) Senior managerial personnel	-	-	-
	(ii) other employee receiving a grant in the year of option amounting to 5% or more of options granted during that year	-	-	-
	(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;	-	-	-
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'	-	-	-
12.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company is:	-	-	-
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 ₹67	Weighted-average exercise price is ₹30.78	Weighted-average exercise price is ₹28.56
14.	Description of the method used during the year to estimate the fair values of options, including the following weighted-average information :	Refer Note 27 in Standalone Financial Statements		
	i. risk-free interest rate			
	ii. expected life			
	iii. expected volatility			
	iv. expected dividends			
	v. market price on grant date			

For **Subex Limited**

Karthikeyan Muthuswamy
Director
Mumbai, India
May 29, 2014

Surjeet Singh
Managing Director & CEO
Mumbai, India
May 29, 2014

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:

- Satisfy the spirit of the law and not just the letter of the law
- Be transparent and maintain high degree of disclosure levels
- Communicate externally, in a truthful manner, about how the Company is run internally
- 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 on March 31, 2014, the Board of Directors of Subex Limited comprises 5 Directors out of which 1 is an Executive Director, 1 is a Non-executive Director, 2 are Independent Directors and 1 is a Nominee Director.

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, 2014 and as such do not include details of changes in Directorships after the end of the financial year.

A. Composition and Category of Directors as on March 31, 2014

Category	No. of Directors	%
Independent Directors	2	40
Executive Directors	1	20
Non-Executive Directors	1	20
Nominee Directors	1	20
Total	5	100

B. Attendance of Directors at the Board Meetings and the Last AGM and Details about Directorships and Membership in Committees as on March 31, 2014

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. Surjeet Singh	Managing Director and Chief Executive Officer	4	4	Yes	1	-	2
Mr. Anil Singhvi	Independent Director	4	4	Yes	6	2	5
Mr. Sanjeev Aga	Independent Director	4	4	Yes	5	2	7
Mr. Karthikeyan Muthuswamy#	Nominee Director	4	4	Yes	1	-	2
Mr. Subash Menon	Non-Executive Director	4	-	No	-	-	-

▲ Excluding private limited companies & overseas companies.

■ Includes only Audit Committee and Stakeholders Relationship Committee. Memberships in Committees of Subex Limited are included.

Mr. Karthikeyan Muthuswamy is nominated by the Foreign Currency Convertible Bonds (FCCB's) Holders

C. Number and Dates of Board Meetings

4 (Four) Board meetings were held during the financial year 2013-14. The dates on which meetings were held are as follows:

1. May 21, 2013
2. August 14, 2013
3. October 30, 2013
4. February 12, 2014

D. Brief Details of Directors Seeking Appointment/Re-appointment:

Mr. Surjeet Singh, Managing Director & CEO

Mr. Surjeet Singh is a seasoned management professional and business leader with over two decades of multi-industry global experience in leading Finance, Corporate Development, Business Planning and Global operations functions. He has a successful corporate and entrepreneurial track record of building organizations and fostering collaboration in large and culturally diverse cross functional teams. He was the Global Chief Financial officer of Patni Computer Systems where he played key role in shaping business transformation including significant improvements in operating metrics and processes, structuring large platform deals with fortune 500 customers, seamless management transitions, upholding highest standards of financial and corporate governance. He was instrumental in helping realize maximum shareholder value with successful exit of majority shareholders at Patni. Prior to this, Mr. Surjeet Singh was part of founding team of Cymbal Corporation, a mid-sized telecom BSS systems integration boutique out of silicon valley which was acquired by Patni in 2004 for $68M, which at the time was one of the largest cross border services transaction by an Indian company. In early part of his career, Mr. Surjeet Singh held various finance and operations roles at Ranbaxy - a global multinational pharmaceutical company during its internationalization phase in the 90's. Mr. Surjeet Singh is a fellow of the Institute of Costs and Works Accountants, India, Certified Public Accountant from AICPA, USA. He holds a B.S. in Finance from the University of Pune and is a graduate of Advanced Management Program from Harvard Business School.

He is a member of the Audit Committee, a member of Stakeholders Relationship Committee and a member of the Nomination and Remuneration Committee of the Board of Directors of the Company.

As on the date of this report, Mr. Surjeet Singh does not hold any equity shares of the Company.

Mr. Karthikeyan Muthuswamy, Nominee Director

Mr. Karthikeyan Muthuswamy is the Managing Director of Trident Advisors Pvt Ltd, a Mumbai based investment advisory firm. Prior to Trident, Mr. Karthikeyan Muthuswamy has worked as a fund manager with M3 Investments and Director with Jeetay Investments, both of which are Mumbai based investment management firms. Mr. Karthikeyan Muthuswamy is a BBA from the University of Madras and a Chartered Financial Analyst.

He is a member of Stakeholders Relationship Committee, a member of the Nomination and Remuneration Committee and a member of the Employees' Stock Options Committee of the Board of Directors of the Company.

As on the date of this report, Mr. Karthikeyan Muthuswamy does not hold any equity shares of the Company.

Mr. Anil Singhvi, Independent Director

Mr. Anil Singhvi is the Chairman of Ican Investments Advisors Pvt Ltd. Prior to establishing Ican Investments, he was Advisor to Reliance ADA Group for about 2 years. He has over 30 years of experience in corporate sector, out of which 22 years were spent with Ambuja Cements Ltd, where he rose from Manager to Managing Director & CEO.

A Chartered Accountant, Mr. Anil Singhvi played a defining role in making of Ambuja Cements. He conceptualized and advised merger of Enam, one of the largest investment banks in India, with Axis Bank, a deal involving around US$ 500 million. He is on the Boards of various companies, some of which are Hindustan Construction Co. Ltd, HCC Infrastructure Ltd, Capital First Limited and Foundation for Liberal and Management Education (FLAME).

He is the Chairman of the Audit Committee and the Nomination and Remuneration Committee, a member of Stakeholders Relationship Committee and a member of Empoyees' Stock Options Committee of the Board of Directors of the Company.

As on date of this report, he holds 60,000 equity shares of the Company.

Mr. Sanjeev Aga, Independent Director

Business leader, organization builder, adviser and mentor, 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, 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, he 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. 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.

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 is based in Mumbai, and now engages in advisory and consultant roles for corporates and not-for-profit organizations. He reads widely, speaks, and occasionally, writes.

He is the Chairman of the Stakeholders Relationship Committee, a member of the Audit Committee, a member of the Nomination and Remuneration Committee and the Chairman of the Empoyees' Stock Options Committee of the Board of Directors of the Company.

As on date of this notice, he does not hold any equity shares of the Company.

E. Details of Directors as on March 31, 2014 seeking appointment/re-appointment at the Twentieth Annual General Meeting scheduled to be held on August 14, 2014

(Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement)

Name of Director	Surjeet Singh	Anil Singhvi	Sanjeev Aga	Karthikeyan Muthuswamy
Date of birth	March 8, 1968	June 30, 1959	February 1, 1952	June 6, 1974
Date of appointment	October 5, 2012	April 11, 2011	May 17, 2011	July 6, 2012
Relationship with Directors	None	None	None	None
Expertise in specific functional area	Wide managerial experience	Accounts and wide managerial experience	Wide managerial experience	Financial analyst
Board Membership of other companies as on March 31, 2014	Subex Technologies Limited	Foundation For Liberal And Management Education	Idea Cellular Limited	Trident Advisors Private Limited
	Subex Americas Inc	Hindustan Construction Company Limited	Pidilite Industries Limited	Antony Waste Handling Cell Private Limited
	Subex (UK) Limited	Institutional Investor Advisory Services India Limited	ING Vysya Bank Limited	First Home Realty Solutions Private Limited
	Subex (Asia Pacific) Pte Limited	Capital First Limited	Mahindra Holidays and Resorts India Limited	RKM Venture Advisory Private Limited
	Subex Inc	HCC Infrastructure Company Limited	Mahindra Logistics Limited	AG Enviro Infra Projects Private Limited
	Subex Azure Holdings Inc	Greatship (India) Limited		Antony Revive Ewaste Private Limited
	Subex Technologies Inc	Lavasa Corporation Limited		KL EnviTech Private Limited
		Ican Investments Advisors Private Limited (as Chairman)		Antony Infrastructure and Waste Management Services Private Limited
		Anagha Advisors LLP (Designated Partner)		Antony Lara Enviro Solutions Private Limited

Name of Director	Surjeet Singh	Anil Singhvi	Sanjeev Aga	Karthikeyan Muthuswamy
Chairman/Member of the Committee of the Board of Directors of other companies in which he is a director as on March 31, 2014				
1. Audit Committee		1. Hindustan Construction Company Limited 2.Capital First Limited (as Chairman) 3. Lavasa Corporation Limited	1. ING Vysya Bank Limited (as Chairman) 2. Mahindra Logistics Limited	PAE Limited
2. Remuneration/ Compensation Committee		Hindustan Construction Company Limited (as Chairman)	Mahindra Logistics Limited	PAE Limited
3. Shareholders' Grievance Committee			1. Pidilite Industries Limited 2. Idea Cellular Limited 3. ING Vysya Bank Limited	
4. Other Committees		Hindustan Construction Company Limited-Selection Committee	1. Finance Committee and Security Allotment Committee - Idea Cellular Limited 2. Strategy Committee - Mahindra Holidays and Resorts India Limited 3. IT Strategy Committee, Customer Service Committee and Corporate Governance Committee - ING Vysya Bank Limited 4. MLL Key Executives Stock Option Scheme – 2012 Committee – Mahindra Logistics Limited	

Having regard to the expertise in the field of accounts and management, it is in the interests of the Company to continue to avail the services of Mr. Anil Singhvi, independent director. It is also in the interests of the Company to continue to avail the services of Mr. Sanjeev Aga, independent director who brings his rich managerial experience to the Board of the Company. Mr. Karthikeyan Muthuswamy, nominee director who retires by rotation at the 20th Annual General Meeting is widely experienced in financial matters and his association with the Company will be of immense benefit. He is eligible for reappointment at the ensuing Annual General Meeting. Detailed profile of these directors forms a part of this report.

Disclosure in terms of Clause 49 (IV) (G) (ia) of the Listing Agreement

There are no inter-se relationships between the Board members.

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, reporting structure coverage, frequency of internal audit, and findings of any internal investigations by the internal auditors;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- Review of the Company's financial and Whistle Blower mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate

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.

All members of the Audit Committee are financially literate and have related financial management expertise.

B. Composition of Audit Committee as at March 31, 2014

Composition	Category
Mr. Anil Singhvi (Chairman)	Independent Director
Mr. Sanjeev Aga	Independent Director
Mr. Surjeet Singh	Managing Director and CEO

Mr. Ganesh K V, Chief Financial Officer, Global Head - Legal and Company Secretary is the Secretary of the Audit Committee.

C. Meetings and Attendance during the Year

During the financial year 2013-14, four Audit Committee meetings were held on May 21, 2013, August 14, 2013, October 30, 2013, and February 12, 2014. The audited financial results for the financial year ended March 31, 2014 were taken on record at the meeting held on May 29, 2014. The quarterly results for the quarters April-June 2013, July-September 2013 and October-December 2013 were taken on record on August 14, 2013, October 30, 2013, and February 12, 2014 respectively.

D. Attendance of Committee Members at the Audit Committee Meetings Held During the Financial Year 2013-14:

Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Mr. Anil Singhvi	4	4
Mr. Sanjeev Aga	4	4
Mr. Surjeet Singh	4	4

Deloitte Haskins & Sells, the statutory auditors of the Company have attended all the Audit Committee Meetings held during the year.

The Internal Auditors of the Company attended the meetings of the Audit Committee held on May 21, 2013 and August 14, 2013.

IV. NOMINATION AND REMUNERATION COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. Anil Singhvi (Chairman)	Independent Director
Mr. Sanjeev Aga	Independent Director
Mr. Surjeet Singh	Managing Director and CEO
Mr. Karthikeyan Muthuswamy	Nominee Director

The Committee considers the performance of the Company as well as general industry trends while fixing the remuneration of Executive Directors. The said Committee have as additional terms of reference, the recommendation of appointment of Directors, including Managing Director and Whole Time Director by whatever name called by the Company.

At its meeting held on October 30, 2013, the Committee approved the terms and conditions of the remuneration of Mr. Surjeet Singh, which are being placed before the Members for their approval at the ensuing Annual General Meeting.

B. Details of Remuneration of Directors

(Amount in ₹Lakhs)

Name	Salary	Commission	Benefits	Total
Mr. Surjeet Singh	15.20	–	**a. Medical Reimbursement:** Reimbursement of medical expenses incurred, including premium paid on health insurance policies, whether in India or aboard, for self and family, including hospitalization, surgical charges, nursing charges and domiciliary charges for self and for family, as per the policy of the Company or as approved by the Board of Directors. **b. Insurance:** Personal accident insurance and keyman or other insurance as per the policy of the Company or as approved by the Board of Directors. Reimbursement of all reasonable travelling, entertainment and other similar out of pocket expenses necessarily and reasonably incurred by him wholly in the proper performance of his duties and responsibilities. He shall be entitled to travel business class on all Company related travel which involves travel of more than five hours at any time. As per his employment agreement for his appointment as Managing Director & CEO for the period from October 5, 2012 to October 4, 2013, Mr. Surjeet Singh was eligible for grant of a maximum of 1,920,000 stock options. However as per his employment agreement for his re-appointment as Managing Director & CEO for the period from October 5, 2013 to October 4, 2014 he is not eligible for grant of any stock options. Mr. Surjeet Singh or the Company may terminate the Employment Agreement before the expiry of the Term by giving to the other party notice in writing of Ninety days.	15.20
Mr. Anil Singhvi	-	-	-	-
Mr. Sanjeev Aga	-	-	-	-
Mr. Subash Menon	-	-	-	-

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, 2014
Mr. Anil Singhvi	60,000
Mr. Sanjeev Aga	NIL
Mr. Subhash Menon	25,80,601
Mr. Karthikeyan Muthuswamy	NIL

The Non-Executive Independent Directors are paid sitting fees of ₹20,000 per meeting for attendance in the Audit Committee Meetings, Stakeholders relationship Committee Meetings, Nomination & Remuneration Committee Meetings and for attendance at the Board meetings. Details of sitting fees paid to such directors are as follows:

(Amount in ₹)

Type of Meeting	May 21, 2013	Aug 14, 2013	Oct 30, 2013	Feb 12, 2014
Board of Directors				
Anil Singhvi	10,000	20,000	20,000	20,000
Sanjeev Aga	10,000	20,000	20,000	20,000
Audit Committee				
Anil Singhvi	20,000	20,000	20,000	20,000
Sanjeev Aga	20,000	20,000	20,000	20,000
Nomination & Remuneration Committee				
Anil Singhvi	-	-	20,000	-
Sanjeev Aga	-	-	20,000	-
Stakeholder's Relationship Committee				
Anil Singhvi	-	NIL	NIL	20,000
Sanjeev Aga	-	20,000	20,000	20,000

The sitting fee payable to each independent director for attending the meeting of the Board of Directors was revised from ₹10,000 to ₹20,000 with effect from August 14, 2013. Each independent director is paid sitting fee of ₹20,000 for attending the meeting of the Audit Committee. For any other meeting of the committee of the Board, sitting fee of ₹20,000 is paid to each independent director for attending every such meeting of the committee of the Board with effect from August 14, 2013.

The Nomination and 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. The compensation, however, is within the parameters set by the provisions of the Companies Act, 1956.

D. Attendance of Committee Members at the Nomination and Remuneration Committee Meetings Held During the Financial Year 2013-14:

Member	No. of Nomination and Remuneration Committee Meetings Held	No. of Nomination and Remuneration Committee Meetings Attended
Mr. Anil Singhvi	1	1
Mr. Sanjeev Aga	1	1
Mr. Surjeet Singh	-	-
Mr.Karthikeyan Muthuswamy	1	1

V. STAKEHOLDERS' RELATIONSHIP COMMITTEE

A. Composition of the Committee

Composition	Category
Mr. Sanjeev Aga (Chairman)	Independent Director
Mr. Anil Singhvi	Independent Director
Mr. Surjeet Singh	Managing Director & CEO
Mr. Karthikeyan Muthuswamy	Nominee Director

At the Board Meeting held on February 12, 2014, Mr. Anil Singhvi, Independent Director was appointed as a member of the Stakeholders Relationship Committee.

Mr. Ganesh K V, Chief Financial Officer, Global Head- Legal and Company Secretary is the Secretary of the Committee and the Compliance Officer.

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.

B. Attendance of Committee Members at the Stakeholders Relationship Committee Meetings Held During the Financial Year 2013-14:

Member	No. of Stakeholders Relationship Committee Meetings Held	No. of Stakeholders Relationship Committee Meetings Attended
Mr. Anil Singhvi*	1	1
Mr. Sanjeev Aga	4	4
Mr. Surjeet Singh	4	4
Mr.Karthikeyan Muthuswamy	4	4

*Mr. Anil Singhvi was appointed as a member of the Stakeholders Relationship Committee on February 12, 2014. He attended the meeting of the said Committee held on February 12, 2014.

VI. 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. Sanjeev Aga (Chairman)	Independent Director
Mr. Anil Singhvi	Independent Director
Mr. Karthikeyan Muthuswamy	Nominee Director

The Committee administers the ESOP schemes of the Company by passing resolutions by circulation whenever necessary. These resolutions are tabled before the Board of Directors at their respective meetings which is taken note of.

At the Board Meeting held on May 21, 2013, the Sub-Committee on Borrowings, Allotment Committee, General Management Committee and Share Transfer Committee were dissolved and the powers of these committees vests with the Board of Directors itself.

The Board of Directors approves, inter alia, the transfers/ transmissions/ dematerialisation 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.

VII. GENERAL BODY MEETINGS

A. Location and Time of the Last Three AGMs

Year	Date of AGM	Venue	Time
2010-11	July 27, 2011	Registered office	12:00 Noon
2011-12	September 28, 2012	Registered office	12:30 PM
2012-13	August 14, 2013	Hotel Lalit Ashok, Bangalore	2:00 PM

B. Location and Time of the Last Three EGMs

Year	Date of EGM	Venue	Time
2011-12	December 28, 2011	Registered office	11:30 A M
2012-13	June 28, 2012	Registered office	11:30 A M
2012-13	August 17, 2012	Registered office	11:30 A M

At the AGM held on August 14, 2013, one special resolution was passed for the ratification of appointment of Mr. Surjeet Singh as the Managing Director and CEO of the Company for a period of one year from October 5, 2012 to October 4, 2013.

VIII. DISCLOSURES

A. There are no significant related party transactions of the Company of material nature, that may have potential conflict with the interests of the Company at large

Transactions with the related parties are disclosed in Note 31 to the standalone financial statements and Note 30 to the consolidated financial statements in the Annual Report.

None of the independent directors have any material pecuniary relationship or transactions with its Promoters, its Directors, its senior management or its subsidiaries which may affect independence. The Company has received the relevant declarations in this regard from its independent directors Mr. Anil Singhvi, and Mr. Sanjeev Aga.

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. During the financial year 2013-14, the balance amount of Rs. 80.63 lakhs lying in the BRR was utilized and thereby closed. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in Note 25 to the accounts in Standalone and Note 24 to the Consolidated financial statements.

C. The Company has a Risk Management Policy in place to manage risks inherent in various aspects of its business which is given in detail in the Management Discussion and Analysis section of the Annual Report.

D. The Company has obtained a certificate from the CEO/ CFO as required by Clause 49 (V) of the Listing Agreement.

E. In compliance with Clause 49 (1) (D) of the Listing Agreement, the Company has adopted a Code of Conduct (the 'Code'). This Code is applicable to the Members of the Board, Senior Management Personnel and all employees of the Company and Subsidiaries. All the members of the Board and the Senior Management Personnel have affirmed compliance to the Code, as at March 31st, 2014. A declaration to this effect, signed by the Managing Director and CEO is provided in the CEO and CFO certification section of the Annual Report.

F. In compliance with Clause 47 (c) of the Listing Agreement, the Company has obtained certificates from Practising Company Secretary. The same were filed with the Stock Exchanges within the stipulated period.

G. 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.

H. 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.

IX. 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 (English) and Vijay Karnataka (Kannada). The complete financial statements are posted on the Company's website www.subex.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@subex.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.

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

XI. As per the requirements of Clause 41 of the Listing Agreement, the Company has submitted the quarterly/ annual financial results to the Stock Exchanges after the conclusion of the respective Board Meetings held on May 21, 2013, August 14, 2013, October 30, 2013 and February 12, 2014.

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

Presently the Company does not have a 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 a Remuneration Committee which has during the year renamed as the Nomination and Remuneration Committee. A detailed note on the Nomination and Remuneration Committee has been provided earlier in the report.

C. Shareholders' Rights

The Company communicates with investors regularly through E-mails, telephone calls and face to face meetings. The Company publishes the quarterly financial results in leading business newspaper(s) as well as on the Company's website.

D. Audit Qualifications

The auditors have expressed an unqualified opinion on the accounts for the year under review.

E. 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. The employees are informed of this policy through appropriate internal communications. None of the employees have been denied access to this facility or the Audit Committee to report the aforementioned concerns.

The Directors of the Company are seasoned persons having expertise and vast experience in their respective fields. As such the Company has not adopted item (5) and (6) under Annexure ID to Clause 49 of the Listing Agreement.

For **Subex Limited**

Karthikeyan Muthuswamy
Director
Mumbai, India
Date : May 29, 2014

Surjeet Singh
Managing Director & CEO
Mumbai, India
Date : May 29, 2014

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, 2014.

For Subex Limited

Place : Mumbai
Date : May 29, 2014

Surjeet Singh
Managing Director & CEO

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, 2014 as stipulated under Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company
3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR DELOITTE HASKINS & SELLS,
Chartered Accountants
Registration No. 008072S

MONISHA PARIKH
Partner
Membership No. 47840

Place: Mumbai
Date: May 29, 2014

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 Professional Securities Market of the London Stock Exchange (LSE). The Company's outstanding US$ 1,000,000 out of US$ 180,000,000 2% Coupon Convertible Unsecured Bonds are listed on the London Stock Exchange (LSE). The Company's outstanding US$ 1,400,000 out of US$ 98,700,000 5% Convertible Unsecured Bonds and US$ 88,150,000 out of US$ 127,721,000 5.70% Secured Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX). As a part of the terms and conditions of US$ 127,721,000 5.70% Secured Convertible Bonds, principal amount of US$ 36,321,000 out of US$ 127,721,000 5.70% were mandatorily converted into equity shares at the conversion price of ₹22.79/-. Pursuant to the mandatory conversion and subsequent conversion of US$ 3,250,000 currently US$ 88,150,000 is outstanding under US$ 127,721,000 5.70% Secured Convertible Bonds.

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 Proposal 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/ losses 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.

Industry

Subex Limited is a leading global provider of Business and Operations Support Systems (B/OSS) that empowers communications service providers (CSPs) to achieve competitive advantage through Business and Capex Optimisation - 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 such as revenue assurance, fraud management, asset assurance, capacity management, data integrity management, credit risk management, cost management, route optimization and partner settlement. Subex also offers a scalable Managed Services program with 30 + customers.

Subex has been awarded the Global Market Share Leader in Financial Assurance 2012 by Frost & Sullivan and has been the winner of Pipeline Innovation Award 2013 in Business Intelligence & Analytics; Capacity Magazine Best Product/ Service 2013. Subex has continued to innovate with customers and have been jointly awarded the Global Telecoms Business Innovation Award 2014 along with Telstra Global; in 2012 with Idea Cellular for Managed Services and in 2011 with Swisscom for Fraud Management.

Subex's customers include 29 of top 50 operators* and 33 of the world's 50 biggest# telecommunications service providers worldwide. The company has more than 300 installations across 70 countries.

*Total Telecom Top 500 Telecom Brands, 2013

#Forbes' Global 2000 list, 2014

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, Subex offers Managed Services around its products which enable the operators to take advantage of our deep domain expertise to improve their operational efficiency.

Opportunities and threats

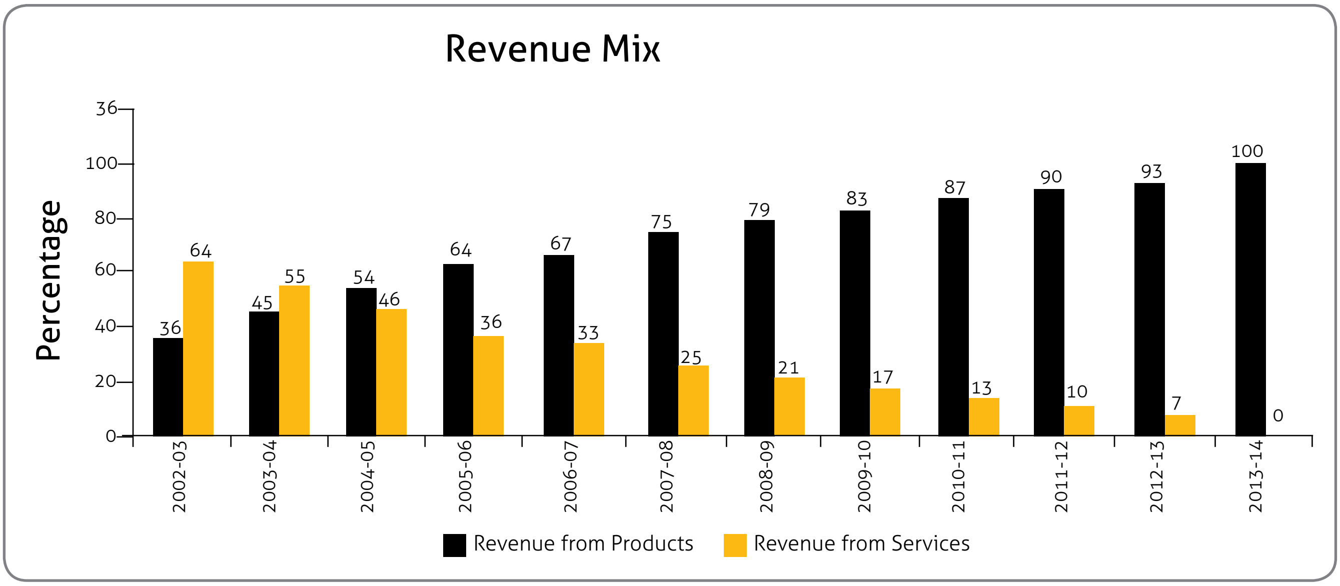
Strategy

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, the latest being the launch of our pioneering ROC Asset Assurance solution in April 2013. Using our products, we have structured several industry leading solutions that address and solve key problems faced by our customers worldwide. 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 retain customers and gain further traction in the B/OSS market through new customer accounts.

Business segments and industry outlook

Business Segments

Subex operated 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 which has been losing its significance as can be seen from the business mix data provided herein, thus Subex strategically moved out of the services as it did not align with the primary focus area which is product business effective beginning of the year.



Global mobile economy

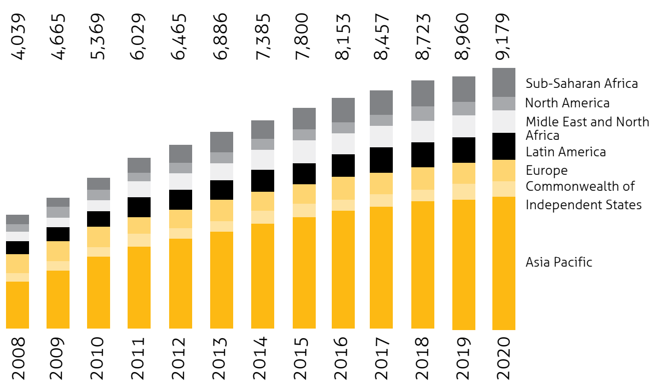
The mobile industry has scaled dramatically over the last decade. At the end of 2003, there were a little over one billion unique subscribers, indicating that one in seven people had subscribed to a mobile service. By the end of 2013, this figure had increased to 3.4 billion unique subscribers, equivalent to almost half of the global population. Globally, there were 6.9 billion SIM connections at the end of 2013 with an average of 1.8 active SIM cards per unique subscriber.

Global operating revenues in 2013-14 were US$1.2 trillion and could rise to US$1.4 trillion by 2020; the ecosystem revenues stood at US$2 trillion for 2013-14 and could move to US$2.9 trillion by 2020.

While subscriber and connection growth rates are slowing in developed markets, significant untapped potential remains across developing markets with forecasts of an addition of 880 million unique subscribers by 2020. In the developed markets, there is an accelerating technology shift underway in the global connection base with an increasing proportion of connections now on higher speed 3G and 4G networks (globally this proportion is set rise from a third at the end of 2013 to two-thirds by 2020). The number of commercially-available LTE networks is forecast to increase to more than 500 in 128 countries across the world over the next four years, going from covering around a fifth of the global population today to around half by 2017.

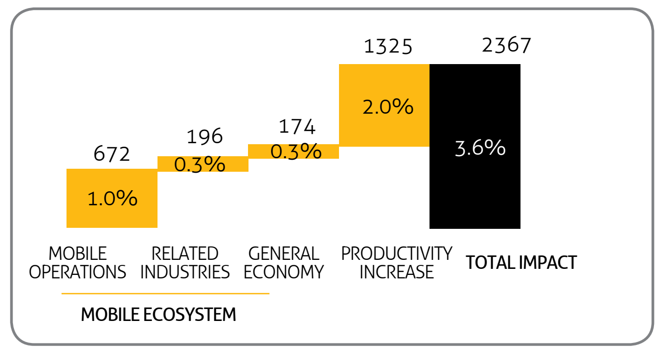
The mobile industry (both directly and indirectly) contributed around 3.6% of global gross domestic product (GDP) in 2013, equivalent to over US$ 2.4 trillion, and is expected to increase to 5.1% of global GDP by 2020. There are 10.5 million jobs supported directly by the mobile ecosystem across the world; while the mobile ecosystem contributed over US$ 336 billion in public funding in 2013 even before considering regulatory and spectrum fees.

Global Mobile Connections (m, excluding M2M)



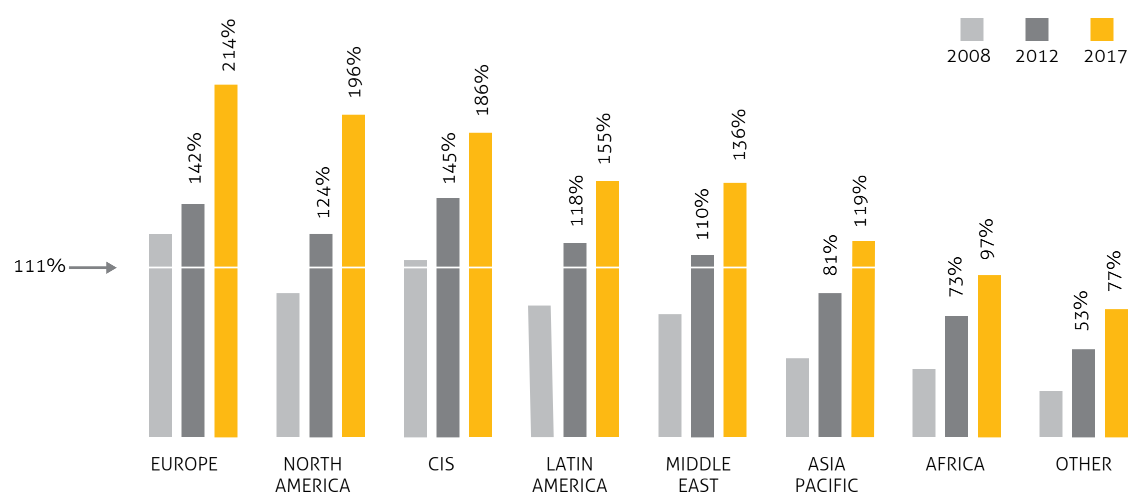
11.3%	4.2%
CAGR 2008-2013	CAGR 2013-2017

Total mobile industry contribution to global GDP (2013 GDP impact (US$ Bn))



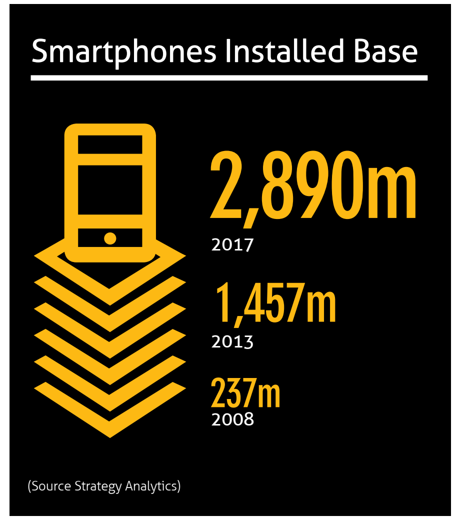
SIM penetration: Global SIM penetration stood at 95% and the figure was already over 124% on average in developed markets. However there was a slowdown in the growth rate of connections across all regions of the globe, linked to slower subscriber penetration growth. SIM connections grew globally at a CAGR of 11.3% per annum in the five years since 2008, but are now forecast to grow at a rate of 4.2% per annum for the period to 2020, less than half the previous growth rate. This would take the global penetration rate by 2020 to 119%, with connection penetration passing through the 100% level before the end of 2014.

SIM Penetration by Region



SOURCE: A.T. Koarnoy, GSMA Wiroless Intelligence

Technology: According to Ericsson, around 55% of all mobile phones sold in the second quarter of 2013 were smartphones, compared to 50% in the first quarter and only 30% in 2012 as a whole. By the end of 2013, there were just under 1.5 billion smartphones in use, of which almost half were in the Asia-Pacific. Going forward, new smartphone connections will largely come from the Asia-Pacific region with just under 900 million new smartphones expected in the region in the period to 2017.



Average revenue per user: The average revenue per user (ARPU) per month stood at US$ 12.15 in the year 2013-14, which declined by 3.97% over 2012-13. Increasing penetration among some of the world's poorest countries will inevitably lead to declining ARPU.

Mobile economy in developing economies

The World Bank estimates that mobile broadband reported a higher economic impact than fixed line broadband in emerging markets; a 10% increase in mobile broadband penetration drove a 1.4% increase in GDP for low-to-middle income countries.

Market growth was driven by demand from the developing world, led by rapid mobile adoption in China and India, the world's most populous nations. There were 5.4 billion mobile subscriptions in the developing world – almost 78% of global subscriptions – compared with 5.2 billion in 2013, according to ITU. Though mobile penetration in the developing world stood at 90.2%, there was still potential for growth, particularly in Africa, which had the lowest mobile penetration worldwide at 69.3%.

The top-10 developing economic mobile markets by number of subscriptions included:

Rank	Country	Subscribers
1	China	1,246.3 million
2	India	893.3 million
3	Indonesia	285 million
4	Brazil	272.6 million
5	Russia	237.1 million
6	Nigeria	175 million
7	Vietnam	127.7 million
8	Pakistan	126.1 million
9	Bangladesh	116 million
10	Philippines	109.5 million

Source: International Telecommunication Union 2014

Average revenue per user

Though the global ARPU declined by 3.97%, the biggest decline was in Africa, where Kenya's ARPU was US$ 6.2 and Tanzania's was US$ 4.4, Uganda had an ARPU of US$ 3.5, which compared to any of the developed economies is far less.

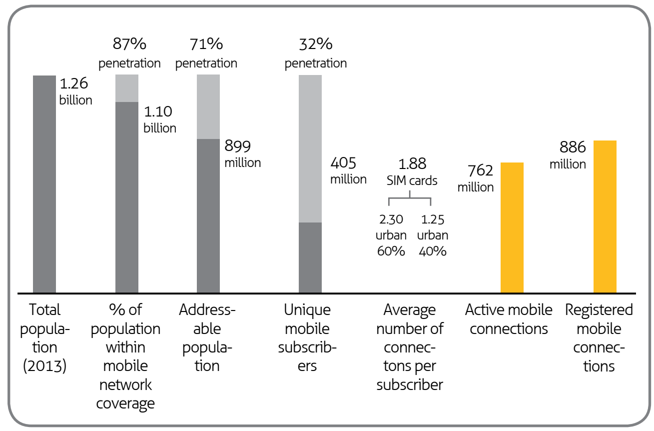
Mobile economy in the Indian economy

Mobile economy in India, the world's second largest market by subscribers, will contribute around US$400 billion to the country's GDP and create 4.1 million jobs by 2020 (Source: GSMA). Mobile telephony continued to be the industry growth driver with net addition of new subscribers at 1.15 million, taking the total wireless subscriber base to 904.51 million.

The data reported by service providers indicated that rural India began to emerge as the growth driver. Mobile services subscriber base in India's rural areas increased to 377.73 million in March 2014 from 374.96 million in February 2014. On the other hand, urban subscription declined to 555.26 million from 556.99 million during same period.

SIM penetration: India's 554.8 million unique mobile phone users use 643.4 million active SIMs, counting multiple connections being used by them on one/multiple handsets/ tablets. A study estimated that there were 773.9 million live SIMs in India.

Average revenue per user: Prepaid ARPU per month increased to ₹98 in December 2013, while postpaid ARPU per month declined to ₹456 in December 2013. Monthly ARPU for CDMA full mobility services increased by 5.48% to ₹103.60 in December 2013. ARPU for CDMA increased by 29.58% on a y-o-y basis in this quarter.



Telecom Software Products

Subex offers the Revenue Operations Centre (ROC®) solution suite for business and capex optimization, offering solutions for revenue analytics - ROC revenue assurance, ROC fraud management and ROC credit risk management; for cost analytics - ROC partner settlement, ROC route optimization and ROC cost management and for network analytics - ROC asset assurance, ROC data integrity management and ROC capacity management.

All solutions come together to help CSPs pevent fraud losses, collect all revenues, reduce defaulted payments, reduce wastful expenditure, manage inter-carrier and partner expenses and optimise capex.

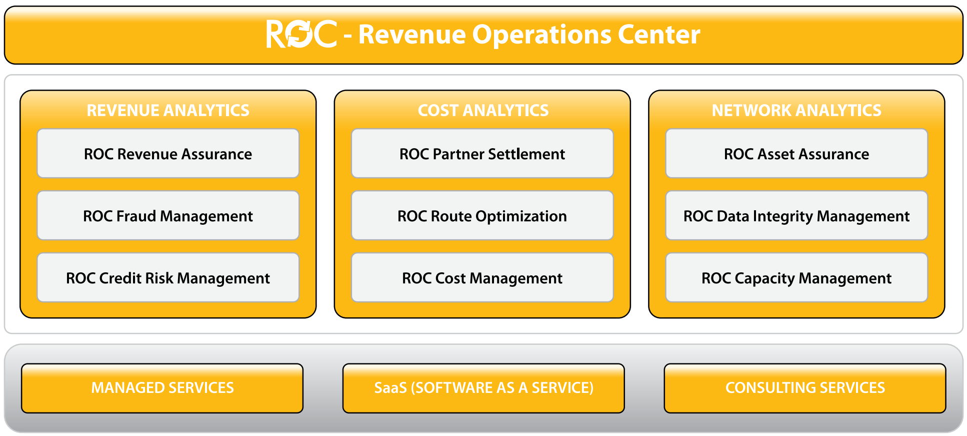
ROC enables profitable service provider growth through coordinated operational control.

For service providers that aim to optimize their operational and process infrastructure, ROC delivers business and capex optimization in the most pragmatic manner.

Functions of ROC

- Creates a direct linkage between operations and profitability based on credible and timely cross-functional data correlation
- Brings together, in a synergistic manner, formally disparate assurance, audit and governance functions
- Enables an operations infrastructure that monitors and controls the entire revenue chain and identifies risks to margins and customer satisfaction
- Supports business and operational innovation programmes because of its entrenched end-to-end expertise

Subex BSS/OSS Portfolio



Revenue Analytics

ROC Revenue Assurance: ROC Revenue Assurance is the telecom industry's first revenue assurance solution that simplifies the complicated process of revenue assurance. It tackles critical challenges across the entire revenue chain with ease and offers two path breaking products which simplify and speed up the process of revenue recovery, namely RevenuePad and Zen. It helps customers in addressing revenue assurance challenges inherent to individual service verticals: wireless, fixed, cable MSPs, and MVNOs. It also helps them address revenue assurance issues across multiple functional areas such as service fulfillment, usage integrity, retail billing, interconnect/wholesale billing and content settlement. This in turn enables customers to dramatically reduce the time required to implement or extend the coverage of their revenue management system and practices.

With Subex's ROC Revenue Assurance, customers can easily reconfigure or remodel existing solutions to accommodate changing business requirements. It is designed not only to detect potential revenue loss, but also to proactively assist operators with investigation, diagnosis and revenue recovery. ROC Revenue Assurance is highly effective in both traditional circuit-switched and Next Generation packet-switched service environment and is the perfect solution for telecom revenue assurance.

Subex's revenue assurance solution detects the symptoms of leakage, prevents incidents before they reach the customer's bill, accelerate resolution times, and enable revenue assurance teams to align their successes with broader organizational goals - such as higher margins and customer satisfaction.

ROC Fraud Management: The fraud management solution by Subex, ROC Fraud Management is built to minimize instances of fraud in the telecom industry by eliminating known threats, uncovering new patterns, minimising fraud run time, augmenting internal controls and supporting continuous fraud management process improvements. Subex's telecom fraud management system 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.

The solution is characterized 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 potent case management tools. These tools provide relevant case data that are made easily accessible through a single window in a fast web-based GUI.

With Subex's comprehensive fraud management system, operators can detect fraud types in all telecom environments:

wireline (PSTN, ISP and VoIP), and wireless (2G, 2.5G, 3G); and across all services: postpaid, payment, VAS, MMS and m-commerce.

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

- Subscriber acquisitioning
- Ongoing usage
- Collections and recovery

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

Cost Analytics

ROC Partner Settlement: ROC partner settlement allows operators to quickly and accurately settle charges with their network and content partners. It helps operators improve efficiency through light touch automation, accurate billing settlement and prudent accrual provisioning. Catering to the need for visibility of each deal's impact on an operator's bottomline owing to shrinking margins, the solution provides strong coverage in all areas from order to cash. It enables operators to manage costs and revenues on interconnect and partner agreements with domestic and international operators as well as content partners on a day-to-day and hour-to-hour basis.

New types of complex agreements in areas such as IP and content-based services require new system capabilities to ensure that operators have accurate data available to assure revenues. ROC Partner Settlement's flexibility, scalability and ease of use empowers all types of service providers, fixed or mobile, national incumbent or new entrant, giving them the edge needed to prosper in today's market.

ROC Route Optimization: Telecom operators need to respond quickly to the abrupt and volatile changes in service provider rates in order to remain competitive. Subex's ROC Route Optimization solution caters to this need, allowing subscribers to benefit from cost-competitive yet high quality service. The solution delivers value through the following capabilities:

- Analyzes various service parameters such as cost, traffic forecast, network capacity and quality
- Uses analysis output to streamline service providers' routing process
- Establishes competitive sales rates for services
- Executes the automated routing management system to establish automatic switch connection and generate Man-machine language commands for switch update

These capabilities round up our comprehensive route optimization solution, helping operators derive the best breakouts and cost routes. Our processes also enable communication service providers to establish focused efficiency-increasing task automation, thereby reducing data redundancies.

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 easy to understand format through dashboards & reports. It enhances margins by optimizing leased circuit costs, reducing interconnect costs, assuring access costs and by automating invoice verification process.

Network Analytics

ROC Asset Assurance: ROC Asset Assurance helps operators in managing and reducing network capex. It provides an operator a holistic view into current assets, consumption and placement of the assets, with subsequent recommendations on what, where, when, and why to spend capex. The components within ROC Asset Assurance solution are asset analytics, data integrity management, capacity analytics and network intelligence. All of these help operators to manage telecommunications network assets across all dimensions of the asset life cycle, providing complex analytics that are not only descriptive (current states, trending, among others), but also predictive. This facilitates accurate prediction of asset exhaustion, procurement triggers, necessary asset warehouse levels, retirement strategies and growth rates on sparing levels.

A complete asset life cycle management program encompasses the continual monitoring and management of life cycles associated with the assets. The overall network asset life cycle is pictured below:

ROC Data Integrity Management: Subex has been the pioneer in data integrity management, with over a decade of experience with the world's leading service providers. ROC Data Integrity Management is an 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. The solution 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.

ROC Capacity Management: Subex's capacity management solution enables CSPs to prevent an availability or performance impact on business critical applications due to capacity-related issues. It provides the critical link between discovering the network 'as-is' and presenting the data in a normalized and appropriate format. It further engages analytics functions to provide actionable intelligence and also predict scenarios and their impact on network capacity which would help CSPs to plan capacity investments accordingly. It provides a holistic view of capacity through which it helps CSPs see threshold violations on key links and resolve capacity-based issues.

Managed Services: In an era of intensifying competition, demanding customers, shrinking margins and near-flat toplines, it is imperative to manage Business Support Systems (BSS) effectively. Understanding this, Subex offers a flexible and scalable Managed Services program that enables Communication Service Providers (CSP) to successfully meet the ever changing business, technology and customer requirements. Subex Managed Services program is designed to add both strategic and tactical value to CSP's operations and enable better customer experience while also enhancing their operational efficiency, service agility and profitability. Experts from Subex are helping service providers around the world improve their BSS/OSS operations significantly, not just in the long term, but also on a day-to-day basis. We complement existing operations just as much as transform their business.

ROC Cloud: Small and medium telcos have business support system (B/OSS) needs very different from those of larger telcos. In the same vein, most B/OSS products are developed to address the needs of large telcos. They are loaded with a host of standard features, not all of which are relevant to smaller organizations, and necessitate a substantial investment in licenses and resources. Quite naturally, it is difficult to justify this investment in most small and medium organizations. Subex is recognized as the leader in the business optimization space and has pioneered the concept of the ROC – the Revenue Operations Center – to enable profitable growth through coordinated operational control. The same ROC is delivered as a service to suit the needs of small and medium telcos in the form of ROCcloud.

Customer Base

Subex addresses more than 300 installations across 70 countries. This includes 33 of the world's 50 biggest telecommunications service providers worldwide. A partial list of customers is given below:

APAC–Aircel, Airtel, Bakrie Telecom, CAT, Celcom, Dtac, Etisalat, Hutchison Telecom, Idea, Indosat, Maxis, MTNL, Reliance Communications, Starhub, TelBru, Telkom Indonesia, Telstra, TM, True, TATA, Vodafone

Americas–Americatel, America Movil, Bell Canada, Centennial, Cincinnati Bell Wireless, Claro, Comcast, Cricket, Etecsa, Frontier, GVT, Glo, Hawaiian Telcom, Grupo ICE, Level 3, Porta, Sprint, Telesur, Telefonica, Telmex, Telus, T Mobile, One, Verizon

EMEA- Airtel, AlbTelecom, Atalntique Telecom, Avea, Azercell, Bezeq International, BTC, BT, Cable & Wireless, Cell C, Colt, Coolwave, Cora, Cyta, Du, Eagle, Econet, ecoop, 8-el, emt, Finnet, Goecell, Hot Mobile, iKatel, Interoute, Kcell, Lebara, Mascom, Matrix, Melita, Mirs, Mobinil, Moldcell, Mcel, MTN, Ncell, Nedjma, O2, One, Orange, Orascom, Ooredoo, Qicomm, Romtelecom, Roshan, Sabafon, Skanova, Starcomms, STC Kuwait, Swisscom, Syriatel, Tcell, Telecom Egypt, Telekom Slovenije, Telenor, Telfort, TeliaSonera, TEO, Totem, TP, Turk Telecom, UPC, Vodafone, Warid, Wavecrest, Zain, Zong and Zon

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

Recognizing the strategic imperative of outsourcing in today's environment, Subex offers a flexible and scalable Managed Services program that enables service providers to successfully meet the ever changing business, technology and customer requirements. Subex's Managed Services offering is designed to offer true competitive advantage by focusing on strategic, operational and cost benefits that address service providers' current and future challenges and risks.

Subex understands that no two operators' requirements are similar and hence offers the flexibility to pick and choose services based on scope of operations, domains and on-site support type.

Traditional License Model: Typically, this is the model with highest level of CSP involvement. Here, the CSP hosts the application, owns the hardware and operates the software while Subex takes onus of the development, deployment, support and maintenance of the product.

Service Bureau/Hosted Model: In this model, Subex takes responsibility of hosting the application, and hardware along with the development, deployment support and maintenance.

End-to-End Managed Services:

This model is perfect for most operators in today's market as it results in the highest performance with the lowest Opex and Capex

Subex Managed Services

SMART services leveraging proven technology

- Products, Domain and Operations Expertise
- 30+ Managed Service Programs, over 20 billion CDRs processed monthly, applications running on over 100 servers
- Regular industry forum thought leadership engagements

- Industry pioneering Revenue Operations Center (ROC) platform
- Over 300 ROC implementations at 200+ service providers
- Automated workflows, future proof roadmap

SM Subex Managed

A Accountable

R ROC-Enabled

T Tailored

services leveraging proven technology

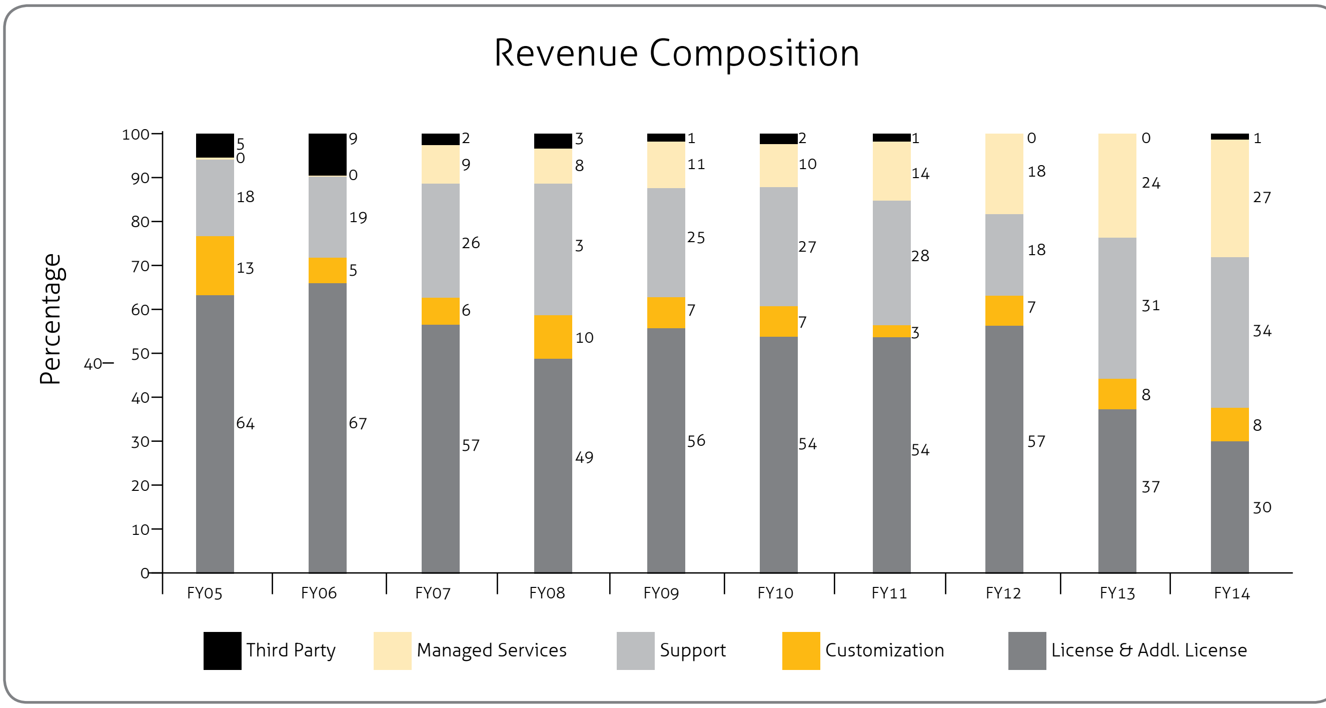
- Stringent SLAs, innovative Risk-Reward Share Model
- Robust processes and methodologies
- Assured migration up the maturity model

- Flexible, bespoke service based on scope of operations, BSS/OSS domains and stage of evolution
- More choice based on your requirements and budget

On-demand, Software-as-a-Service (SaaS) – ROC Cloud

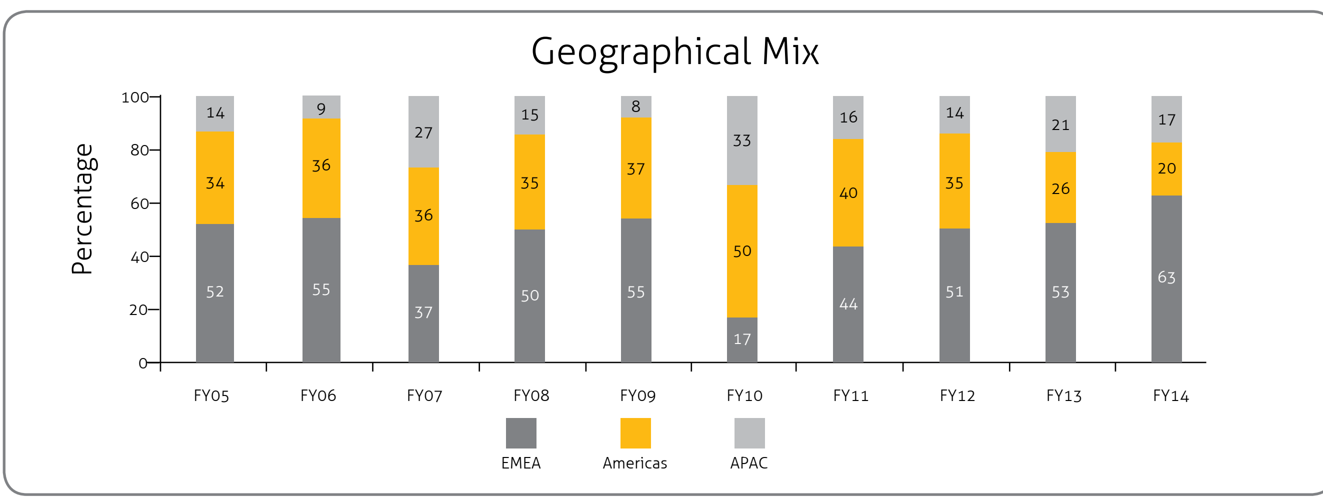
Small and medium telcos have Business Support System (BSS) needs that are very different from those of larger telcos. In the same vein, most BSS products are developed to address the needs of large telcos. They are loaded with a host of standard features, not all of which are relevant to smaller organizations and necessitate a substantial investment in licenses and resources. Quite naturally, it is difficult to justify this investment in most small and medium organizations.

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



Geographical Mix

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



Risks and concerns

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

The business model of communications service providers is highly dependent 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.

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.

Intellectual Property

The telecom software industry is characterized to a large extent by its reliance on proprietary technology. The Company and its subsidiaries own or have licenses to use the technologies embedded in its products. The Company depends on a combination of technical innovations, copyrights, trade secrets and non-disclosure agreements for the protection of this technology. The Company and its subsidiaries also maintain patent and trademarks, and patent and trademark applications, as it deems appropriate. The Company and its subsidiaries also have copyrights vested in their software products and related materials. However, as is common industry practice, the Company has not generally pursued registrations of its copyrights.

There can, however, be no assurance that the Company's claims to any intellectual property rights will successfully protect what it considers to be the Company's intellectual property from third-party use in any or all of the jurisdictions in which it does business, either now or in the future. To the extent that the Company's innovations and products are not protected by patents, copyrights or other intellectual property rights, third parties (including competitors) may be able to make use of the Company's know-how.

In addition, legal protection of the Company's intellectual property rights in one country will not necessarily provide protection in other countries. The laws of many countries do not protect intellectual property rights to as great an extent as those of many western countries. Effective protection of the Company's intellectual property rights may be unavailable or limited in certain countries. For example, many countries, particularly certain developing countries, do not favour the aggressive enforcement of trademarks, patents and other measures to protect intellectual property. Limited intellectual property rights make piracy and misappropriation, which are endemic to the software industry, more difficult to prevent. Moreover, even when the Company has adequate intellectual property rights to stop an infringer, it may lack the resources to detect all infringements, to trace the source of the infringement or to enforce its rights against the infringer.

Much of the Company's technology and many of the Company's processes, depend upon the knowledge, experience and skills of the Company's personnel. To protect rights to the Company's know-how and technology, the Company generally requires all employees and advisors to enter into confidentiality agreements that prohibit the disclosure of confidential information. These agreements also require disclosure and assignment to the Company of ideas, developments, discoveries and inventions. These agreements may not effectively prevent disclosure of the Company's confidential information, provide meaningful protection for the Company's confidential information or assign to the Company all such intellectual property rights. The enforceability of these agreements also varies from jurisdiction to jurisdiction, and it is difficult to police disclosures by persons who leave the Company's employment. Should any of these possibilities occur, it may have a material adverse effect on the Company's business, financial condition and results of operations.

Infringement

The Company and its subsidiaries have not received any notification of an alleged infringement of any other party's proprietary technology. However, the Company and its subsidiaries may in the future face claims of infringing the intellectual property rights of others or that their customers are infringing such third party intellectual property rights through use of the Company's products. If any of the Company's products are found to infringe the patents or other intellectual property rights of others, or if the Company settles a claim in a manner adverse to it, the Company's development, manufacture and sale of such products could be severely restricted or prohibited. Intellectual property litigation can involve complex factual and legal questions and its outcome is uncertain. Any claim relating to infringement of intellectual property rights may require it to pay substantial damages and seek licences to continue to use such intellectual property, which licences may not be available on commercially acceptable terms or at all. Even if the Company were to be successful, any intellectual property litigation could be costly and time-consuming, and would divert the attention of management and key personnel from the Company's business operations. As a result of any intellectual property infringement suit brought against the Company or its customers, the Company may be forced to stop or delay developing, manufacturing or selling products that are claimed to infringe a third party's intellectual property rights.

Furthermore, the Company is required to indemnify its customers against third-party claims of infringement of intellectual property arising out of the Company's customers' use of its products and services. Typically, the Company's liability for such indemnification is not limited by limitation of liability provision in customer contracts.

Further, the Company is often in possession of proprietary information of its customers. There is a risk that such information may be wrongly used or disclosed or may be misappropriated by employees of the Company resulting, among other things, in a breach by the Company of contractual obligations to its customers.

Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

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 through Managed Services model.

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.

Environmental Matters

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

Foreign Exchange

Subex has substantial exposure to foreign exchange related risks on account of revenue from export of software and outstanding liabilities. There is a natural hedge to the extent of expense incurred in same currency. Despite this, particularly given the volatility in the foreign exchange market, there could be significant variations.

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.

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.

Debt Obligations

As on March 31, 2014, the Company had outstanding FCCBs aggregating to US$ 1,000,000 under its US$ 180,000,000 2% Coupon Convertible Unsecured Bonds **("FCCBs I")** and US$ 1,400,000 under its US$ 98,700,000 5% Convertible Unsecured Bonds **("FCCBs II")**. In July 2012, pursuant to the exchange offer of FCCBs I and FCCBs II, the Company issued US$ 127,721,000 5.70% Secured Convertible Bonds with a maturity period due July 2017 **("FCCBs III")**. Principal amount of US$ 36,321,000 were mandatorily converted and US$ 3,250,000 out of FCCB III were subsequently converted into equity shares. Pursuant to the mandatory and subsequent conversions US$ 88,150,000 is currently outstanding under FCCBs III.

The maturity period of the un-exchanged FCCBs I worth US$ 1,000,000 and the un-exchanged FCCBs II worth US$ 1,400,000 was extended to March 2017.

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.

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.

Discussion on financial performance with respect to operational performance

Key Financials and Ratio Analysis

Amount in ₹ Lakhs

Financial Highlights / Year ending 31st March	2014		2013		2012	
	Consolidated	Stand-Alone	Consolidated	Stand-Alone	Consolidated	Stand-Alone
Total income:	34,449.28	29,669.48	33,147.10	26,677.95	48,878.97	33,902.66
– (Continuing Operations)	34,449.28	–	30,823.24	–	44,043.24	–
– (Discontinuing Operations)	–	–	2,323.86	–	4,835.73	–
Operating Profits (EBITDA) before Exceptional items:	6,999.26	4,680.87	4,024.92	3,338.21	14,063.28	9,700.20
– (Continuing Operations)	7,215.96	–	4,623.45	–	13,960.19	–
– (Discontinuing Operations)	(216.70)	–	(598.53)	–	103.09	–
Depreciation & Amortization	248.34	161.31	426.77	225.92	779.60	364.90
– (Continuing Operations)	244.18	–	420.51	–	772.62	–
– (Discontinuing Operations)	4.16	–	6.26	–	6.98	–
Profit/(Loss) before tax & after Exceptional items:	(216.45)	(1,309.27)	(5,608.47)	(3,456.42)	3,519.07	203.65
– (Continuing Operations)	262.26	–	(4,005.10)	–	3,475.01	–
– (Discontinuing Operations)	(478.71)	–	(1,603.37)	–	44.06	–
Profit/(Loss) after tax & Exceptional items:	(1161.27)	(2,952.88)	(5994.71)	(3,456.42)	3,184.10	239.70
– (Continuing Operations)	(674.12)	–	(4,391.34)	–	3,134.80	–
– (Discontinuing Operations)	(487.15)	–	(1,603.37)	–	49.30	–
Equity Dividend %	NIL	NIL	Nil	Nil	Nil	Nil
Share Capital	16,664.00	16,664.00	16,664.00	16,664.00	6,931.08	6,931.08
Reserves & Surplus	697.90	10,719.72	5,835.68	16,870.39	7,172.35	14,015.80
Net Worth	17,361.90	27,383.72	22,499.68	33,534.39	14,103.43	20,946.88
Gross fixed Assets	9,625.76	7,166.04	10,279.57	7,096.86	10,447.13	7,370.52
Net Fixed Assets	597.83	316.50	466.74	333.05	772.80	474.80
Total Assets	109,433.04	155,904.29	1,08,797.37	1,47,548.90	1,09,609.37	1,45,873.05
Key Indicators						
Earning per Share (Year end)	(0.70)	(1.77)	(4.40)	(2.54)	4.59	0.35
Cash Earning per Share (Year end)	3.65	2.20	(1.04)	(1.44)	7.50	3.73
Book value per Share	10.42	16.43	13.50	20.12	20.35	30.22
Debt (including Working capital) Equity Ratio	4.39	2.52	3.25	1.96	4.27	2.80
EBITDA / Sales - %	20.31%	15.94%	12.18%	12.57%	29.43%	29.48%
Net Profit Margin - %	(3.41%)	(10.06%)	(18.13%)	(13.02%)	6.66%	0.73%
Return on year end Net Worth %	(6.69%)	(10.78%)	(26.64%)	(10.31%)	22.58%	1.14%
Return on year end Capital Employed %	(1.24%)	(3.06%)	(6.27%)	(3.48%)	4.29%	0.30%

Commentary on financial statements

1. Share Capital

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

- 1,15,000 shares of ₹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.
- 46,26,940 Shares of ₹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 ₹10/- each to the erstwhile owners of M/s. IVth Generation Inc., towards part consideration of the cost of acquisition of that Company at ₹1,023/- per share during 1999-2000.
- 1,08,78,784 Shares of ₹10/- each to all eligible shareholders as on January 6, 2006 in the ratio of 1:1 by capitalizing the securities premium.
- 11,09,878 Shares of ₹10/- each to the GDR holders as on April 7, 2006 at ₹400/-.
- 1,17,28,728 Shares of ₹10/- each to the GDR holders as on June 22, 2006 towards consideration of the cost of acquisition of Azure Solutions Ltd at ₹532.24 per share

1.1 During 2006-07 the Company issued 2,19,551 (including Bonus shares, wherever options are eligible) shares of ₹10/- each to various Employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

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

1.3 During 2009-10, the Company issued 1,203 equity shares of ₹10/- each under its ESOP III scheme and 1,210 equity shares of ₹10/- each under its ESOP II scheme to various Employees on exercise of Stock Options.

1.4 During 2009-10, the Company issued 40,00,000 equity shares of ₹10/- each, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/ Promoter group, at ₹80/- per share.

1.5 During 2009-10, the Company issued 1,91,33,637 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US$ 31,900,000 out of its US$ 98,700,000 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

1.6 During 2010-11, the Company issued 41,24,254 equity shares of ₹10/- each, on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at ₹81/- per share.

1.7 During 2010-11, the Company issued 71,97,607 equity shares allotted upon conversion of FCCBs aggregating to principal amount of US$ 12,000,000 out of its US$ 98,700,000 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof.

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

1.9 During 2011-12, the Company issued 747 equity shares of ₹10/- each under its ESOP III scheme to various Employees upon exercise of Stock Options.

1.10 There are no calls in arrears.

1.11 During 2012-13, the Company issued 9,73,29,190 equity shares allotted upon conversion of FCCBs to principal amount of US$ 39,571,000, out of its US$ 127,721,000 5.70% Secured Convertible Bonds, in accordance with the terms and conditions thereof.

2. Reserves And Surplus

2.1 Capital Reserve of ₹130 Lakhs was created by credit of the notional premium on 12,840 equity shares of ₹10/- each valued at a price of ₹1,023/- per share and issued to the owners of IVth Generation Inc, USA as part consideration for the transfer of their shareholding to Subex Systems Ltd.

2.2 During the year 2010-11, additions to capital reserve due to reversal of accrued interest on conversion of FCCBs into equity shares amounted to ₹1,598.9 Lakhs, reductions due to transfer to Business restructuring reserve amount to ₹400 Lakhs and deferred interest on restructured FCCBs amounted to ₹1,222.7 Lakhs.

2.3 During the year 2011-12, the balance in capital reserve of ₹346.70 Lakhs was transferred to Business restructuring reserve.

2.4 During the year 2012-13, the balance of Foreign Currency Translation Reserve of ₹2,765.65 Lakhs has been included in the Reserves and Surplus to bring it in line with Revised Schedule VI.

2.5 During the year 2013-14, the balance of Foreign Currency Translation Reserve of ₹5,801.74 Lakhs has been included in the Reserves and Surplus to bring it in line with Revised Schedule VI.

2.6 Securities Premium Account represents the premium collected on:

- 9,71,000 equity shares issued at a premium of ₹65/- per share through an Initial Public Offer in 1999-2000.
- 3,30,800 equity shares issued at a premium of ₹740/- per share to Mutual Funds and Bodies Corporate on a preferential basis during 1999-2000.
- 18,87,000 equity shares issued at a premium of ₹88/- per share to holders of ROCCPS on conversion of preferential shares at ₹98/- each, namely Intel Capital, Toronto Dominion Bank and UTI Venture Funds.
- 15,38,459 equity shares issued at a premium of ₹290/- per share to holders of FCCBs on conversion of the bonds at a price of ₹300/- per share.
- 11,09,878 equity shares issued at a premium of ₹390/- per share to holders of GDR at a price of ₹400/-.
- 1,17,28,728 equity shares issued at a premium of ₹522.24 per share to holders of GDR at price of ₹532.24
- 2,58,353 (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.
- 2,63,31,244 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of USD 43.9 Million, out of its USD 98.7 Million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof
- 40,00,000 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 ₹80 per share including a premium of ₹70 per share
- 41,24,254 equity shares of ₹10/- each, allotted on a preferential basis, to M/s KBC Aldini Capital Mauritius Limited, at an issue price of ₹81 per share including a premium of ₹71 per share
- 747 shares of ₹10/- each were allotted to the employees under ESOP III scheme as per the provisions of the scheme at various premiums.

2.7 Business Restructuring Reserve

- During the year 2009-10, ₹50,000 Lakhs and ₹17,000 Lakhs were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, ₹64,997.90 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2010 is ₹2,002.10 Lakhs on consolidated basis.
- During the year 2010-11, ₹17,000 Lakhs and ₹400 Lakhs were transferred to Business Restructuring Reserve from securities premium and capital reserve respectively. Out of the said amount, ₹18,303.70 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2011 is ₹1,098.40 Lakhs on consolidated basis.
- During the year 2011-12, ₹346.70 Lakhs were transferred from Capital Reserve and ₹854.30 Lakhs un-utilized provisions were transferred back to Business Restructuring Reserve. Out of the said amount, ₹629.20 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2012 is ₹1,670.20 Lakhs on consolidated basis.
- During 2012-13, ₹271.10 Lakhs were transferred to Securities premium Account. Out of the said amount, ₹1,318.48 Lakhs were utilized and consequently, the balance in Business Restructuring Reserve as of March 31, 2013 is ₹80.63 Lakhs on consolidated basis.
- During 2013-14, ₹80.63 Lakhs was utilized from BRR for making provisions for doubtful debts. The balance in Business Restructuring Reserve as of March 31, 2014 is Nil on consolidated basis.

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, 2014 amounts to ₹96.29 Lakhs (Previous Year: ₹123.78 Lakhs).

4. Short Term Borrowings

On consolidated basis, the Short term borrowings of ₹16,015.60 Lakhs (Previous Year: ₹19,387.91 Lakhs) outstanding in the books as at March 31, 2014 consists of ₹14,817.30 Lakhs from banks secured by the charge on Fixed/Current Assets and personnel guarantee of the director of the Company apart from the corporate guarantee in which the director is interested. as well as guarantee of Subex Technologies Ltd.

On Standalone basis, the Short term borrowings of ₹14,817.30 Lakhs (Previous Year: ₹16,550.46 Lakhs) outstanding in the books as at March 31, 2014, ₹14,817.30 Lakhs from Banks secured by the charge on Fixed/Current Assets and personnel guarantee of the director of the Company apart from the corporate guarantee in which the director is interested as well as guarantee of Subex Technologies Ltd.

5. Long Term Borrowings (including current provisions)

On a consolidated basis and standalone basis
Current maturities of long term debt as at March 31, 2014 consists of:

a. ₹599.15 Lakhs (Previous Year: ₹542.81 Lakhs) 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, 2017 as a result of re-structure (the same was considered as current portion in previous year). 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 Other Long Term Liabilities.

b. ₹838.81 Lakhs (Previous Year: ₹759.99 Lakhs) 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, 2017. 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 Other Long Term Liabilities.

c. ₹52,815.07 Lakhs (Previous Year: ₹47,852.27 Lakhs) relating to Foreign Currency Convertible Bonds issued in fiscal 2012-13 as a result of restructuring existing bonds mentioned in (a),((b) above. The bonds carry interest of 5.70% per annum and are redeemable by July 7, 2017. 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 Other Long Term Liabilities.

6. Fixed Assets

During the year, the Company added ₹368.00 Lakhs on consolidated basis and ₹147.05 Lakhs 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 ₹597.83 Lakhs (Previous year ₹466.74 Lakhs) on consolidated basis and ₹316.50 lakh (Previous year ₹333.05 lakh) on standalone basis.

7. Investments

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 Ltd, a wholly owned subsidiary of Subex Ltd under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company has transferred the Services business to Subex Technologies Ltd with effect from September 1, 2007 (appointed date) at an aggregate consideration of ₹31,00,00,000. In accordance with the order of the Hon'ble High Court, the Company shall receive 30,00,000 shares of Subex Technologies Ltd valued at ₹3,00,00,000 in settlement of the consideration with the balance ₹28,00,00,000 being treated as unsecured loan taken by the subsidiary from the Company.

7.1 On June 23, 2006, the Company acquired the entire share holding of Azure Solutions Ltd, UK. The consideration was discharged by issue of 1,17,28,728 GDRs each representing one equity share of ₹10/- at a premium of ₹522.24 per share and cash of ₹2,145.70 Lakh.

7.2 During the year 2007-08, the Company completed the acquisition of Syndesis Ltd, Canada, a company engaged in Service Assurance and fulfillment space in the Telecom service industry. Pursuant to the acquisition, Syndesis Limited has been renamed as Subex Americas Inc.

7.3 During the year 2009-10, the Company recognized an amount of ₹50,000 Lakh as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2010 is ₹27,495.70 Lakh.

7.4 During the year 2010-11, the Company recognized an amount of ₹15,000 Lakh as diminution in carrying value of investments in Subex Americas Inc. Consequently, the investment carrying value as of March 31, 2011 is ₹12,495.70 Lakh.

7.5 During the year 2010-11, the Company recognized an amount of ₹400 lakh as diminution in carrying value of investments in Subex Technologies Ltd. Consequently, the investment carrying value as of March 31, 2011 is Nil.

8. Trade Receivables

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.

8.1 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

8.2 Sundry Debtors as a percentage of total revenue is 29.19% as against 22.18% in the previous year, on a consolidated basis.

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

Amount in ₹ Lakhs

Period in days	March 31, 2014		March 31, 2013	
	Value	%	Value	%
Less than 180 days	9,011.40	89.60	7,230.84	98.60
More than 180 days	1,046.20	10.40	102.00	1.40
Total	**10,057.60**	**100.00**	**7,332.84**	**100.00**

The age profile on standalone basis is as given below:

Amount in ₹ Lakhs

Period in days	March 31, 2014		March 31, 2013	
	Value	%	Value	%
Less than 180 days	56,300.48	78.73	51,708.28	82.94
More than 180 days	15,210.23	21.27	10,633.30	17.06
Total	**71,510.71**	**100.00**	**62,341.58**	**100.00**

8.4 The management believes that the overall composition and condition of sundry debtors is satisfactory post assessment of doubtful receivables. The provision for doubtful debts stands at ₹4,770.44 Lakhs (Previous Year ₹4,727.80Lakhs) on consolidated basis and ₹6,085.65 Lakhs (Previous Year ₹3,886.90 Lakhs) on standalone basis.

9. Cash and Cash Equivalents

The bank balances includes both rupee accounts and foreign currency accounts. The Margin Money deposit of ₹45.45 Lakhs (Previous Year: ₹296.36 Lakhs) on Standalone basis and ₹485.42 Lakhs (Previous Year: ₹627.91 Lakhs) on consolidated basis with the bankers is for establishing bank guarantee.

10. Long-terms Loans and Advances

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

10.2 Advance Taxes comprise of Advance Income taxes, net of provision for taxation represents payments made towards tax liability pending assessment and refunds due. MAT credit entitlement represents the net available credit of the Minimum Alternate tax for future years.

10.3 Loans due from Group Companies (Standalone basis)

Amount in ₹ Lakhs

Particulars	2013-14	2012-13
Subex Americas Inc	1,838.22	1,706.70
Subex Technologies Ltd	1,705.67	1,705.70

11. Statement of Profit & Loss

11.1 Income

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

Amount in ₹ Lakhs

Particulars	2013-14		2012-13	
	Value	%	Value	%
Software Products	34,005.16	100.00	30,734.27	92.97
Software Services	-	-	2,323.68	7.03
Total	**34,005.16**	**100.00**	**33,057.95**	**100.00**

11.2 Geographically, the Company earns income from export of software products and related services to USA, EMEA & Asia Pacific region.

12. Other Income

Other income consists of income derived by the Company from Interest on income tax refund, interest on deposits from banks, interest on Inter Company Loans.

13. Expenditure

The employee benefits expenses decreased to ₹17,929.30 Lakhs (Previous year: ₹20,669.02 Lakhs) on consolidated basis and increased to ₹6,559.83 Lakhs (Previous year: ₹6,532.02 Lakhs) on standalone basis.

The Company incurred administration and other expenses excluding employee benefit expenses at 24.87% of its total Income during the year as compared to 23.04% during the previous year on consolidated basis and 60.80% of its total income during the year as compared to 62.09% during the previous year on a standalone basis.

14. Operating Profits

During the year, on consolidated basis, the Company earned an Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of ₹6,999.26 Lakhs being 20.32% of total income as against ₹4,024.92 Lakhs at 12.14% during the previous year. On a standalone basis, the Company earned Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of ₹4,680.87 Lakhs being 15.78% of total income as against ₹3,338.21 Lakhs at 12.51% during the previous year.

15. Interest & Bank Charges

The Company incurred an expenditure of ₹6,747.76 Lakhs (Previous year: ₹5,210.00 Lakhs) on consolidated basis and ₹5,828.83 Lakhs (Previous year: ₹4,905.15 Lakhs) on standalone basis. The interest paid/accrued is related to working capital loan including interest on FCCBs amounting to ₹3,422.30 Lakhs (Previous Year: ₹2,212.06 Lakhs).

16. Depreciation

16.1 The provision for depreciation for the year amounted to ₹248.34 Lakhs (Previous year: ₹426.77 Lakhs) on consolidated basis and ₹161.31 Lakhs (Previous year: ₹225.92 Lakhs) on standalone basis.

16.2 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. The asset has been fully depreciated.

17. 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.

18. Net Profit

On consolidated basis, the net profit of the Company amounted to loss of ₹1,161.27 Lakhs, as against a loss of ₹5,994.71 Lakhs during the previous year. On standalone basis, the net profit of the Company amounted to loss of ₹2,952.88 Lakhs as against a loss of ₹3,456.42 Lakhs during the previous year.

19. Earnings per Share

Basic Earnings/(Loss) per share computed on the basis of number of common stock outstanding, as on the Balance Sheet date is of ₹(0.70) per share (Previous year: ₹(4.40) per share) on consolidated basis and loss of ₹(1.77) per share (Previous year: ₹(2.54) per share) on standalone basis.

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, Singapore, Dubai and Denver. As of March 31, 2014, we had 862 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., which are already entrenched in the Subex way of adding talent to our team, the focus this year was on optimizing the overall recruitment cost by adopting innovative recruitment approaches.

The main sources for hires were referrals from Subexians (the best bring the best!), campus recruitments, 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 that your Company has set, in the previous year, of adding the capability of doing "just-in-time" recruitment for the managed services part of the business, has yielded results and this helped a lot on mobilizing Managed Service projects within the permissible time, without having to carry a large bench strength.

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.

As happened in the previous years, for the new engineering recruits that we welcomed into Subex this year, we had a packed agenda spanning across 3 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 taking Subex Academy to the next level and improving the efficiency of skill and knowledge development. Subex Academy is a global Learning and Development Platform (supporting instructor led training, on the job learning, as well as e-learning) that 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 added 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 and skill development!

Performance Management System

Foundation Competencies are the basic Values based competencies required by all in Subex. Excel competencies are those that are required to do the 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.

Your Company focuses a lot on Employee reward and recognition programme, as this is another important motivational aspect. We have achieved 30% penetration with our Reward and Recognition Programme "STAR". In other words 30% of Subexians were included in STAR, the Reward and Recognition programme, which carries monetary benefits.

INDEPENDENT AUDITORS' REPORT

TO
THE MEMBERS OF SUBEX LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SUBEX LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March , 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;

(b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and

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

Emphasis of Matter

(a) We draw attention to Note 25 to the financial statements, 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 in prior years, debited Rs. 80.62 Lakhs to the Business Restructuring Reserve, instead of recording the same as expense for the year ended 31st March, 2014, in the Statement of Profit and Loss, as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.

(b) We draw attention to Note 38.9 regarding the management's assessment that the amounts recoverable from one of its subsidiaries are good and that there is no diminution, other than temporary, in the carrying value of its investment in the said subsidiary and hence no provision has been made at this stage for the reasons stated therein.

Our opinion is not qualified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
   (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
   (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1) (g) of the Act.

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

Monisha Parikh
Partner
(Membership No. 47840)

Mumbai
May 29, 2014

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

1. Having regard to the nature of the Company's business/ activities/results during the year, clauses vi, viii, xii, xiii, xiv, xix and xx of paragraph 4 of the Order are not applicable to the Company.
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) The fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
   (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
3. In respect of its inventories:
   (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. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased 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 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. To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.

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

8. 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, Customs 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, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 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 31st March, 2014 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 in Lakhs
Income Tax Act, 1961	Income tax (Incl. Interest)	Hon. High Court of Karnataka	2002-05	162.02
			2008-09	1.25
			2009-10	1,216.11

9. The Company does not have accumulated losses at the end of the financial year and the Company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

10. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.

11. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, *prima facie*, prejudicial to the interests of the Company.

12. According to the information and explanations given to us, the Company has not taken any term loans during the year.

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

14. During the year 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.

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

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

Monisha Parikh
Partner
(Membership No. 47840)

MUMBAI
May 29, 2014

BALANCE SHEET

₹ In Lakhs

			NOTE NO.	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
A	**EQUITY AND LIABILITIES**				
	1	SHAREHOLDERS' FUNDS			
		(a) Share Capital	3	16,664.00	16,664.00
		(b) Reserves and Surplus	4	10,719.72	16,870.39
		SUB TOTAL - SHAREHOLDERS' FUNDS		**27,383.72**	**33,534.39**
	2	NON - CURRENT LIABILITIES			
		(a) Long-term Borrowings	5	54,253.03	49,155.07
		(b) Other Long-term Liabilities	6	5,074.64	533.30
		(c) Long-term Provisions	7	601.67	500.61
		SUB TOTAL - NON CURRENT LIABILITIES		**59,929.34**	**50,188.98**
	3	CURRENT LIABILITIES			
		(a) Short-term Borrowings	8	14,817.30	16,550.46
		(b) Trade Payables - Other than acceptances	38.5	51,448.00	43,060.04
		(c) Other Current Liabilities	9	2,318.30	4,171.77
		(d) Short-term Provisions	10	7.63	43.26
		SUB TOTAL - CURRENT LIABILITIES		**68,591.23**	**63,825.53**
		TOTAL		**155,904.29**	**147,548.90**
B	**ASSETS**				
	1	NON - CURRENT ASSETS			
		(a) Fixed Assets			
		i) Tangible Assets	11.A	261.24	251.26
		ii) Intangible Assets	11.B	55.26	81.79
				316.50	333.05
		(b) Non Current Investments	12	77,234.42	77,234.42
		(c) Deferred Tax Assets (net)	34	-	133.88
		(d) Long-term Loans and Advances	13	2,472.11	2,418.70
		(e) Other Non - Current Assets	14	16,793.80	12,688.50
		SUB TOTAL - NON - CURRENT ASSETS		**96,816.83**	**92,808.55**
	2	CURRENT ASSETS			
		(a) Trade Receivables	15	56,989.38	51,708.28
		(b) Cash and Bank Balances	16	86.09	387.65
		(c) Short-term Loans and Advances	17	556.88	730.39
		(d) Other Current Assets	18	1,455.11	1,914.03
		SUB TOTAL - CURRENT ASSETS		**59,087.46**	**54,740.35**
		TOTAL		**155,904.29**	**147,548.90**
Corporate Information and Significant Accounting Policies			1 & 2		
See accompanying notes forming part of the financial statements					

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

STATEMENT OF PROFIT AND LOSS

₹ *In Lakhs*

		NOTE NO.	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
1	Revenue from Operations	19	29,366.59	26,555.90
2	Other Income	20	302.89	122.05
3	**Total revenue**		**29,669.48**	**26,677.95**
4	**Expenses**			
	(a) Cost of Hardware, Software and Support Charges	38.6	389.74	243.30
	(b) Employee Benefits Expense	21	6,559.83	6,532.02
	(c) Finance Costs	22	5,828.83	4,905.15
	(d) Depreciation and Amortisation Expense	11	161.31	225.92
	(e) Other Expenses	23	18,039.04	16,564.42
	Total Expenses		**30,978.75**	**28,470.81**
5	**Profit/(Loss) before exceptional items and Tax (3 - 4)**		**(1,309.27)**	**(1,792.86)**
6	Exceptional Items	24	1,497.04	1,663.56
7	**Profit/(Loss) before Tax (5 - 6)**		**(2,806.31)**	**(3,456.42)**
8	**Tax expense**			
	(a) Current Tax Expense for current year		110.42	-
	(b) MAT credit of prior years reversed		174.13	-
	(c) Short/(excess) provision for tax relating to prior years		(271.86)	-
	(d) Deferred Tax		133.88	-
	Total Tax expense		**146.57**	**-**
9	**Profit/(Loss) for the year (7 -8)**		**(2,952.88)**	**(3,456.42)**
10	**Earnings/(Loss) Per Share (Face value of ₹10/- each)**			
	(a) Basic		(1.77)	(2.54)
	(b) Diluted		(1.77)	(2.54)
Corporate Information and Significant Accounting Policies		1 & 2		
See accompanying notes forming part of the financial statements				

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

CASH FLOW STATEMENT

₹ In Lakhs

			FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Profit / (Loss) before tax, for the year		(2,806.31)	(3,456.42)
	Adjustments for :			
	(a)	Depreciation and amortization expense	161.31	225.92
	(b)	Interest Income	(180.12)	(118.43)
	(c)	Finance costs	5,828.83	4,905.15
	(d)	(Profit)/Loss on sale / write off of assets	2.29	1.43
	(e)	Expense/(Gain) on employee stock option scheme	(27.49)	10.28
	(f)	Provision for doubtful Trade receivables and advances	2,118.13	1,741.12
	(g)	Unrealised exchange (Gain)/Loss- Others	737.27	(316.31)
	Operating profit / (loss) before working capital changes		**5,833.91**	**2,992.74**
	Changes in working capital			
	Adjustments for (increase) / decrease in operating assets			
	(a)	Trade receivables	(9,430.30)	(4,085.72)
	(b)	Short-term loans and advances	173.51	93.74
	(c)	Long-term loans and advances	(7.20)	(1.08)
	(d)	Other current assets	437.17	570.48
	(e)	Other Non-current assets	(217.27)	(343.50)
	Adjustments for increase / (decrease) in operating liabilities			
	(a)	Trade payables	7,628.78	(71.99)
	(b)	Other current liabilities	(864.69)	(1,432.44)
	(c)	Other Long-term liabilities	102.24	15.37
	(d)	Short-term provisions	(35.44)	(19.68)
	(e)	Long-term provisions	(8.99)	(31.07)
	Cash generated from / (used in) operations		**3,611.72**	**(2,313.15)**
	Net tax (paid) / refunds and others		50.96	(78.42)
	Net cash flow from / (used in) operating activities (A)		**3,662.68**	**(2,391.57)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(a)	Capital expenditure on fixed assets, including capital advances	(147.05)	(112.74)
	(b)	Proceeds from sale of fixed assets	-	20.40
	(c)	Interest received - Others	30.25	18.12
	(d)	Interest received- Subsidiaries	171.62	78.46
	(e)	Loans given to Subsidiaries	-	(103.86)
	(f)	Investment in deposits	250.91	(145.00)
	Net cash flow from / (used in) investing activities (B)		**305.73**	**(244.62)**

CASH FLOW STATEMENT

₹ *In Lakhs*

		FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	(a) Net increase/(decrease) in working capital borrowings from banks	(1,733.16)	6,647.55
	(b) Repayment of Other short-term borrowings	-	(1,000.00)
	(c) Repayment of Long-term borrowings	(0.92)	-
	(d) Dividends paid	1.61	(1.15)
	(e) Finance cost	(2,284.98)	(2,923.43)
	Net cash flow from / (used in) financing activities (C)	**(4,017.45)**	**2,722.97**
	Net increase / (decrease) in Cash and cash equivalents (A+B+C)	**(49.04)**	**86.78**
	Cash or Cash equivalents at the beginning of the year	88.37	1.59
	Cash or Cash equivalents at the end of the year	**39.33**	**88.37**
	Cash and Cash equivalents		
	Cash on hand	-	-
	Balance with Banks		
	in Current Accounts	28.91	78.93
	in EEFC accounts	10.42	9.44
	Total	**39.33**	**88.37**

Corporate Information and Significant Accounting Policies 1 & 2

Notes:

(i) See accompanying notes forming part of the financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Subex Limited, a public limited company incorporated in 1994, is a leading global provider of Operations and Business Support Systems (OSS/BSS) to communication service providers (CSPs) worldwide in the Telecom industry.

The Company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health for the CSPs 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 fulfillment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect / inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers. The Company has a development center in India and sales offices in the form of wholly owned subsidiaries/ branches in UK, USA, Singapore, Australia, Dubai and Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

I. Basis for preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable, except to the extent permitted under the Proposal approved by the Hon'ble High Court of Karnataka (Refer Note 25). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

II. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialised.

III. Revenue recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is recognized on the basis of milestones achieved, determined based on percentage of completion of work completed at each milestone 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 software licenses (including additional licenses) are recognized on transfer of such licenses.

In case of composite contracts involving granting of license and support services, license revenues are recognized on transfer of the license if identified separately and in other cases, they are recognized over the period of the contract along with revenue from support services.

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.

IV. Tangible Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other direct expenditure incurred. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

Exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till the project is ready for its intended use.

V. **Intangible Assets**

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset (Refer Note: 2.XI for accounting for R&D expenses).

VI. **Depreciation & Amortisation**

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

The rates of depreciation / amortisation adopted are as under:

Particulars	Depreciation/ Amortisation Rates (%)
Computers	25
Software	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

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

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

VII. **Employee Stock Option Plans**

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price on the day prior to the grant of the options under ESOS exceeds the exercise price of the option. In accordance with the SEBI guidelines, the intrinsic value is amortised on a straight line basis over the vesting period.

VIII. **Employee Benefits**

Employee benefits include provident fund, gratuity fund, employee state insurance, compensated absences, retention and performance linked payouts.

Defined contribution plans: The Company's contribution to provident fund and employee state insurance scheme is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans: For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, 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 reductions in future contributions to the schemes.

Short-term employee benefits: The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include retention and performance linked payouts and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits: Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

IX. **Other income**

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

X. **Leases**

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight line basis.

XI. **Research and development**

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

XII. **Foreign currency transactions**

Initial recognition

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

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 the average exchange rates prevailing during the year. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognised as income or expense in the Statement of Profit and Loss. The exchange differences on restatement / settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Foreign currency translation reserve" until disposal / recovery of the net investment.

The exchange differences arising on restatement / settlement of long term foreign currency monetary items are:

- capitalised, if related to acquisition of depreciable fixed assets, and depreciated over the remaining useful life of such assets; or
- amortised over the maturity period of such items in other cases.

The Company has adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset / liability (Refer Note 28).

Accounting for Forward contracts: Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

Accounting for Derivatives: Derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable forecast transactions, which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Forward contracts.

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

XIII. Investments

Long-term investments are stated at cost less diminution in the value of investments that is other than temporary.

XIV. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in the foreseeable future. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company and can be measured reliably.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

XV. Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

XVI. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

XVII. 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.

XVIII. Impairment of Assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

XIX. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

XX. Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the Executive Management in deciding how to allocate resources and in assessing performance.

XXI. Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 3 SHARE CAPITAL

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
AUTHORISED		
49,50,40,000 Equity Shares of ₹10/- each (Previous Year: 49,50,40,000 Equity Shares of ₹10/- each)	49,504.00	49,504.00
2,00,000 Preference Shares of ₹98/- each	196.00	196.00
Total	49,700.00	49,700.00
ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARES		
16,66,39,962 Equity Shares of ₹10/- each (Previous Year : 16,66,39,962 Equity Shares of ₹10/- each)	16,664.00	16,664.00
Total	**16,664.00**	**16,664.00**

NOTES

A Reconciliation of the number of Equity shares at the beginning and at the end of the reporting period

Particulars	Opening Balance	Fresh issue	ESOP	Conversion of FCCB	Closing Balance
Equity Shares (No. of shares)					
Year ended March 31, 2014	16,66,39,962	-	-	-	16,66,39,962
Year ended March 31, 2013	6,93,10,772	-	-	9,73,29,190	16,66,39,962

Reconciliation of the amount outstanding at the beginning and at the end of the reporting period *₹ In Lakhs*

Particulars	Opening Balance	Fresh issue	ESOP	Conversion of FCCB	Closing Balance
Equity Share Capital					
Year ended March 31, 2014	16,664.00	-	-	-	16,664.00
Year ended March 31, 2013	6,931.08	-	-	9,732.92	16,664.00

B The Company has only one class of Equity Share, having a par value of ₹10/-. The holder of equity shares is entitled to one vote per share and such amount of dividend per share as declared by the Company. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

C Details of shares held by each shareholder (together with Persons Acting in Concert[PAC]) holding more than 5% shares.

Class of shares / Name of shareholder	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	No. of shares held	% holding in that class of shares	No. of shares held	% holding in that class of shares
Equity shares				
QVT Mauritius West Fund & Quintessence Mauritius West Fund	1,33,47,888	8.01%	1,33,47,888	8.01%
Suffolk (Mauritius) Limited & Mansfield (Mauritius) Limited	1,73,72,221	10.43%	1,73,72,221	10.43%
Deutche Bank AG London -CB Account	1,08,92,721	6.54%	1,08,92,721	6.54%
Nomura Singapore Limited	1,02,34,433	6.14%	1,02,34,433	6.14%
Merill Lynch Capital Markets	1,01,92,621	6.12%	1,01,92,621	6.12%
Promoter and Promoter Group (See Note E below)	64,74,044	3.89%	84,74,044	5.09%

NOTE: 3 SHARE CAPITAL *(contd.)*

Bank of New York is the depositary of GDRs on behalf of GDR holders holding 17,99,310 shares representing 1.08% of total shareholding (Previous Year : 69,89,399 shares representing 4.23%).The company does not have details of individual GDR holders/beneficiaries to determine if anyone holds more than 5% of the beneficial interest individually in the equity shares.

D **As at March 31, 2014 21,91,55,913 shares (As at March 31, 2013, 21,95,88,093 shares) were reserved for issuance as follows:**

i) 2,975 shares (As at March 31, 2013, 4,670 shares) of ₹10/- each towards outstanding employee stock options scheme under 'ESOP 2000' granted / available for grant.

ii) 8,63,950 shares (As at March 31, 2013, 11,31,147 shares) of ₹10/- each towards outstanding employee stock options scheme under 'ESOP 2005' granted / available for grant.

iii) 5,67,518 shares (As at March 31, 2013, 7,30,806 shares) of ₹10/- each towards outstanding employee stock options scheme under 'ESOP 2008' granted / available for grant.

iv) 67,174 shares (As at March 31, 2013, 67,174 shares) of ₹10/- each towards conversion of foreign currency convertible bonds(FCCB I) available for conversion. Refer note 26

v) 8,39,721 shares (As at March 31, 2013, 8,39,721 shares) of ₹10/- each towards conversion of foreign currency convertible bonds (FCCB II) available for conversion. Refer Note 26

vi) 21,68,14,575 shares (As at March 31, 2013 21,68,14,575 shares) of ₹10/- each towads Conversion of Foreign currency convertible bond (FCCB III) available for conversion. Refer note 26

E **Details of shares held by Promoter and Promoter Group*:**

Name of the Shareholder	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	No. of shares held	% holding	No. of shares held	% holding
Subash Menon	25,80,601	1.55%	25,80,601	1.55%
Kivar Holdings Private Limited (KHPL) (including Woodbridge Consulting & Investments Inc, which merged with KHPL)	35,21,200	2.11%	55,21,200	3.32%
Sudeesh Yezhuvath	3,72,243	0.22%	3,72,243	0.22%
Total Promoter and promoter group	**6,474,044**	**3.89%**	**84,74,044**	**5.09%**

*as confirmed by the registrar

F **Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:**

Aggregate number of shares

Particulars	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Company had issued Equity shares of ₹10 each to the GDR holders as of June 22, 2006 towards consideration of cost of acquisition of Azure Solutions Limited at ₹532.24 per share.	1,17,28,728	1,17,28,728
In accordance with the terms of FCCBs III, out of the principal face value of US$ 127.721 Million, an amount of US$ 36.321 Million were mandatorily converted into equity shares on July 07, 2012. (Refer note 26)	8,93,35,462	8,93,35,462

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 4 RESERVES AND SURPLUS *₹ In Lakhs*

	NOTE NO.	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
General Reserve		**1,779.76**	**1,779.76**
Securities Premium Account			
Opening Balance		10,615.20	316.20
Transferred from Business Restructuring Reserve		-	271.10
Additions during the year on account ESOP and conversion of FCCBs		-	10,505.40
Write back from/(Accrual for) redemption premium on FCCBs (Net)		(53.59)	(574.70)
Write back of expenses on issue of Shares		-	97.20
Closing Balance		**10,561.61**	**10,615.20**
Business Restructuring Reserve	25		
Opening Balance		80.62	1,670.20
Transferred from/(to) Securities Premium/Capital Reserve		-	(271.10)
Amounts utilised for Permitted Utilisations (Net) (Refer note 25)		(80.62)	(1,318.48)
Closing Balance		**-**	**80.62**
Share Options Outstanding Account			
Opening Balance		138.49	197.00
Add: Amounts recorded on Grants during the year		-	56.60
Add: Written back to the Statement of Profit and loss / other accounts during the year		(39.53)	(115.11)
Closing Balance		98.96	138.49
Less : Deferred Stock Compensation Expenses		(2.67)	(14.71)
Share Options Outstanding Account (Net)		**96.29**	**123.78**
Foreign Currency Monetary Item Translation Difference Account	28		
Opening Balance (Debit)/Credit		(2,765.65)	(357.00)
(Add)/Less: Effect of foreign exchange rate variation during the year		(5,097.97)	(3,157.10)
(Add)/Less: Amortisation for the year		2,061.88	748.45
Closing Balance		**(5,801.74)**	**(2,765.65)**
Surplus / (Deficit) in Statement of Profit and Loss			
Opening balance		7,036.68	10,493.10
Add : Profit / (Loss) for the year		(2,952.88)	(3,456.42)
Closing Balance		**4,083.80**	**7,036.68**
Total Reserves and Surplus		**10,719.72**	**16,870.39**

NOTE: 5 LONG-TERM BORROWINGS *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Foreign Currency Convertible Bonds (Refer Note 26)		
Secured	52,815.00	47,852.27
Unsecured	1,438.03	1,302.80
Total	**54,253.03**	**49,155.07**

NOTE: 6 OTHER LONG TERM LIABILITIES *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Accrual for premium payable on redemption of bonds	571.59	517.93
Interest accrued but not due on borrowings	4,385.44	-
Deferred Rent	24.79	15.37
Unearned Revenue	92.82	-
Total	**5,074.64**	**533.30**

NOTE: 7 LONG-TERM PROVISIONS *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for Employee Benefits		
Provision for compensated absences (Refer Note 29 (c)	75.83	77.55
Provision for gratuity (Refer Note 29(b))	250.69	257.96
Provision for Tax (Net of Advance Tax of ₹189.99 Lakhs)	275.15	165.10
(As at March 31, 2013 ₹132.90 Lakhs)		
Total	**601.67**	**500.61**

NOTE: 8 SHORT-TERM BORROWINGS *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
From Banks		
Secured (Refer Note (i) below)	14,817.30	16,550.46
Total	**14,817.30**	**16,550.46**

(i) The secured loans from banks are secured by first charge on receivables, current assets and fixed assets of the company. First ranking charge on ""FCCB Repayment fund"" on a paripassu basis jointly and equally with bondholders of Company's U.S.$127,721,000 5.70% secured Foreign Currency Convertible Bonds due 2017.

Paripassu First Charge by way Hypothecation of Stocks and Book Debts and other Current Assets of the company both present and future stored at company premises at RMZ Ecoworld,

This is further covered by a personal guarantee of a director of the company apart from corporate guarantee in which a director is interested as well as a guarantee of Subex Technologies Ltd.

NOTE: 9 OTHER CURRENT LIABILITIES *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current maturities of Long-term borrowings - Hire Purchase Loans from Banks (Secured) (Refer note (i) below)	-	0.92
Interest accrued but not due on borrowings	886.36	2,082.19
Unclaimed Dividends (Refer Note 38.1)	1.31	2.92
Unearned Revenue	1,142.21	1,724.31
Other Payables		
Statutory remittances	249.45	348.44
Deferred Rent	38.97	12.99
Total	**2,318.30**	**4,171.77**

(i) Secured against the Hypothecation of vehicles financed under these loans. Hire Purchase loans amount to ₹ Nil as at March 31, 2014 (₹0.92 Lakhs as at March 31, 2013). The interest rate on these loans range from 9% to 20%.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 10 SHORT-TERM PROVISIONS

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for compensated absences (Refer Note 29 (c))	5.49	10.98
Provision for gratuity (Refer Note 29 (b))	1.13	31.08
Provision for Tax (Net of Advance Tax of ₹ Nil)	1.01	1.20
(As at March 31, 2013 ₹ Nil)		
Total	7.63	43.26

NOTE: 11 FIXED ASSETS

₹ In Lakhs

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK
		As at 01-Apr-13	Additions during the year	Deletions during the year	As at 31-Mar-14	Upto 01-Apr-13	for the year	Withdrawn on Deletions	Upto 31-Mar-14	As at 31-Mar-14
11A	Tangible Fixed Assets									
1	Computer Hardware	1,914.72	119.39	-	2,034.11	1,709.02	100.23	-	1,809.25	224.86
	(Previous Year balance)	(2,059.36)	(76.26)	(220.90)	(1,914.72)	(1,794.40)	(115.42)	(200.80)	(1,709.02)	(205.70)
2	Furniture & Fixtures	66.19	-	-	66.19	58.70	2.23	-	60.93	5.26
	(Previous Year balance)	(65.30)	(0.89)	-	(66.19)	(55.50)	(3.20)	-	(58.70)	(7.49)
3	Vehicles	84.10	-	53.36	30.74	81.55	2.34	53.39	30.50	0.24
	(Previous Year balance)	(241.60)	-	(157.50)	(84.10)	(212.90)	(25.26)	(156.61)	(81.55)	(2.55)
4	Office Equipments	275.45	13.74	24.51	264.68	239.93	16.06	22.19	233.80	30.88
	(Previous Year balance)	(271.50)	(4.65)	(0.70)	(275.45)	(205.80)	(34.55)	(0.42)	(239.93)	(35.52)
	TOTAL TANGIBLE ASSETS	**2,340.46**	**133.13**	**77.87**	**2,395.72**	**2,089.20**	**120.86**	**75.58**	**2,134.48**	**261.24**
	(Previous Year balance)	**(2,637.76)**	**(81.80)**	**(379.10)**	**(2,340.46)**	**(2,268.60)**	**(178.43)**	**(357.83)**	**(2,089.20)**	**(251.26)**
11B	Intangible Fixed Assets									
1	Computer Software	644.78	13.92	-	658.70	562.99	40.45	-	603.44	55.26
	(Previous Year balance)	(621.14)	(23.64)	-	(644.78)	(515.50)	(47.49)	-	(562.99)	(81.79)
2	Goodwill	137.67	-	-	137.67	137.67	-	-	137.67	-
	(Previous Year balance)	(137.67)	-	-	(137.67)	(137.67)			(137.67)	-
3	Intellectual Property Rights	3,973.95	-	-	3,973.95	3,973.95	-	-	3,973.95	-
	(Previous Year balance)	**(3,973.95)**	**-**	**-**	**(3,973.95)**	**(3,973.95)**			**(3,973.95)**	**-**
	TOTAL INTANGIBLE ASSETS	**4,756.40**	**13.92**	**-**	**4,770.32**	**4,674.61**	**40.45**	**-**	**4,715.06**	**55.26**
	(Previous Year balance)	**(4,732.76)**	**(23.64)**	**-**	**(4,756.40)**	**(4,627.12)**	**(47.49)**	**-**	**(4,674.61)**	**(81.79)**
	Total	**7,096.86**	**147.05**	**77.87**	**7,166.04**	**6,763.81**	**161.31**	**75.58**	**6,849.54**	**316.50**
	Previous Year	**(7,370.52)**	**(105.44)**	**(379.10)**	**(7,096.86)**	**(6,895.72)**	**(225.92)**	**(357.83)**	**(6,763.81)**	**(333.05)**

Notes :

(i) The above assets represent assets owned by the company and there are no assets taken on finance lease or given on operating lease

(ii) Computers (included under office equipment) and Computer Software have been classified between tangible and intangible assets, respectively in the current year and the prior year comparables have been appropriately reclassified.

NOTE: 12 NON-CURRENT INVESTMENTS (AT COST, UNLESS OTHERWISE STATED) *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(Long term, trade, unquoted)		
Investments in Equity shares In wholly owned subsidiaries		
39,99,994 equity shares of ₹10 each fully paid up in Subex Technlogies Limited, India {Net of provision for other than temporary diminution ₹400 Lakhs (Previous year ₹400 Lakhs)}	-	-
50,39,565,245 Equity shares fully paid, Par Value of GBP 0.00001 each, in Subex (UK) Ltd.	64,738.68	64,738.68
100 equity shares fully paid, no-par value, in Subex Americas Inc, Canada {Net of provision for other than temporary diminution ₹65,000 lakhs (Previous year ₹65,000 Lakhs)}	12,495.74	12,495.74
Total	**77,234.42**	**77,234.42**
Aggregate amount of unquoted investments (At cost)	142,634.42	142,634.42
Aggregate provision made for other than temporary diminution in value of long term investments	65,400.00	65,400.00

NOTE: 13 LONG-TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD) *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Advance Tax (net of provision for ₹1,159.31 Lakhs) (As at March 31,2013 ₹332.80 Lakhs)	1,470.64	1,250.30
Balances with government authorities - Service Tax Credit Receivable	266.90	266.90
Security Deposits	734.57	727.37
MAT credit entitlement	-	174.13
Total	**2,472.11**	**2,418.70**

NOTE: 14 OTHER NON - CURRENT ASSETS *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Long-term Trade Receivables		
(Unsecured)		
Outstanding for more than six months from the due date		
Considered Good	14,521.33	10,633.30
Considered Doubtful	6,047.02	2,488.00
Less: Provision for Doubtful trade receivables	(6,047.02)	(2,488.00)
	14,521.33	10,633.30
Unbilled Revenue	477.17	343.50
Balance with related parties		
Unsecured, considered good (Refer Note 31(ii))	1,795.30	1,711.70
Unsecured, considered Doubtful (Refer Note 31(ii))	1,705.67	1,694.66
Less: Provision for doubtful loans and advances	(1,705.67)	(1,694.66)
	1,795.30	1,711.70
Total	**16,793.80**	**12,688.50**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 15 TRADE RECEIVABLES

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(Unsecured)		
Outstanding for a period exceeding six months from due date		
Considered Good	688.90	-
Other Trade receivables		
Considered Good	56,300.48	51,708.28
Considered Doubtful	38.63	1,398.90
Less: Provision for Doubtful Trade receivables	(38.63)	(1,398.90)
	56,300.48	51,708.28
Total	**56,989.38**	**51,708.28**

NOTE: 16 CASH AND BANK BALANCES

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
A. Cash and Cash Equivalents		
Cash on hand	-	-
Balance with Banks		
in Current Accounts	28.91	78.93
in EEFC Accounts	10.42	9.44
Total Cash and Cash Equivalents A	**39.33**	**88.37**
B. Other bank balances		
in Earmarked Accounts		
Unclaimed dividend Accounts (Refer Note 38.1)	1.31	2.92
Margin Money Deposits (Refer Note below)	45.45	296.36
Total Other Bank Balances B	**46.76**	**299.28**
Total (A+B)	**86.09**	**387.65**

Note: Balances with Banks- Margin money deposits include deposits with remaining maturity of less than 12 months from Balance Sheet date.

NOTE: 17 SHORT-TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Loans and advances to related parties [Refer Note 31(ii)]	-	6.04
Loans and advances to employees	137.81	183.58
Advance recoverable [Refer Note 38.8]	233.80	233.80
Prepaid expenses	183.01	206.39
Balances with government authorities		
Service Tax Credit Receivable	-	43.65
Advance to Suppliers	2.26	56.93
Total	**556.88**	**730.39**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 18 OTHER CURRENT ASSETS (UNSECURED, CONSIDERED GOOD) *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Unbilled Revenue	1,376.05	1,857.50
Interest accrued but not due on deposits	2.75	24.50
Contractually Recoverable Expenses	76.31	32.03
Total	**1,455.11**	**1,914.03**

NOTE: 19 REVENUE FROM OPERATIONS *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Income from Sale of Products (and related services)	29,366.59	26,555.90
Total	**29,366.59**	**26,555.90**

NOTE: 20 OTHER INCOME *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest income		
Interest on deposit accounts from banks	8.50	39.97
Interest on Inter Company loans and advances	171.62	78.46
Other non-operating income		
Provision for Doubtful Trade Receivables written back/Bad Debts recovered	-	2.17
Miscellaneous Income	122.77	1.45
Total	**302.89**	**122.05**

NOTE: 21 EMPLOYEE BENEFITS EXPENSE *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Salaries & Wages	6,110.78	6,016.28
Contribution to Provident Fund and Other Funds	268.20	339.93
Expense on Employee Stock Option Scheme (ESOP)	(14.34)	5.56
Staff Welfare Expenses	195.19	170.25
Total	**6,559.83**	**6,532.02**

NOTE: 22 FINANCE COSTS *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest Expenses on:		
Foreign Currency Convertible Bonds	3,422.30	2,212.06
Other Borrowings	2,188.11	2,436.94
Other Borrowings Costs - Bank Charges	218.42	256.15
Total	**5,828.83**	**4,905.15**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 23 OTHER EXPENSES

₹ In Lakhs

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Software Purchases	26.57	40.32
Rent	1,081.32	940.95
Power, Fuel and Water Charges	172.32	161.67
Repairs & Maintenance	354.01	320.18
Insurance	123.48	125.39
Communication Costs	96.04	99.76
Printing & Stationery	33.61	33.74
Travelling & Conveyance	1,290.71	1,204.85
Rates & Taxes Including Filing Fees	80.12	170.25
Advertisement & Business Promotion	27.62	33.69
Consultancy Charges	600.36	88.28
Payments to Auditors (Refer Note 37)	97.77	79.23
Marketing & Allied Service Charges (including commission)	12,823.16	12,354.25
Provision for Doubtful trade receivables and loans and advances	632.10	77.55
Loss on sale of Fixed Assets (Net)	2.29	1.43
Exchange Fluctuation loss (Net)	570.52	822.61
Director sitting fees	22.82	7.47
Miscellaneous Expenses	4.20	2.80
Total	**18,039.04**	**16,564.42**

NOTE: 24 EXCEPTIONAL ITEMS

₹ In Lakhs

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Provision for Doubtful Trade Receivables	1,497.04	1,663.56
Based on the assessment of receivables an amount of ₹1,497 lakhs (31 March, 2013 : ₹1,664 Lakhs) is provided towards certain doubtful receivables. Considering that such provision is significant and relevant in understanding the financial performance, it has been disclosed separately under exceptional item.		
Total	**1,497.04**	**1,663.56**

NOTE: 25 ACCOUNTING UNDER THE PROPOSAL APPROVED BY THE HON'BLE HIGH COURT

a) During the year ended 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 utilised 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.

b) Adjustments in the BRR during the previous 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 ₹17,400.00 Lakhs 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 ₹15,503.70 Lakhs (net).

NOTE: 25 ACCOUNTING UNDER THE PROPOSAL APPROVED BY THE HON'BLE HIGH COURT *(contd.)*

c) Adjustments in the BRR during the previous year ended March 31, 2012

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2012:

- transfer of ₹346.74 Lakhs during the year from the balances in Capital Reserve to the BRR,
- utilization of the BRR for permitted utilisations to the extent of ₹2,574.93 Lakhs (net of reversals).

d) Adjustments in the BRR during the Previous year ended March 31, 2013

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2013:

- transfer of ₹271.10 Lakhs during the year to Securities Premium,
- towards FCCB restructuring expenses ₹359.58 Lakhs,
- towards reversal of unbilled revenue ₹206.00 Lakhs,
- towards provision for Doubtful trade Receivables ₹752.90 Lakhs.

e) Adjustments in the BRR during the current year ended March 31, 2014

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2014

- towards provision for Doubtful trade Receivables ₹80.62 Lakhs.

f) 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 ₹ Lakhs except as otherwise indicated

In the Statement of Profit and loss.	MARCH 31, 2014	MARCH 31, 2013
Revenue would have been lower by:	-	206
The loss under Exceptional items would have been higher as follows:	-	-
- One time non-recurring expenses being FCCB restructuring fees	-	359.58
- Provision towards doubtful trade receivables	80.62	752.90
Sub-Total	**80.62**	**1,112.48**
Profit/(loss) after Tax would have been lower/higher by	**80.62**	**1,318.48**
Basic Earnings/(Loss) per share would have been – ₹	**(1.82)**	**(3.50)**
Diluted Earnings/(Loss) per share would have been – ₹	**(1.82)**	**(3.50)**

NOTE: 26 FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

a) During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (FCCB I) aggregating to US$ 180 Million, with an interest rate of 2% p.a. payable semi-annually in arrears, with terms of conversion being :

i) Exchange rate for conversion of FCCB : ₹44.08/ US1$

ii) Conversion price : ₹656.20 per share

iii) Redemption date : March 09, 2012

iv) Premium payable on redemption : US$ 14.05 Million.

v) Listing on the London Stock Exchange

The bonds were available for conversion at any point in time during the period prior to the redemption date. During the year 2009-10, the Company presented to restructure the FCCBs I by offering a discount of ~30% on the face value of the existing bonds in return for new FCCBs ("FCCBs II") having a face value of US$ 126 Million.

Pursuant to the offer, the FCCBs I Bondholders, with a face value of US$ 141 Million exchanged their bonds for new FCCBs

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 26 FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBS) *(contd.)*

with a face value of US$ 98.70 Million. The remaining FCCBs I bondholders holding bonds with a face value of US$ 39 Million (out of the original bondholders holding US$ 180 Million) did not choose the option for restructuring. The terms and conditions applicable for the new FCCB II bonds, for the US$ 98.70 Million face value, were as under :

i. Interest rate : 5% p.a. payable semi annually

ii. Exchange rate for conversion of FCCB : ₹48.17/ US1$

iii. Conversion price : ₹80.31 per share

iv. Redemption date : March 09, 2012

v. Premium payable on redemption : US$. 23.23 Million.

vi. Listing on the Singapore Exchange Securities Trading Limited

Both the bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, the redemption date was extended to July 09, 2012.

Out of the US$ 98.70 million of FCCBs II, bonds having a face value of US$ 31.90 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, retaining a closing balance of US$ 54.80 Million outstanding FCCBs II bonds.

b) Pursuant to the approval of the holders of "US$ 180 Million 2% convertible unsecured bonds",[of which US$ 39 Million was outstanding ("FCCBs I")] and "US$ 98.70 Million 5% convertible unsecured bonds", [of which US$ 54.80 was outstanding ("FCCBs II")], at their respective meetings held on July 5, 2012 and exchange offers received under the exchange offer memorandum dated June 13, 2012, holders of US$ 38 Million out of FCCBs I and US$ 53.40 Million out of FCCBs II offered their bonds for exchange and secured bonds with a face value of US$ 127.72 million ("FCCBs III") were issued with maturity date of July 7, 2017. The Company has been legally advised that there is no tax incidence arising from the above restructuring.

c) The terms and conditions of FCCB III are as under:

i. Interest rate : 5.70% p.a. payable semi annually

ii. Exchange rate for conversion of FCCB : ₹56.06/ US1$

iii. Equity Conversion price : ₹22.79 per share

iv. Redemption date : July 07, 2017

v. Listing on the Singapore Exchange Securities Trading Limited

vi. Second ranking paripassu charge in respect of all movable properties, present & future, covered under the Existing security and First ranking charge in respect of all movable properties, present & future, other than & to the extent covered by the existing security. First ranking charge on FCCB Repayment fund on a paripassu basis jointly & equally with SBI & Axis Bank Ltd. The promoters of the company have pledged their share towards securing the repayment of FCCB III.

vii. Mandatory conversion of bonds with a face value of US$ 36.32 Million into equity shares at the aforesaid conversion price on July 07, 2012.

For 2012 – 13 FCCB III with face value of US$ 3.25 Million were converted into equity shares of the Company, retaining a closing balance of US$ 88.15 Million.

During the year, the Company received approvals from the FCCB Holders for deferment of the semiannual interest due in January 2013, July 2013 and January 2014 to be settled with the principal on the redemption date. These have accordingly been categorized as long-term liabilities.

d) Pursuant to approval of the RBI dated April 27, 2012 and requisite approvals under the trust deed of the holders of the Company's US$ 180 million convertible unsecured bonds and US$ 98.70 million convertible unsecured bonds the maturity period of the un-exchanged portion of FCCBs I of face value US$ 1 Million and FCCBs II of face value US$ 1.40 Million stands extended to March 9, 2017, with its other terms and conditions remaining unchanged.

NOTE: 26 FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs) *(contd.)*

e) **FCCB I:** As at March 31, 2014, the face value of the US$ 1 Million FCCBs (Previous Year US$ 1 Million) amounts to ₹599.15 Lakhs (Previous Year: ₹542.81 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

FCCB II: As at March 31, 2014, the face value of the US$ 1.40 Million FCCBs (Previous Year US$ 1.40 Million) amounts to ₹838.81 Lakhs (Previous Year: ₹759.99 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

FCCB III: As at March 31, 2014, the face value of the US$ 88.15 Million FCCBs (Previous Year US$ 88.15 Million) amounts to ₹52,815.07 Lakhs (Previous Year: ₹47,852.27 Lakhs) and is included in Note 5 – Long Term Borrowings.

NOTE: 27 EMPLOYEES STOCK OPTION PLAN (ESOP)

The Company during the years 1999-2000, 2005-2006 and 2008-09 has established ESOP II, ESOP III and ESOP IV respectively.

These schemes have 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 these schemes, 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 Company has obtained in-principle approval for listing of shares upto a limit as mentioned below.

ESOP II : 8,83,750 shares

ESOP III : 20,00,000 shares

ESOP IV : 20,00,000 shares

Employees' Stock Options Details as on the Balance Sheet Date are

Particulars	2013-14		2012-13	
	Options (No's)	Weighted average exercise price per stock option (₹)	Options (No's)	Weighted average exercise price per stock option (₹)
Options outstanding at the beginning of the year				
ESOP – II	4,670	82.63	12,022	85.22
ESOP – III	11,31,147	34.04	13,56,086	39.30
ESOP – IV	7,30,806	28.79	10,19,289	28.95
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	-	-	1,24,100	12.82
ESOP – IV	-	-	-	-
Exercised during the year				
ESOP – II	-	-	-	-
ESOP – III	-	-	-	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	1,695	-	7,352	-
ESOP – III	2,67,197	-	3,49,039	-
ESOP – IV	1,63,288	-	2,88,483	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 27 EMPLOYEES STOCK OPTION PLAN (ESOP) *(contd.)*

Particulars	2013-14		2012-13	
	Options (Nos)	Weighted average exercise price per stock option (₹)	Options (Nos)	Weighted average exercise price per stock option (₹)
Options outstanding at the end of the year				
ESOP – II	2,975	67.00	4,670	82.63
ESOP – III	8,63,950	30.78	11,31,147	34.04
ESOP – IV	5,67,518	28.56	7,30,806	28.79
Options exercisable at the end of the year				
ESOP – II	2,975	-	4,670	-
ESOP – III	7,09,638	-	8,64,489	-
ESOP – IV	4,98,483	-	4,57,293	-
Options available for Grant at the end of the year				
ESOP – II	-	-	-	-
ESOP – III	11,23,611	-	8,56,414	-
ESOP – IV	14,32,482	-	12,69,194	-

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

ESOP – II At March 31, 2013: 1.41 Years
At March 31, 2014: 1.02 Years

ESOP – III At March 31, 2013: 3.08 Years
At March 31, 2014: 2.12 Years

ESOP – IV At March 31, 2013: 3.16 Years
At March 31, 2014: 2.17Years

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% (Previous year 8%), expected life: 3 years (Previous year: 3 years), expected volatility of share: 54.49% (Previous year 64.85%), and expected dividend yield: 0% (Previous year 0%) 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 ₹ Lakhs except as otherwise indicated

Particulars		MARCH 31, 2014	MARCH 31, 2013
Net Profit for the year (as reported)		(2,952.88)	(3,456.42)
Add : Stock-based employee compensation relating to grants after Apr 1, 2006		(14.34)	5.56
Less : Stock-based compensation expenses determined under fair value based method for the above grants		20.71	30.80
Net Profit / (loss) - (proforma)		**(2,987.93)**	**(3,481.66)**
Basic earnings per share (as reported)	- ₹	(1.77)	(2.54)
Basic earnings per share (proforma)	- ₹	(1.79)	(2.56)
Diluted earnings per share (as reported)	- ₹	(1.77)	(2.54)
Diluted earnings per share (proforma)	- ₹	**(1.79)**	**(2.56)**

NOTE: 28

The Company adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortised over the balance period of such long term asset/liability. Consequently, exchange fluctuation losses (net) arising on restatement of such items have been deferred to the extent of ₹5,801.74 Lakhs (PY ₹2,765.65 Lakhs) at March 31, 2014 and the loss for the year is lower by a corresponding amount.

NOTE: 29 EMPLOYEE BENEFIT PLANS

a) Defined Contribution Plans

The Company makes contributions to Provident Fund, Employee State Insurance scheme contributions which are defined contribution plan for qualifying employees. Under the Scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹209.42 Lakhs (Year ended March 31, 2013 ₹231.63 Lakhs) for Provident Fund contributions ₹1.89 Lakhs (Year ended March 31, 2013 ₹2.04 Lakhs) for Employee state insurance scheme contribution in the Statement of Profit and Loss.

b) Defined Benefit Plans

The Company offers Gratuity benefits to employees, a defined benefit plan. The following table sets out the funded status of Gratuity liability and the amounts recognised in the financial statements:

Amount in ₹ Lakhs except assumptions

		Gratuity	
		MARCH 31, 2014	MARCH 31, 2013
I	**Components of employer expense**		
1	Current Service cost	54.24	56.77
2	Interest cost	20.91	20.63
3	Expected return on plan assets	(1.45)	(0.59)
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses / (Gains)	(14.92)	31.51
8	Total expense recognized in the Statement of Profit and Loss	**58.78**	**108.32**
II	**Actual Contribution and Benefit Payments for the year**		
1	Actual benefit payments	76.39	99.31
2	Actual Contributions	96.00	98.84
III	**Net asset / (liability) recognized in Balance Sheet**		
1	Present value of Defined Benefit Obligation (DBO)	(280.70)	(296.40)
2	Fair value of plan assets	28.88	7.36
3	Funded status [Surplus / (Deficit)]	(251.82)	(289.04)
4	Unrecognized Past Service Costs	-	-
5	Net asset / (liability) recognized in Balance Sheet	(251.82)	(289.04)
	- Current	(1.13)	(31.08)
	- Non current	(250.69)	(257.96)
	Estimated contribution in the Immediate next year	Nil	31.08

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 29 EMPLOYEE BENEFIT PLANS *(contd.)*

Amount in ₹ Lakhs except assumptions

		Gratuity	
		MARCH 31, 2014	MARCH 31, 2013
IV	**Change in Defined Benefit Obligations during the year**		
1	Present Value of DBO at beginning of year	296.35	286.84
2	Current Service cost	54.24	56.77
3	Interest cost	20.91	20.63
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains) / losses	(14.41)	31.42
9	Benefits paid	(76.39)	(99.31)
10	Present Value of DBO at the end of year	280.70	296.35
V	**Change in Fair Value of Assets during the year**		
1	Plan assets at beginning of year	7.31	7.10
2	Acquisition Adjustment	-	-
3	Expected return on plan assets(estimated)	1.45	0.59
4	Actuarial Gain / (Loss)	0.51	0.09
5	Actual Company contributions	96.00	98.84
6	Benefits paid	(76.39)	(99.31)
7	Plan assets at the end of period	28.88	7.31
VI	**Actuarial Assumptions**		
1	Discount Rate	9.25%	8.10%
2	Expected Return on plan assets	8.50%	8.50%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	9.00%	9.00%

(₹ In Lakhs)

Five Year Data	Period ending				
	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Defined Benefit Obligation at end of the period	(193.23)	(299.41)	(286.84)	(296.40)	(280.7)
Plan Assets at end of the period	50.84	33.04	7.10	7. 36	28.88
Funded Status	(142.39)	(266.37)	(279.74)	(289.04)	(251.82)
Experience Gain/(Loss)adjustments on Plan Liabilities	3.86	(4.83)	54.12	11.31	(10.25)
Experience Gain/(Loss)adjustments on Plan Assets	-	0.38	0.31	(0.09)	0.51
Actuarial Gain/(Loss) due to change on assumptions	6.84	-	12.77	(42.73)	24.66

NOTE: 29 EMPLOYEE BENEFIT PLANS *(contd.)*

- The composition of the plan assets held under the funds managed by the Insurer is as follows:

Fund Type	2014	2013
	%	
Equity Instruments	4.93	5.22
Debt Instruments	78.12	79.73
FD and Other Asset	16.95	15.05

- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

c) **Actuarial Assumption for long-term compensated absences**

	MARCH 31, 2014	MARCH 31, 2013
Discount rate	9.25%	8.10%
Expected return on plan asset	NA	NA
Salary escalation rate	6.00%	6.00%
Attrition	9.00%	9.00%

- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

₹ *In Lakhs*

	MARCH 31, 2014	MARCH 31, 2013
Total Liabilities Estimated	(81.32)	(88.53)
Current Portion	(5.49)	(10.98)
Non Current portion	(75.83)	(77.55)

NOTE: 30

Since the Company prepares consolidated financial statements in addition to these financial statements, both of which form part of the annual report of the Company, as permitted by Accounting Standard 17 "Segment reporting", the segment information is presented on the basis of the consolidated financial statements.

NOTE: 31 RELATED PARTY INFORMATION

i) **Related Parties**

Wholly Owned Subsidiaries

Subex Americas Inc.

Subex (UK) Ltd

Subex Technologies Ltd

Subex Azure Holdings Inc.

Subex (Asia Pacific) Pte Ltd

Subex Inc.

Subex Technologies Inc.

Key Management Personnel

Surjeet Singh, Managing Director & CEO, 5th October, 2012 onwards

Subash Menon, Managing Director & CEO upto 27th September, 2012

Sudeesh Yezhuvath, Wholetime Director & Chief Operating Officer upto 5th October, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 31 RELATED PARTY INFORMATION *(contd.)*

ii. Details of the transactions with the related parties:

₹ In Lakhs

Particulars	Subsidiaries		Key Management Personnel	
	2013-14	2012-13	2013-14	2012-13
Marketing and Allied Service Charges and reimbursement (including software development charges)*				
i) Subex (UK) Ltd	6,212.75	5,655.11		
ii) Subex Inc.	5,471.83	5,676.42		
iii) Subex Americas Inc.	342.48	278.65		
iv) Subex (Asia Pacific) Pte Ltd	822.03	709.42		
Income from Software Development and Services:				
i) Subex (UK) Ltd	8,163.93	8,005.93		
ii) Subex Inc.,	3,746.50	4,175.86		
iii) Subex (Asia Pacific) Pte Ltd	1,869.60	1,480.44		
iv) Subex Americas Inc.	1,109.46	1,533.05		
Salary and Perquisites (Also refer Note 38.8)				
Subash Menon			-	107.69
SudeeshYezhuvath			-	108.39
Surjeet Singh			15.07	6.64
Interest received on Inter Company Loans and advances				
i) Subex UK Ltd	-	-		
ii) Subex Americas Inc.	171.62	78.46		
iii) Subex, Inc.	-	-		
iv) +Subex (Asia Pacific) Pte Ltd	-	-		
Expenses allocated to / (from):				
i) Subex (UK) Ltd	8.87	(2.60)		
ii) Subex, Inc.	3.40	-		
iii) Subex (Asia Pacific) Pte Ltd	0.48	(0.41)		
iv) Subex Americas Inc.	0.06	(1.60)		

₹ In Lakhs

As at :	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Amount due as at year end from				
i) Subex UK Ltd	22,162.91	16,493.73		
ii) Subex Inc.	17,068.67	15,310.12		
iii) Subex (Asia Pacific) Pte Ltd	7,496.54	6,532.69		
iv) Subex Americas Inc.##	21,429.94	20,929.48		
v) Subex Technologies Ltd	6.76	-		
vi) Surjeet Singh			-	5.97
Amount due as at year end to				
i) Subex UK Ltd	23,643.91	17,391.66		
ii) Subex Inc.	18,394.05	17,101.54		
iii) Subex (Asia Pacific) Pte Ltd	2,279.27	1,333.89		
iv) Subex Americas Inc.##	5,501.89	5,169.60		
v) Subex Technologies Inc.	53.92	53.92		
Loans / advances outstanding as at year end from / (to)				
i) Subex Americas Inc.	1,838.22	1,706.70		
ii) Subex Technologies Ltd#	1,705.67	1,705.70		
Outstanding Guarantees taken/ given from / (to)				
i) Subex Technologies Limited	6,850.00	7,500.00		
ii) Subex Technologies Inc.	-	(2,171.40)		

* Amount paid/ payable in Foreign Currency.

Loans and Advances to Subex Technologies Ltd has been provided during the financial year 2010-11 to an extent of ₹1,694.66 Lakhs out of utilisation of BRR and the remaining ₹11.01 Lakhs has been provided for as provision for Bad debts during the financial year 2013-14.

Receivables of ₹1,497.04 Lakhs from Subex Americas Inc. have been provided for during the year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 32 OPERATING LEASES

The Company had non-cancellable leasing arrangement for its office premises which on renewal during the year got converted into cancellable operating lease arrangement. Rental expenses for operating leases included in the Statement of Profit and Loss for the year is ₹1,081.32 Lakhs (Previous year - ₹940.95 Lakhs).

NOTE: 33 EARNINGS PER SHARE (EPS)

Amount in ₹Lakhs except as otherwise indicated

	MARCH 31, 2014	MARCH 31, 2013
Profit after Tax attributable to shareholders (A)	(2,952.88)	(3,456.42)
Add : Interest on FCCBs	-	-
Add/(Less) : Exchange Fluctuation on FCCB	-	-
Adjusted Profits after Tax for Diluted EPS (B)	**(2,952.88)**	**(3,456.42)**
Weighted Average Number of Shares (in Lakhs) for Basic EPS (C)	1,666.40	1,362.43
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs) – (in Lakhs)	-	0.10
Weighted Average Number of Shares (in Lakhs) for Diluted EPS (D)	1,666.40	1,362.53
Earnings per Share – Basic [(A)/(C)] - ₹	(1.77)	(2.54)
Earnings per Share - Diluted [(B)/(D)] - ₹(Refer Note below).	(1.77)	(2.54)

Face value of shares: ₹10/- each

Note: FCCBs outstanding as at March 31, 2014 are anti-dilutive and hence have not been considered for purposes of Dilutive EPS in year ended March 31, 2014.

Certain FCCBs as at March 31, 2013 were anti-dilutive and hence were not considered for purposes of Dilutive EPS in year ended March 31, 2013.

NOTE: 34 DEFERRED TAX

The deferred tax asset recognised comprises of the tax impact arising from timing differences on: *₹ In Lakhs*

Particulars	MARCH 31, 2014	MARCH 31, 2013
Leave Encashment and Gratuity	-	62.80
Differences between the book balance and tax balance of Fixed assets	-	71.08
Total	**-**	**133.88**

The Company has a net deferred tax asset as at March 31, 2014 significantly arising from brought forward unabsorbed depreciation and tax losses, which has not been recognized as a matter of prudence.

NOTE: 35 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Claims against the Company not acknowledged as debt:

I. Current Year - ₹1,379.37 Lakhs (Previous year – ₹163.26 Lakhs). These claims relate to Income Tax demands significantly pertaining to transfer pricing and other adjustments which are being contested by the company.

These cases are pending at various forum with the respective authorities. Outflows, if any, arising out of these claims would depend upon the outcome of the decision of the appellate authority and the Companies right for future appeals before Judiciary. No reimbursements are expected

II. Others : Current year – ₹956.84 Lakhs (Previous Year – ₹956.84 Lakhs)

(b) Guarantees given to Subex Technologies Inc ₹ Nil Lakhs (Previous year – ₹2,171.40 Lakhs)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE: 35 COMMITMENTS AND CONTINGENT LIABILITIES *(contd.)*

(c) The Company has received a demand of service tax of ₹3,607.60 Lakhs and equivalent amount of penalties under the provisions of the Finance Act, 1994 along with the consequential interest, for the period from April, 2006 to July, 2009 towards service tax payable on import of certain services. The Company has filed an appeal contesting the demand before the Central Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore. During the year, CESTAT without expressing any opinion, has remanded the appeal back to the adjudication authority and dispensed with the requirement of Pre-deposit.

(d) Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Nil (Previous year - ₹ Nil)

NOTE: 36 OTHER INFORMATION PURSUANT TO SCHEDULE VI OF THE COMPANIES ACT, 1956. *₹ In Lakhs*

	YEAR ENDED MARCH 31, 2014	YEAR ENDED MARCH 31, 2013
CIF Value of Imports :		
Import of systems and solutions	205.49	124.41
Capital goods	117.68	60.72
Expenditure in foreign currency (on accrual basis)		
Travelling expenses & Other related expenses	728.65	541.71
Interest expense	3,422.30	2,212.12
Product marketing expense and other expenditure incurred overseas for software development.	0.12	6.23
Marketing and allied services	12,849.09	12,319.60
Earnings in foreign exchange (on accrual basis)		
Income from software development services and products	27,867.41	26.105.91

NOTE: 37 PAYMENTS TO AUDITORS (Net of Service tax credit's recognised) *₹ In Lakhs*

Particulars	2013-14	2012-13
As Auditors – Statutory audit	75.00	65.00
For Taxation matters	1.50	1.50
For Certification matters	1.20	-
For Other assurance services	14.69	10.00
For Reimbursement of expenses	5.38	2.73
Total	**97.77**	**79.23**

NOTE: 38 OTHERS

1. Unclaimed dividend of ₹1.31 Lakhs as at March 31, 2014 (Previous Year - ₹2.92 Lakhs) represent dividends not claimed for the period from 2006-2007. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred ₹1.60 Lakhs (Previous Year - ₹0.59 Lakhs) to Investor Protection Fund.

2. Net Cash Flow Statement comprises outflows on account of permitted utilizations from the BRR of ₹ Nil Lakhs (Previous Year - ₹359.58 Lakhs).

3. Personnel Cost for the year includes expenditure on Research and Development of ₹1,665.37 Lakhs (Previous year - ₹1,108.71 Lakhs). This is as certified by the management and relied upon by the auditors.

4. The Company does not have any outstanding foreign exchange forward contracts or other derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures as at the year end.

NOTE: 38 OTHERS *(contd.)*

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

(a) The amounts receivable in foreign currency on account of: *₹ In Lakhs*

Particulars	MARCH 31, 2014		MARCH 31, 2013	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
Receivable towards Export of Goods & Services(Including receivables from wholly owned subsidiaries)	46,365.57	USD 773.86	42,232.30	USD 778.41
	22,163.19	GBP 222.15	16,493.72	GBP 199.43
	7,496.54	SGD 157.55	6,532.71	SGD 149.42
	795.53	EUR 9.62	329.93	EUR 4.72
	231.34	AED 14.18	1.81	AED 0.11
	114.02	QAR 6.93	53.52	QAR 3.63
	84.78	CHF 1.25	71.32	CHF 1.31
	241.87	AUD 4.37	-	-
Loans/Advances to wholly owned subsidiaries	524.95	CAD 9.67	516.80	CAD9.71
	1,313.27	USD 21.91	1,189.90	USD 21.90
Bank Balance	11.19	USD 0.19	10.36	USD 0.19

(b) The amounts payable in foreign currency on account of: *₹ In Lakhs*

Particulars	MARCH 31, 2014		MARCH 31, 2013	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
Payable towards Import of Goods & Services(Including payables to wholly owned subsidiaries)	29,291.85	USD 488.89	16,881.23	USD 311.02
	23,644.2	GBP 237.00	15,409.21	GBP187.41
	5.72	EUR 0.07	1,140.52	SGD 26.12
	2,279.28	SGD 47.90	5.00	CAD 0.12
	5.09	CAD 0.09		
Capital goods (including intangibles)	-	-	0.22	SGD 0.10
	-	-	1.43	GBP 0.11
			20.91	EUR 0.31
			15.42	CHF 0.22
Towards interest on Foreign Currency loans	5,271.80	USD 87.99	2,082.19	USD 40.61
Towards Foreign Currency Convertible Bonds (FCCB's)	54,253.03	USD 905.50	49,155.07	USD 886.51
Redemption premium accrued on FCCB's	571.59	USD 9.54	517.93	USD 9.66
Loan (being other amounts payable in foreign currency)	4,695.61	USD 17.95	2,766.26	USD 30.29
		GBP 26.57		GBP 13.78
		EUR 0.50		EUR 0.18
		SGD 19.50		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

5. The dues to Micro and Small enterprises as defined in The Micro, Small & Medium Enterprises Development Act, 2006, The details of same are as follows :

₹ *In Lakhs*

Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	4.56	1.20
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	0.22	0.20
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	0.53	0.31
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

6. 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.

   The breakup of balances included in line 4(a) in the Statement of Profit and Loss is as under –

₹ *In Lakhs*

Particulars	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Software charges	-	19.81
Purchased hardware/ Software	389.74	223.49
Total	**389.74**	**243.30**

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

8. a) In view of the losses incurred by the Company during the year ended March 31, 2014, the excess of the managerial remuneration paid to the directors during the FY 2012-13 over the limits prescribed under Schedule XIII of the Companies Act, 1956 has been treated as monies due from the directors, being held by them in trust for the Company, and is included under 'Short-term loans and advances' amounting to ₹123.80 Lakhs ((Previous year ₹123.80 Lakhs) .

   b) Other advances to directors paid during FY 2012-13 ₹110.00 Lakhs (Previous year ₹110.00 Lakhs) .

   The Company has taken necessary steps for recovery of the above amounts and these items along with other claims are a subject matter of arbitration which is in progress.

NOTE: 38 OTHERS *(contd.)*

9. During the year, the Company has rescheduled the terms of repayment of dues from its subsidiary viz. Subex Americas Inc. In the opinion of the management, considering the future operational plans and cash flows, the net outstanding, classified under Note 14 "Other Non-current Assets" of ₹14,521.33 Lakhs (Previous Year : ₹10,633.30 lakhs) of trade receivables and ₹1,838.22 Lakhs (Previous Year ₹1,706.73) of advances are considered good and recoverable. Further, based on the management's assessment, there is no diminution, other than temporary, in the carrying value of its investment in the said subsidiary of ₹12,495.74 Lakhs included in Note 12 "Non-current investments" and accordingly, no provision is required to be made at this stage.

10. Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges

    Loans and advances in the nature of loans given to subsidiaries:

₹ In Lakhs

Name of the party	Relationship	Amount outstanding as at March 31, 2014	Maximum balance outstanding during the year
Subex Americas Inc.	Wholly Owned Subsidiaries	1,838.22	1,959.59
		(1,706.73)	(1,841.87)
Subex Technologies Ltd.	Wholly Owned Subsidiaries	1,705.67	1,705.70
		(1,705.70)	(1,705.70)

Note : Figures in brackets relate to previous year.

NOTE: 39

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

INDEPENDENT AUDITORS' REPORT

TO
THE BOARD OF DIRECTORS OF SUBEX LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SUBEX LIMITED (the "Company"), and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st March, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2014;

(b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and

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

Emphasis of Matter

(a) We draw attention to Note 24 to the consolidated financial statements, 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 in prior years, debited Rs.80.63 Lakhs to the Business Restructuring Reserve, instead of considering the same as expense for the year ended 31st March, 2014, as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.

(b) We draw attention to Note 38 regarding the management's assessment that the goodwill arising from the consolidation of one of its subsidiaries is not impaired and hence no provision has been made at this stage for the reasons stated therein.

Our opinion is not qualified in respect of the above matters.

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

Monisha Parikh
Partner
(Membership No. 47840)

MUMBAI
May 29, 2014

CONSOLIDATED BALANCE SHEET

₹ *In Lakhs*

	NOTE NO.	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
A EQUITY AND LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	3	16,664.00	16,664.00
(b) Reserves and Surplus	4	697.90	5,835.68
SUB TOTAL - SHAREHOLDERS' FUNDS		**17,361.90**	**22,499.68**
2 NON - CURRENT LIABILITIES			
(a) Long-term Borrowings	5	60,244.53	53,769.37
(b) Other Long-term Liabilities	6	5,546.12	533.30
(c) Long-term Provisions	7	601.67	553.41
SUB TOTAL - NON CURRENT LIABILITIES		**66,392.32**	**54,856.08**
3 CURRENT LIABILITIES			
(a) Short-term Borrowings	8	16,015.60	19,387.91
(b) Trade Payables - Other than acceptances		5,253.34	4,864.48
(c) Other Current Liabilities	9	4,060.67	6,841.52
(d) Short-term Provisions	10	349.21	347.70
SUB TOTAL - CURRENT LIABILITIES		**25,678.82**	**31,441.61**
TOTAL		**109,433.04**	**108,797.37**
B ASSETS			
1 NON - CURRENT ASSETS			
(a) Fixed Assets			
i) Tangible Assets	11	532.40	372.73
ii) Intangible Assets		65.43	94.01
		597.83	466.74
(b) Goodwill on Consolidation		85,642.22	85,642.22
(c) Deferred Tax Assets (net)	33	-	141.20
(d) Long-term Loans and Advances	12	2,411.95	2,645.76
(e) Other Non - Current Assets	13	1,424.60	1,313.94
SUB TOTAL - NON - CURRENT ASSETS		**90,076.60**	**90,209.86**
2 CURRENT ASSETS			
(a) Trade Receivables	14	10,057.60	7,332.84
(b) Cash and Bank Balances	15	4,793.37	5,082.66
(c) Short-term Loans and Advances	16	948.59	997.94
(d) Other Current Assets	17	3,556.88	5,174.07
SUB TOTAL - CURRENT ASSETS		**19,356.44**	**18,587.51**
TOTAL		**109,433.04**	**108,797.37**
Corporate Information and Significant Accounting Policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer, Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

₹ In Lakhs

		NOTE NO.	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
A	**CONTINUING OPERATIONS**			
1	Revenue from Operations	18	34,005.16	30,734.26
2	Other Income	19	444.12	88.98
3	**Total revenue**		**34,449.28**	**30,823.24**
4	Expenses			
	(a) Cost of Hardware, Software and Support Charges		955.32	817.16
	(b) Employee Benefits Expense and Sub-contract Charges	20	17,778.58	17,955.80
	(c) Finance Costs	21	6,709.52	5,138.12
	(d) Depreciation and amortisation expense	11	244.18	420.51
	(e) Other Expenses	22	8,499.42	7,426.83
	Total Expenses		**34,187.02**	**31,758.42**
5	**Profit/(Loss) before exceptional items and Tax (3 - 4)**		**262.26**	**(935.18)**
6	Exceptional Items	23	-	3,069.92
7	**Profit/(Loss) before Tax (5 - 6)**		**262.26**	**(4,005.10)**
8	Tax expense			
	(a) Current tax expense for current year		613.10	354.08
	(b) MAT credit of prior years reversed		174.13	-
	(c) Short/(excess) provision for tax relating to prior years		5.33	32.16
	(d) Deferred Tax	33	143.82	-
	Net Tax expense		**936.38**	**386.24**
9	**Profit/(Loss) from continuing operations for the year (7 - 8)**		**(674.12)**	**(4,391.34)**
B	**DISCONTINUING OPERATIONS**			
10	Profit/ (Loss) from discontinuing operations (before tax)	35	(478.71)	(1,603.37)
11	Add/ (Less): Tax expense of discontinuing operations on ordinary activities attributable to the discontinuiing operations	35	(8.44)	-
12	**Profit/ (Loss) from discontinuing operations (10-11)**		**(487.15)**	**(1,603.37)**
C	**TOTAL OPERATIONS**			
13	**Profit/ (Loss) for the year (9 + 12)**		**(1,161.27)**	**(5,994.71)**
14	**Earnings/(Loss) Per Share (Face value of ₹10/- each)**			
	(a) Basic	32	(0.70)	(4.40)
	(b) Diluted	32	(0.70)	(4.40)
	Corporate Information and Significant Accounting Policies	1 & 2		
	See accompanying notes forming part of the financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

CONSOLIDATED CASH FLOW STATEMENT

₹ *In Lakhs*

		FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit / (Loss) before tax, for the year	(216.45)	(5,608.47)
	Adjustments for :		
	(a) Depreciation and amortization expense	248.34	426.77
	(b) Interest Income	(9.45)	(40.02)
	(c) Finance costs	6,747.75	5,210.00
	(d) (Profit) / Loss on sale / write off of assets- net	7.10	40.49
	(e) Expense / (Gain) on employee stock option scheme	(27.16)	10.28
	(f) Provision for doubtful Trade and other receivables	(240.03)	3,240.43
	(g) Unrealised exchange (Gain) / Loss	737.27	143.76
	(h) Goodwill Written off	-	926.70
	Operating profit / (loss) before working capital changes	**7,247.37**	**4,349.94**
	Adjustments for (increase) / decrease in operating assets		
	(a) Trade receivables	970.07	(2,900.94)
	(b) Short-term loans and advances	177.69	227.48
	(c) Long-term loans and advances	(21.95)	24.69
	(d) Other current & non-current assets	2,194.85	3,646.39
	Adjustments for increase / (decrease) in operating liabilities		
	(a) Trade payables	(1,985.11)	(2,861.01)
	(b) Other current liabilities	(2,094.94)	(3,622.20)
	(c) Other Long Term Liabilities	102.24	-
	(d) Short-term provisions	(45.73)	70.15
	(e) Long-term provisions	(8.99)	31.09
	Cash generated from / (used in) operations	**6,535.50**	**(1,034.41)**
	Net tax (paid) / refunds and others	(454.89)	(702.53)
	Net cash flow from / (used in) operating activities (A)	**6,080.61**	**(1,736.94)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	(a) Capital expenditure on fixed assets, including capital advances	(369.14)	(132.86)
	(b) Proceeds from sale of fixed assets	-	20.40
	(c) Interest received - Others	30.58	21.87
	(d) Investment in deposit	250.91	(440.94)
	Net cash flow from / (used in) investing activities (B)	**(87.65)**	**(531.53)**

CONSOLIDATED CASH FLOW STATEMENT

₹ *In Lakhs*

		FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	(a) Net increase / (decrease) in working capital borrowings	(1,733.16)	7,855.61
	(b) Repayment of Short-term borrowings	(927.04)	(1,000.00)
	(c) Proceeds / (repayments) from Long-term borrowings	(0.92)	4,616.78
	(d) Dividends paid	1.61	(1.15)
	(e) Finance cost	(3,336.53)	(3,077.32)
	Net cash flow from / (used in) financing activities (C)	**(5,996.04)**	**8,393.92**
	Net increase / (decrease) in Cash and cash equivalents (A+B+C)	**(3.08)**	**6,125.45**
	Effect of Exchange Differences on restatement / translation of foreign currency cash and cash equivalents	(142.11)	(1,725.87)
	Cash or Cash equivalents at the beginning of the year	4,451.83	52.25
	Cash and Cash equivalents at the end of the year (Refer Note 15A)	**4,306.64**	**4,451.83**
	*Cash and cash equivalents		
	Cash on hand	0.94	0.77
	Balance with Banks		
	in Current Accounts	4,295.28	4,441.62
	in EEFC accounts	10.42	9.44
	Total	**4,306.64**	**4,451.83**
Corporate Information and Significant Accounting Policies 1 & 2			

Notes:
(i) The consolidated cash flow statement reflects the combined cash flows pertaining to continuing and discontinuing operations.
(ii)See accompanying notes forming part of the financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Subex Limited, a public limited company incorporated in 1994, is a leading global provider of Operations and Business Support Systems (OSS/BSS) to communication service providers (CSPs) worldwide in the Telecom industry.

The Company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health for the CSPs 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 fulfillment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect / inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers. The Company has a development center in India and sales offices in the form of wholly owned subsidiaries/ branches in UK, USA, Singapore, Australia, Dubai and Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

I. Basis for preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable, except to the extent permitted under the Proposal approved by the Hon'ble High Court of Karnataka (Refer Note 24). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

II. Principles of Consolidation

The consolidated financial statements relate to Subex Limited (the 'Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

(i) The financial statements of the subsidiary companies used in the consolidation are drawn upto the same reporting date as that of the Company i.e., March 31, 2014.

(ii) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iii) The excess of cost to the Group of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognised as 'Goodwill' being an asset in the consolidated financial statements and is tested for impairment on annual basis. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investments of the Group, it is recognised as 'Capital Reserve' and shown under the head 'Reserves & Surplus', in the consolidated financial statements.

(iv) Goodwill arising on consolidation is not amortised but tested for impairment.

(v) Following subsidiary companies have been considered in the preparation of the consolidated financial statements:

Name of the entity	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
			March 31, 2014	March 31, 2013
Subex Technologies Limited	India	Subex Limited	100	100
Subex Technologies Inc.	United States of America	Subex Technologies Limited	100	100
Subex (UK) Limited	United Kingdom	Subex Limited	100	100
Subex Inc.	United States of America	Subex (UK) Limited	100	100
Subex (Asia Pacific) Pte. Ltd,	Singapore	Subex (UK) Limited	100	100
Subex Americas Inc.	Canada	Subex Limited	100	100
Subex Azure Holdings Inc.	United States of America	Subex Americas Inc.	100	100

(vi) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

III. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialised.

IV. Revenue recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is on the basis of milestones achieved, determined based on percentage of completion of work completed at each milestone 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 software licenses (including additional licenses) are recognized on transfer of such licenses.

In case of composite contracts involving granting of license and support services, license revenues are recognized on transfer of the license if identified separately and in other cases, they are recognized over the period of the contract along with revenue from support services.

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.

V. Tangible Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other direct expenditure incurred. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

Exchange differences arising on restatement / settlement of long term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till the project is ready for its intended use.

VI. **Intangible Assets**

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset (Refer note: 2.XII for accounting for R&D expenses).

VII. **Depreciation & Amortisation**

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

The rates of depreciation / amortisation adopted are as under:

Particulars	Depreciation/ Amortisation Rates (%)
Computers	25
Software	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

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

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

VIII. **Employee Stock Option Plans**

The Group has formulated Employee Stock Option Schemes (ESOS) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. The Company has used intrinsic value method to account for the compensation cost of stock options. Intrinsic value is the amount by which the quoted market price on the day prior to the grant of the options under ESOS exceeds the exercise price of the option. In accordance with the SEBI guidelines, the intrinsic value is amortised on a straight line basis over the vesting period.

IX. **Employee Benefits**

Employee benefits include provident fund, gratuity fund, compensated absences, retention and performance linked payouts.

Defined contribution plans: The Group's contribution to provident fund is considered as defined contribution plan and is charged as an expense as they fall due based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans: For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the

Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, 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 reductions in future contributions to the schemes.

Short-term employee benefits: The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include retention and performance linked payouts and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits: Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

X. Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

XI. Leases

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight line basis.

XII. Research and development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.

XIII. Foreign currency transactions

<u>Initial recognition</u>

i. Transactions in foreign currencies (other than the entity's functional currency) entered into by the Group are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

ii. Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

iii. Net investment in non-integral foreign operations: Net investment in non-integral foreign operations is accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

iv. Non-integral foreign operations: Transactions of non-integral foreign operations are translated at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

<u>Measurement at the Balance Sheet date</u>

i. Foreign currency monetary items (other than derivative contracts) of the Group, outstanding at the Balance Sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

ii. Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.

iii. Net investment in non-integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

iv. Non-integral foreign operations: All assets and liabilities of non-integral foreign operations are translated at the year-end rates.

v. Goodwill on consolidation entirely attributable to foreign operations is restated at the exchange rate prevailing on the Balance Sheet date.

<u>Treatment of exchange differences</u>

i. Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Consolidated Statement of Profit and Loss.

ii. Integral foreign operations: Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Consolidated Statement of Profit and Loss.

iii. Net investment in non-integral foreign operations: The exchange differences on restatement of long-term receivables / payables from / to non-integral foreign operations that are considered as net investment in such operations is accounted as per policy for long-term foreign currency monetary items stated in para (v) below until disposal / recovery of such net investment, in which case the accumulated balance in "Foreign currency translation reserve" is recognised as income / expense in the same period in which the gain or loss on disposal / recovery is recognised.

iv. Non-integral foreign operations: The exchange differences relating to non-integral foreign operations are accumulated in a "Foreign currency translation reserve" until disposal of the operation, in which case the accumulated balance in "Foreign currency translation reserve" is recognised as income / expense in the same period in which the gain or loss on disposal is recognised.

v. Exchange difference on long-term foreign currency monetary items: The exchange differences arising on settlement / restatement of long-term foreign currency monetary items are capitalised as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets. If such monetary items do not relate to acquisition of depreciable fixed assets, the exchange difference is amortised over the maturity period / upto the date of settlement of such monetary items, whichever is earlier, and charged to the Consolidated Statement of Profit and Loss except in case of exchange differences arising on net investment in non-integral foreign operations, where such amortisation is taken to "Foreign currency translation reserve" until disposal / recovery of the net investment. The unamortised exchange difference is carried under Reserves and surplus as "Foreign currency monetary item translation difference account" net of the tax effect thereon, where applicable.

<u>Change in classification of foreign operation</u>

When a foreign operation that is integral to the operations of the Company is reclassified as a non-integral operation, exchange differences arising on the translation of non-monetary items at the date of such reclassification are accumulated in the "Foreign currency translation reserve" account.

When a non-integral foreign operation is reclassified as an integral foreign operation, the translated amounts for non-monetary items at the date of the change are treated as the historical cost for those items in the period of change and subsequent periods. Exchange differences that have been deferred are not recognised as income or expense until the disposal of the operation.

Subsequent to the date of change in classification of the foreign operation, transactions and balances in such operations are accounted as per the accounting policy applicable to the new classification.

Accounting for Forward contracts:

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

Accounting for Derivatives:

Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for forward contracts.

All other derivative contracts are marked-to-market and losses are recognised in the Consolidated Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

XIV. Investments

Long-term investments, are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

XV. Taxes on income

Current tax is determined on the basis of taxable income and tax credits computed for each of the entities in the Group in accordance with the provisions of applicable tax laws of the respective jurisdictions where the entities are located.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entity will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the entity.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabosrbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the entity has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

The Group offsets deferred tax assets and deferred tax liabilities, and advance income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levies by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Consolidated Statement of Profit and Loss.

XVI. Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

XVII. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

XVIII. Provisions and Contingencies

A provision is recognised when the Group has a present obligation as a result of past events and 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 (excluding retirement benefits) are not discounted to their present value and are determined based on the 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 disclosed in the Notes. Contingent assets are not recognised in the financial statements.

XIX. Impairment of Assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Consolidated Statement of Profit and Loss, except in case of revalued assets.

XX. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

XXI. Segment reporting

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under 'unallocated revenue / expenses / assets / liabilities.

XXII. Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 3 SHARE CAPITAL

₹ *In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
AUTHORISED		
49,50,40,000 Equity Shares of ₹10/- each (Previous Year: 49,50,40,000 Equity Shares of ₹10/- each)	49,504.00	49,504.00
2,00,000 Preference Shares of ₹98/- each	196.00	196.00
Total	49,700.00	49,700.00
ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARES		
16,66,39,962 Equity Shares of ₹10/- each (Previous Year : 16,66,39,962 Equity Shares of ₹10/- each)	16,664.00	16,664.00
Total	**16,664.00**	**16,664.00**

NOTES

A Reconciliation of the number of Equity shares at the beginning and at the end of the reporting period

Particulars	Opening Balance	Fresh issue	ESOP	Conversion of FCCB	Closing Balance
Equity Shares (No. of shares)					
Year ended March 31, 2014	16,66,39,962	-	-	-	16,66,39,962
Year ended March 31, 2013	6,93,10,772	-	-	9,73,29,190	16,66,39,962

Reconciliation of the amount outstanding at the beginning and at the end of the reporting period ₹ *In Lakhs*

Particulars	Opening Balance	Fresh issue	ESOP	Conversion of FCCB	Closing Balance
Equity Share Capital					
Year ended March 31, 2014	16,664.00	-	-	-	16,664.00
Year ended March 31, 2013	6,931.08	-	-	9,732.92	16,664.00

B The Company has only one class of Equity Share, having a par value of ₹10/-. The holder of equity shares is entitled to one vote per share and such amount of dividend per share as declared by the Company. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution to all other parties concerned. The distribution will be in proportion to number of equity shares held by the shareholders.

C Details of shares held by each shareholder (together with Persons Acting in Concert[PAC]) holding more than 5% shares.

Class of shares / Name of shareholder	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	No. of shares held	% holding	No. of shares held	% holding
Equity shares				
QVT Mauritius West Fund & Quintessence Mauritius West Fund	1,33,47,888	8.01%	1,33,47,888	8.01%
Suffolk (Mauritius) Limited & Mansfield(Mauritius)	1,73,72,221	10.43%	1,73,72,221	10.43%
Deutche Bank AG London -CB Account	1,08,92,721	6.54%	1,08,92,721	6.54%
Nomura Singapore Limited	1,02,34,433	6.14%	1,02,34,433	6.14%
Merill Lynch Capital Markets	1,01,92,621	6.12%	1,01,92,621	6.12%
Promoter and Promoter Group (See Note E below)	64,74,044	3.89%	84,74,044	5.09%

NOTE: 3 SHARE CAPITAL *(contd.)*

Bank of New York is the depositary of GDRs on behalf of GDR holders holding 17,99,310 shares representing 1.08% of total shareholding (Previous Year : 69,89,399 shares representing 4.23%). The company does not have details of individual GDR holders/ beneficiaries to determine if anyone holds more than 5% of the beneficial interest individually in the equity shares.

D **As at March 31, 2014 21,91,55,913 shares (As at March 31, 2013, 21,95,88,093 shares) were reserved for issuance as follows:**

i) 2,975 shares (As at March 31, 2013, 4,670 shares) of ₹10 each towards outstanding employee stock options scheme under 'ESOP 2000' granted / available for grant.

ii) 8,63,950 shares (As at March 31, 2013, 11,31,147 shares) of ₹10 each towards outstanding employee stock options scheme under 'ESOP 2005' granted / available for grant.

iii) 5,67,518 shares (As at March 31, 2013, 7,30,806 shares) of ₹10 each towards outstanding employee stock options scheme under 'ESOP 2008' granted / available for grant.

iv) 67,174 shares (As at March 31, 2013, 67,174 shares) of ₹10 each towards conversion of foreign currency convertible bonds(FCCB I) available for conversion. Refer note 25

v) 8,39,721 shares (As at March 31, 2013, 8,39,721 shares) of ₹10 each towards conversion of foreign currency convertible bonds (FCCB II) available for conversion. Refer Note 25

vi) 21,68,14,575 shares (As at March 31, 2013 21,68,14,575 shares) of ₹10 each towads Conversion of Foreign currency convertible bond (FCCB III) avaibale for conversion. Refer note 25

E **Details of shares held by Promoter and Promoter Group*:**

Name of the Shareholder	AS AT MARCH 31, 2014		AS AT MARCH 31, 2013	
	No. of shares held	% holding in that class of shares	No. of shares held	% holding in that class of shares
Subash Menon	25,80,601	1.55%	25,80,601	1.55%
Kivar Holdings Private Limited (KHPL) (including Woodbridge Consulting & Investments Inc, which merged with KHPL)	35,21,200	2.12%	55,21,200	3.32%
Sudeesh Yezhuvath	3,72,243	0.22%	3,72,243	0.22%
Total Promoter and promoter group	**64,74,044**	**3.89%**	**84,74,044**	**5.09%**

*as confirmed by the registrar

F **Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:**

Aggregate number of shares

Particulars	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Company had issued Equity shares of ₹10 each to the GDR holders as of June 22, 2006 towards consideration of cost of acquisition of Azure Solutions Limited at ₹532.24 per share.	1,17,28,728	1,17,28,728
In accordance with the terms of FCCBs III, out of the principal face value of US$ 127.72 Million, an amount of US$ 36.32 Million were mandatorily converted into equity shares on July 17, 2012. (Refer note 25)	8,93,35,462	8,93,35,462

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 4 RESERVES AND SURPLUS

₹ In Lakhs

	NOTE NO.	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
General Reserve		**1,779.76**	**1,779.76**
Securities Premium Account			
Opening Balance		10,615.20	316.20
Transferred from / (to) Business Restructuring Reserve		-	271.10
Add : Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares		-	10,505.40
Write back from / (Accrual for) redemption premium on FCCBs (net)		(53.59)	(574.70)
Less / Add: Expenses on issue of Shares		-	97.20
Closing Balance		**10,561.61**	**10,615.20**
Business Restructuring Reserve			
Opening Balance		80.63	1,670.21
Transferred from / (to) Securities Premium / Capital Reserve	24	-	(271.10)
Amounts utilised for Permitted Utilisations		(80.63)	(1,318.48)
Closing Balance		**-**	**80.63**
Share Options Outstanding Account			
Opening Balance		138.49	197.00
Add : Amounts recorded on Grants during the year		-	56.59
Less : Written back to the Statement of Profit and loss / other accounts during the year		(39.53)	(115.10)
Closing Balance		98.96	138.49
Less : Deferred Stock Compensation Expenses		(2.67)	(14.71)
Share Options Outstanding Account (net)		**96.29**	**123.78**
Foreign Currency Monetary Item Translation Difference Account	27		
Opening Balance -(Debit) / Credit		(2,765.65)	(357.00)
Add / (Less) : Effect of foreign exchange rate variation during the year		(5,097.99)	(3,157.10)
(Add) / Less: Amortisation for the year		2,061.88	748.45
Closing Balance		**(5,801.74)**	**(2,765.65)**
Exchange Reserve on Consolidation			
Opening Balance		(5,831.43)	(4,178.42)
Effect of Foreign exchange rate variations during the year		(778.71)	(1,653.01)
Closing Balance		**(6,610.14)**	**(5,831.43)**
Surplus / (Deficit) in Statement of Profit and Loss			
Opening balance		1,833.39	7,828.10
Add : Profit / (Loss) for the year		(1,161.27)	(5,994.71)
Closing Balance		**672.12**	**1,833.39**
Total Reserves and Surplus		**697.90**	**5,835.68**

NOTE: 5 LONG-TERM BORROWINGS

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Foreign Currency Convertible Bonds (Refer Note 25)		
Secured	52,815.00	47,852.27
Unsecured	1,438.03	1,302.80
From Others (Refer note (i))		
Unsecured	5,991.50	4,614.30
Total	**60,244.53**	**53,769.37**

(i) Represents loan taken by Subex Americas Inc, which has been guaranteed by Subex (UK) Limited. The repayment terms varies from 18 to 42 months carrying interest rate of 10.5% compounded semiannually.

NOTE: 6 OTHER LONG TERM LIABILITIES

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Accrual for premium payable on redemption of bonds	571.59	517.93
Interest accrued but not due on borrowings	4,854.31	-
Deferred rent	24.79	15.37
Unearned Revenue	95.43	-
Total	**5,546.12**	**533.30**

NOTE: 7 LONG-TERM PROVISIONS

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for Employee Benefits		
Provision for compensated absences (Refer Note 28(c))	75.83	77.55
Provision for gratuity (Refer Note 28(b))	250.69	257.96
Provision for Tax (Net of Advance Tax of ₹189.99 Lakhs As at March 31, 2013 ₹934.90 Lakhs)	275.15	217.90
Total	**601.67**	**553.41**

NOTE: 8 SHORT-TERM BORROWINGS

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
From Banks / Financial Instituitions		
Secured (Refer note (i) below)	14,817.30	16,550.46
Unsecured (Refer note (ii) below)	-	937.55
From Others		
Unsecured (Refer note (iii))	1,198.30	1,899.90
Total	**16,015.60**	**19,387.91**

(i) The secured loans from banks are secured by first charge on receivables, current assets and fixed assets of the company, jointly and equally with first ranking charge on "FCCB Repayment fund" on a paripassu basis with bondholders of Company's U.S.$127,721,000 5.70% secured Foreign Currency Convertible Bonds due 2017, carrying interest rates ranging from 14% to 17%.

Paripassu First Charge by way of Hypothecation of Stocks and Book Debts and Other Current Assets of the company both present and future stored at company premises at RMZ Ecoworld, Bangalore.

This is further covered by a personal guarantee of a director of the company apart from corporate guarantee in which a director is interested as well as a guarantee of Subex Technologies Ltd."

(ii) Represents loan taken from Subex Technologies Inc which is secured by a corporate guarantee from Subex Limited.

(iii) Represents loan taken by Subex Americas Inc, which has been guaranteed by Subex (UK) Limited. The repayment terms varies from 18 to 24 months carrying interest rate of 10.5% compounded semiannually.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 9 OTHER CURRENT LIABILITIES *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current maturities of Long-term borrowings - Hire Purchase Loans from Banks (Secured) (Refer note (i) below)	-	0.92
Interest accrued but not due on borrowings	1,059.39	2,282.16
Unclaimed Dividends (Refer Note 37(1))	1.31	2.92
Unearned Revenue	2,418.79	3,905.43
Other Payables		
Statutory remittances	542.21	637.10
Deferred rent	38.97	12.99
Total	4,060.67	6,841.52

(i) Secured against the Hypothecation of vehicles financed under these loans. Hire Purchase loans amount to ₹Nil as at March 31, 2014 (₹0.92 Lakhs as at March 31, 2013). The interest rate on these loans range from 9% to 20%.

NOTE: 10 SHORT-TERM PROVISIONS *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Provision for Employee Benefits		
Provision for compensated absences (Refer Note 28(c))	306.31	263.30
Provision for gratuity (Refer Note 28(b))	41.89	83.20
Provision for Tax (Net of advance tax ₹Nil) (As at March 31, 2013 ₹Nil)	1.01	1.20
Total	349.21	347.70

NOTE: 11 FIXED ASSETS *₹ In Lakhs*

Sl. No.	Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK
		As at 01-Apr-13	Adjust-ments *	Additions during the year	Deletions during the year	As at 31-Mar-14	Upto 01-Apr-13	Adjust-ments *	for the year	Withdrawn on Deletions	Upto 31-Mar-14	As at 31-Mar-14
11A	Tangible Fixed Assets											
1	Computer Hardware	4,348.59	434.19	336.80	49.10	5,070.48	4,027.70	418.40	176.60	45.94	4,576.76	493.72
	(Previous Year balance)	(4,414.00)	(63.39)	(92.10)	(220.90)	(4,348.59)	(3,895.04)	(49.62)	(283.84)	(200.80)	(4,027.70)	(320.89)
2	Furniture & Fixtures	142.27	8.03	-	17.35	132.95	131.06	7.60	4.70	15.88	127.48	5.47
	(Previous Year balance)	(136.50)	(4.88)	(0.89)	-	(142.27)	(120.70)	(4.52)	(5.84)	-	(131.06)	(11.21)
3	Vehicles	84.10	-	-	53.30	30.80	81.55	-	2.30	53.34	30.51	0.29
	(Previous Year balance)	(241.60)	-	-	(157.50)	(84.10)	(212.90)	-	(25.26)	(156.61)	(81.55)	(2.55)
4	Office Equipments	533.64	50.14	14.10	24.50	573.38	495.56	49.50	17.59	22.19	540.46	32.92
	(Previous Year balance)	(524.80)	(4.89)	(4.65)	(0.70)	(533.64)	(453.90)	(4.68)	(37.27)	(0.29)	(495.56)	(38.08)
5	Lease Hold Improvements	171.10	36.50	-	-	207.60	171.10	36.50	-	-	207.60	-
	(Previous Year balance)	(169.50)	(1.60)	-	-	(171.10)	(169.50)	(1.60)	-	-	(171.10)	-
	TOTAL TANGIBLE ASSETS	5,279.70	528.86	350.90	144.25	6,015.21	4,906.97	512.00	201.19	137.35	5,482.81	532.40
	(Previous Year balance)	(5,486.40)	(74.76)	(97.64)	(379.10)	(5,279.70)	(4,852.04)	(60.42)	(352.21)	(357.70)	(4,906.97)	(372.73)
11B	Intangible Fixed Assets											
1	Computer Software	888.25	33.34	17.10	-	938.69	794.24	31.87	47.15	-	873.26	65.43
	(Previous Year balance)	(849.10)	(11.06)	(28.09)	-	(888.25)	(710.66)	(9.02)	(74.56)	-	(794.24)	(94.01)
2	Goodwill	137.67	-	-	-	137.67	137.67	-	-	-	137.67	-
	(Previous Year balance)	(137.67)	-	-	-	(137.67)	(137.67)	-	-	-	(137.67)	-
3	Intellectual Property Rights	2,534.19	-	-	-	2,534.19	2,534.19	-	-	-	2,534.19	-
	(Previous Year balance)	(3,973.95)	-	-	-	(3,973.95)	(3,973.95)	-	-	-	(3,973.95)	-
	TOTAL INTANGIBLE ASSETS	3,560.11	33.34	17.10	-	3,610.55	3,466.10	31.87	47.15	-	3,545.12	65.43
	(Previous Year balance)	(4,960.72)	(11.06)	(28.09)	-	(4,999.87)	(4,822.28)	(9.02)	(74.56)	-	(4,905.86)	(94.01)
	Total	8,839.81	562.20	368.00	144.25	9,625.76	8,373.07	543.87	248.34	137.35	9,027.93	597.83
	Previous Year	(10,447.12)	(85.82)	(125.73)	(379.10)	(10,279.57)	(9,674.32)	(69.44)	(426.77)	(357.70)	(9,812.83)	(466.74)

Note: (i) The above assets represent assets owned by the company and there are no assets taken on finance lease or given on operating lease

(ii) Computers (included under office equipment) and Computer Software have been classified between tangible and intangible assets, respectively in the current year and the prior year comparables have been appropriately reclassified.

* Adjustments represent exchange fluctuation arising on account of translation from foreign currency to reporting currency

NOTE: 12 LONG-TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Advance Taxes (Net of Provision of ₹3617.18 Lakhs) (As at March 31, 2013 ₹176.50 Lakhs)	1,342.22	1,430.30
Balances with government authorities - Service Tax Credit Receivable	266.90	266.90
Security Deposits	802.83	774.43
MAT credit entitlement	-	174.13
Total	**2,411.95**	**2,645.76**

NOTE: 13 OTHER NON - CURRENT ASSETS

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Long-term Trade Receivables		
(Unsecured)		
Outstanding for a period exceeding six months from due date		
Considered Doubtful	4,731.81	4,080.60
Less: Provision for Doubtful trade receivables	(4,731.81)	(4,080.60)
	-	-
Unbilled Revenue	1,424.60	1,313.94
Total	**1,424.60**	**1,313.94**

NOTE: 14 TRADE RECEIVABLES

₹ In Lakhs

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
(Unsecured)		
Outstanding for a period exceeding six months from due date		
Considered Good	1,046.20	102.00
Considered Doubtful	-	647.20
Less: Provision for Doubtful Debts receivables	-	(647.20)
	1,046.20	102.00
Other debts		
Considered Good	9,011.40	7,230.84
Considered Doubtful	38.63	-
Less: Provision for Doubtful trade receivables	(38.63)	-
	9,011.40	7,230.84
Total	**10,057.60**	**7,332.84**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 15 CASH AND BANK BALANCES *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
A. Cash and Cash Equivalents		
Cash on hand	0.94	0.77
Balance with Banks		
in Current Accounts	4,295.28	4,441.62
in EEFC Accounts	10.42	9.44
Total Cash and Cash Equivalents A	4,306.64	4,451.83
B. Other bank balances		
in Earmarked Accounts		
Unclaimed dividend Accounts (Refer Note 37.1)	1.31	2.92
Margin Money Deposits (Note(i))	485.42	627.91
Total Other Bank Balances B	486.73	630.83
Total (A+B)	4,793.37	5,082.66

Note

(i) Margin money deposits include deposits with a remaining maturity period of less than 12 months from the Balance Sheet date.

NOTE: 16 SHORT-TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD) *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Advance recoverable (Refer Note 37.6)	233.80	233.80
Loans and advances to employees	280.99	342.07
Prepaid expenses	325.96	311.33
Balances with government authorities		
Service Tax Credit Receivable	-	43.67
Others		
Advance to Suppliers	107.84	67.07
Total	948.59	997.94

NOTE: 17 OTHER CURRENT ASSETS *₹ In Lakhs*

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Unbilled Revenue	3,494.30	5,135.91
Interest accrued on deposits	9.33	29.92
Contractually Recoverable Expenses	53.25	8.24
Total	3,556.88	5,174.07

NOTE: 18 REVENUE FROM OPERATIONS *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Income from Sale of Products (and related services)	34,005.16	30,734.27
Income from Sale of Services	-	2,323.68
SUB TOTAL	34,005.16	33,057.95
less: Income from Discontinuing Operations (Refer Note 35)	-	(2,323.69)
Total	34,005.16	30,734.26

NOTE: 19 OTHER INCOME

₹ *In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest income		
Interest on deposit accounts from banks	9.45	40.02
Other non-operating income		
Miscellaneous Income	200.16	46.96
Reversal of provision for doubtful trade receivables/bad debts recovered	240.03	2.17
SUB TOTAL	**449.64**	**89.15**
less: Other Income from Discontinuing Operations (Refer Note 35)	(5.52)	(0.17)
Total	**444.12**	**88.98**

NOTE: 20 EMPLOYEE BENEFITS EXPENSE AND SUB-CONTRACT CHARGES

₹ *In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Salaries & Wages	16,137.10	17,972.37
Contribution to Provident Fund and Other Funds	1,161.35	1,254.64
Expense on Employee Stock Option Scheme (ESOP)	(27.16)	11.27
Staff Welfare Expenses	655.50	864.49
	17,926.79	20,102.77
Sub-contract Charges	2.51	566.25
SUB TOTAL	**17,929.30**	**20,669.02**
less: Employee Benefit Expense and Sub-contract Charges from Discontinuing Operations (Refer Note 35)	(150.72)	(2,713.22)
Total	**17,778.58**	**17,955.80**

NOTE: 21 FINANCE COSTS

₹ *In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Interest Expenses on:		
Foreign Currency Convertible Bonds	3,422.30	2,212.06
Other Borrowings	3,025.60	2,611.50
Other Borrowings Costs - Bank Charges	299.86	386.44
SUB TOTAL	**6,747.76**	**5,210.00**
less: Finance Costs from Discontinuing Operations (Refer Note 35)	(38.24)	(71.88)
Total	**6,709.52**	**5,138.12**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 22 OTHER EXPENSES *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Software Purchases	51.14	54.23
Rent	1,540.70	1,426.53
Power, Fuel and Water Charges	198.31	193.12
Repairs & Maintenance	676.48	681.90
Insurance	152.90	184.60
Communication Costs	469.03	500.55
Printing & Stationery	45.85	46.42
Travelling & Conveyance	2,213.60	2,540.43
Rates & Taxes Including Filing Fees	150.71	186.92
Advertisement & Business Promotion	309.04	247.34
Consultancy Charges	900.70	392.67
Payments to Auditors (Refer Note 36)	120.42	80.53
Commission on Sales	20.09	182.25
Provision for Doubtful trade and other receivables	-	170.51
Director sitting fees	4.20	2.80
Loss on sale of Fixed assets (Net)	7.10	40.49
Exchange Fluctuation Loss (Net)	1,676.98	654.51
Miscellaneous Expenses	32.77	50.20
SUB TOTAL	**8,570.02**	**7,636.00**
less: Other Expenses from Discontinuing Operations (Refer Note 35)	(70.60)	(209.17)
Total	**8,499.42**	**7,426.83**

NOTE: 23 EXCEPTIONAL ITEMS (REFER NOTE 37(7)) *₹ In Lakhs*

	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Impairment of goodwill from Subex Technologies Limited	-	926.70
Provision for Doubtful trade and other receivables	219.61	3,069.92
SUB TOTAL	**219.61**	**3,996.62**
less: Exceptional Items from Discontinuing Operations (Refer Note 35)	(219.61)	(926.70)
Total	**-**	**3,069.92**

NOTE: 24 ACCOUNTING UNDER THE PROPOSAL APPROVED BY THE HON'BLE HIGH COURT

a) 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, 2013) to a Business Restructuring Reserve (BRR) to be utilised 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.

b) Adjustments in the BRR during the previous 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 ₹17,400.00 Lakhs 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 ₹15,503.70 Lakhs (net)

NOTE: 24 ACCOUNTING UNDER THE PROPOSAL APPROVED BY THE HON'BLE HIGH COURT *(contd.)*

c) Adjustments in the BRR during the previous year ended March 31, 2012

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2012:

- Transfer of ₹346.74 Lakhs during the year from the balances in Capital Reserve to the BRR,
- Reversals of the provisions to the BRR for an aggregate amount of ₹225.07 Lakhs (net of reversals).

d) Adjustments in the BRR during the previous year ended March 31, 2013

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2013:

- transfer of ₹271.10 Lakhs during the year to Securities Premium,
- towards FCCB restructuring expenses ₹359.58 Lakhs,
- towards reversal of unbilled revenue ₹958.90 Lakhs,

e) Adjustments in the BRR during the current year ended March 31, 2014

In accordance with the Proposal, the Board of Directors of the Company have approved the following for financial year ended March 31, 2014

- towards provision for doubtful trade receivables ₹80.63 Lakhs.

f) 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 ₹ Lakhs except as otherwise indicated

In the Statement of Profit and loss.	MARCH 31, 2014	MARCH 31, 2013
Revenue would have been lower by:	-	958.90
The loss under Exceptional items would have been higher as follows:	-	-
- One-time non-recurring expenses, being FCCB restructuring fees	-	359.58
- Provision towards doubtful trade receivables	80.63	-
Sub-Total	**80.63**	**359.58**
Profit/(loss) after Tax would have been lower/higher by	**80.63**	**1,318.48**
Basic Earnings/(Loss) per share would have been – ₹	**(0.75)**	**(5.36)**
Diluted Earnings/(Loss) per share would have been – ₹	**(0.75)**	**(5.36)**

NOTE: 25 FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBS)

a) During the year 2006-07, the Company issued Foreign Currency Convertible Bonds (FCCB I) aggregating to US$ 180 Million, with an interest rate of 2% p.a. payable semi-annually in arrears, with terms of conversion being :

i) Exchange rate for conversion of FCCB : ₹44.08/ US1$

ii) Conversion price : ₹656.20 per share

iii) Redemption date : March 09, 2012

iv) Premium payable on redemption : US$. 14.05 Million.

v) Listing on the London Stock Exchange

The bonds were available for conversion at any point in time during the period prior to the redemption date. During the year 2009-10, the Company presented to restructure the FCCBs I by offering a discount of ~30% on the face value of the existing bonds in return for new FCCBs ("FCCBs II") having a face value of US$ 126 Million.

NOTE: 25 FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBS) *(contd.)*

Pursuant to the offer, the FCCBs I Bondholders, with a face value of US$ 141 Million exchanged their bonds for new FCCBs with a face value of US$ 98.70 Million. The remaining FCCBs I bondholders holding bonds with a face value of US$ 39 Million (out of the original bondholders holding US$ 180 Million) did not choose the option for restructuring. The terms and conditions applicable for the new FCCB II bonds, for the US$ 98.70 Million face value, were as under :

i. Interest rate : 5% p.a. payable semi annually
ii. Exchange rate for conversion of FCCB : ₹48.17/ US1$
iii. Conversion price : ₹80.31 per share
iv. Redemption date : March 09, 2012
v. Premium payable on redemption : US$. 23.23 Million.
vi. Listing on the Singapore Exchange Securities Trading Limited

Both the bonds were initially redeemable on or by March 9, 2012, if not converted into equity shares as per terms of issue. Based on an approval received from the Reserve Bank of India and bond holders, the redemption date was extended to July 09, 2012.

Out of the US$ 98.70 million of FCCBs II, bonds having a face value of US$ 31.90 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, retaining a closing balance of US$ 54.80 Million outstanding FCCBs II bonds.

b) Pursuant to the approval of the holders of "US$ 180 Million 2% convertible unsecured bonds",[of which US$ 39 Million was outstanding ("FCCBs I")] and "US$ 98.70 Million 5% convertible unsecured bonds", [of which US$ 54.80 Million was outstanding ("FCCBs II")], at their respective meetings held on July 5, 2012 and exchange offers received under the exchange offer memorandum dated June 13, 2012, holders of US$ 38 Million out of FCCBs I and US$ 53.40 Million out of FCCBs II offered their bonds for exchange and secured bonds with a face value of US$ 127.72 million ("FCCBs III") were issued with maturity date of July 7, 2017. The Company has been legally advised that there is no tax incidence arising from the above restructuring.

c) The terms and conditions of FCCB III are as under:

i. Interest rate : 5.70% p.a. payable semi annually
ii. Exchange rate for conversion of FCCB : ₹56.06/ US1$
iii. Equity Conversion price : ₹22.79 per share
iv. Redemption date : July 07, 2017
v. Listing on the Singapore Exchange Securities Trading Limited
vi. Second ranking paripassu charge in respect of all movable properties, present & future, covered under the Existing security and First ranking charge in respect of all movable properties, present & future, other than & to the extent covered by the existing security. First ranking charge on FCCB Repayment fund on a paripassu basis jointly & equally with SBI & Axis Bank Ltd. The promoters of the company have pledged their share towards securing the repayment of FCCB III.
vii. Mandatory conversion of bonds with a face value of US$ 36.32 Million into equity shares at the aforesaid conversion price on July 07, 2012.

For 2012-13 FCCB III with face value of US$ 3.25 Million were converted into equity shares of the Company, retaining a closing balance of US$ 88.15 Million.

During the year, the Company received approvals from the FCCB Holders for deferment of the semi annual interest due on January 2013, July 2013 and January 2014 to be settled with the principal on the redemption date. These have accordingly been categorized as long-term liabilities.

d) Pursuant to approval of the RBI dated April 27, 2012 and requisite approvals under the trust deed of the holders of the Company's US$ 180 million convertible unsecured bonds and US$ 98.70 million convertible unsecured bonds the maturity period of the un-exchanged portion of FCCBs I of face value US$ 1 Million and FCCBs II of face value US$ 1.40 Million stands extended to March 9, 2017, with its other terms and conditions remaining unchanged.

NOTE: 25 FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBS) *(contd.)*

e) **FCCB I:** As at March 31, 2014, the face value of the US$ 1 Million FCCBs (Previous Year US$ 1 Million) amounts to ₹599.15 Lakhs (Previous Year: ₹542.81 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium

FCCB II: As at March 31, 2014, the face value of the US$ 1.40 Million FCCBs (Previous Year US$ 1.40 Million) amounts to ₹838.81 Lakhs (Previous Year: ₹759.99 Lakhs) and is included in Note 5 – Long Term Borrowings.

The premium payable on maturity has been accrued by a charge to Securities Premium.

FCCB III: As at March 31, 2014, the face value of the US$ 88.15 Million FCCBs (Previous Year US$ 88.15 Million) amounts to ₹52,815.07 Lakhs (Previous Year: ₹47,852.27 Lakhs) and is included in Note 5 – Long Term Borrowings.

NOTE: 26 EMPLOYEES STOCK OPTION PLAN (ESOP)

The Company during the years 1999-2000, 2005-2006 and 2008-09 has established ESOP II, ESOP III and ESOP IV respectively.

These schemes have 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 these schemes, 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 Company has obtained in-principle approval for listing of shares upto a limit as mentioned below.

ESOP II : 8,83,750 shares

ESOP III : 20,00,000 shares

ESOP IV : 20,00,000 shares

Employees' Stock Options Details as on the Balance Sheet Date are

Particulars	2013-14		2012-13	
	Options (Nos)	Weighted average exercise price per stock option (₹)	Options (Nos)	Weighted average exercise price per stock option (₹)
Options outstanding at the beginning of the year				
ESOP – II	4,670	82.63	12,022	85.22
ESOP – III	11,31,147	34.04	13,56,086	39.30
ESOP – IV	7,30,806	28.79	10,19,289	28.95
Granted during the year				
ESOP – II	-	-	-	-
ESOP – III	-	-	1,24,100	12.82
ESOP – IV	-	-	-	-
Exercised during the year				
ESOP – II	-	-	-	-
ESOP – III	-	-	-	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered or Lapsed during the year				
ESOP – II	1,695	-	7,352	-
ESOP – III	2,67,197	-	3,49,039	-
ESOP – IV	1,63,288	-	2,88,483	-

NOTE: 26 EMPLOYEES STOCK OPTION PLAN (ESOP) *(contd.)*

Particulars	2013-14		2012-13	
	Options (Nos)	Weighted average exercise price per stock option (₹)	Options (Nos)	Weighted average exercise price per stock option (₹)
Options outstanding at the end of the year				
ESOP – II	2,975	67.00	4,670	82.63
ESOP – III	8,63,950	30.78	11,31,147	34.04
ESOP – IV	5,67,518	28.56	7,30,806	28.79
Options exercisable at the end of the year				
ESOP – II	2,975	-	4,670	-
ESOP – III	7,09,638	-	8,64,489	-
ESOP – IV	4,98,483	-	4,57,293	-
Options available for Grant at the end of the year				
ESOP – II	-	-	-	-
ESOP – III	11,23,611	-	8,56,414	-
ESOP – IV	14,32,482	-	12,69,194	-

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

ESOP – II	At March 31, 2013: 1.41 Years
	At March 31, 2014: 1.02 Years
ESOP – III	At March 31, 2013: 3.08 Years
	At March 31, 2014: 2.12 Years
ESOP – IV	At March 31, 2013: 3.16 Years
	At March 31, 2014: 2.17Years

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% (Previous year: 8%), expected life: 3 years (Previous year: 3 years), expected volatility of share: 54.49% (Previous year: 64.85%), and expected dividend yield: 0% (Previous year: 0%) 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 ₹ Lakhs except as otherwise indicated

Particulars	MARCH 31, 2014	MARCH 31, 2013
Net Profit for the year (as reported)	(1,161.27)	(5,994.71)
Add : Stock-based employee compensation relating to grants after Apr 1, 2006	(27.16)	11.27
Less : Stock-based compensation expenses determined under fair value based method for the above grants	20.71	30.80
Net Profit (proforma)	**(1,209.14)**	**(6,014.24)**
Basic earnings per share (as reported) - ₹	(0.70)	(4.40)
Basic earnings per share (proforma) - ₹	(0.73)	(4.41)
Diluted earnings per share (as reported) - ₹	(0.70)	(4.40)
Diluted earnings per share (proforma) - ₹	(0.73)	(4.41)

NOTE: 27

The Company adopted the amendments to Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" that were notified during the year ended March 31, 2012. Pursuant to this amendment, exchange fluctuations arising on restatement of all long term monetary foreign currency assets and liabilities at rates different from those at which they were initially recorded or reported in the previous financial statements (whichever is later), are accumulated in a Foreign Currency Monetary Item Translation Difference account and are amortized over the balance period of such long term asset / liability. Consequently, exchange fluctuation losses (net) arising on restatement of such items has been deferred to the extent of ₹5,801.74 Lakhs (PY ₹2,765.65 Lakhs) at March 31, 2014 and the loss for the year are lower by a corresponding amount.

NOTE: 28 EMPLOYEE BENEFIT PLANS

a) Defined Contribution Plans

The Group makes contribution to Provident Fund and Employee State Insurance scheme which are defined contribution plan, in respect of employees in India. In respect of employees in overseas subsidiaries, the Group makes contributions to certain defined contribution plans, based on respective local laws. Under these plans, a specified percentage of payouts are required to be contributed by the Group. The Group recognized ₹1,087.16 Lakhs (Year ended March 31, 2013 ₹1,094.39 Lakhs) for Provident Fund contributions ₹1.89 Lakhs (Year ended March 31, 2013 ₹2.04 Lakhs) for Employee state insurance scheme contribution in the Statement of Profit and Loss.

b) Defined Benefit Plans

The group offers the Gratuity benefits to employees, a defined benefit plan. The following table sets out the funded status of Gratuity liability in respect of parent company and its domestic subsidiaries and the amounts recognised in the consolidated financial statements:

Amount in ₹ Lakhs except assumptions

		Gratuity	
		MARCH 31, 2014	MARCH 31, 2013
I	**Components of employer expense**		
1	Current Service cost	69.65	108.70
2	Interest cost	20.91	20.63
3	Expected return on plan assets	(1.45)	(0.59)
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses / (Gains)	(14.92)	31.51
8	**Total expense recognized in the Statement of Profit and Loss**	74.19	160.25
II	**Actual Contribution and Benefit Payments for the year**		
1	Actual benefit payments	76.39	99.31
2	Actual Contributions	96.00	98.84
III	**Net asset / (liability) recognized in Balance Sheet**		
1	Present value of Defined Benefit Obligation (DBO)	321.46	348.47
2	Fair value of plan assets	28.88	7.31
3	Funded status [Surplus / (Deficit)]	(292.58)	(341.16)
4	Unrecognized Past Service Costs	-	-
IV	**Net asset / (liability) recognized in Balance Sheet**	**(292.58)**	**(341.16)**
	- Current	(41.89)	(83.20)
	- Non current	(250.69)	(257.96)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 28 EMPLOYEE BENEFIT PLANS *(contd.)*

Amount in ₹ Lakhs except assumptions

		Gratuity	
		MARCH 31, 2014	MARCH 31, 2013
V	**Change in Defined Benefit Obligations during the year**		
1	Present Value of DBO at beginning of year	348.47	342.00
2	Current Service cost	69.65	108.70
3	Interest cost	20.91	20.63
4	Curtailment cost / (credit)	-	-
5	Settlement cost / (credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains) / losses	(14.41)	31.42
9	Currency translation adjustment	(26.77)	(54.97)
10	Benefits paid	(76.39)	(99.31)
11	Present Value of DBO at the end of year	321.46	348.47
VI	**Change in Fair Value of Assets during the year**		
1	Plan assets at beginning of year	7.31	7.10
2	Acquisition Adjustment	-	-
3	Expected return on plan assets(estimated)	1.45	0.59
4	Actuarial Gain / (Loss)	0.51	0.09
5	Actual Company contributions(less risk premium, ST)	96.00	98.84
6	Benefits paid	(76.39)	(99.31)
7	Plan assets at the end of period	28.88	7.31
VII	**Actuarial Assumptions**		
1	Discount Rate	9.25%	8.10%
2	Expected Return on plan assets	8.50%	8.50%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	9.00%	9.00%

Five Year Data	Period ending (₹ *In Lakhs*)				
	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Defined Benefit Obligation at end of the period	(193.23)	(299.41)	(348.50)	(348.47)	(321.46)
Plan Assets at end of the period	50.84	33.04	7.10	7. 31	28.88
Funded Status	(142.39)	(266.37)	(341.40)	(341.16)	(292.58)
Experience Gain/(Loss)adjustments on Plan Liabilities	3.85	(4.83)	54.12	11.31	(10.25)
Experience Gain/(Loss)adjustments on Plan Assets	-	0.38	0.31	(0.09)	0.51
Actuarial Gain/(Loss) due to change on assumptions	6.84	-	12.77	(42.73)	24.66

NOTE: 28 EMPLOYEE BENEFIT PLANS *(contd.)*

- The composition of the plan assets held under the funds managed by the Insurer is as follows:

Fund Type	2014	2013
	%	
Equity Instruments	4.93	5.22
Debt Instruments	78.12	79.73
FD and Other Asset	16.95	15.05

- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

c) **Actuarial Assumption for long-term compensated absences**

	MARCH 31, 2014	MARCH 31, 2013
Discount rate	9.25%	8.10%
Expected return on plan asset	NA	NA
Salary escalation rate	6.00%	6.00%
Attrition	9.00%	9.00%

- The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

	MARCH 31, 2014	MARCH 31, 2013
Total Liabilities Estimated	(382.14)	(340.85)
Current Portion	(306.31)	(263.30)
Non Current portion	(75.83)	(77.55)

NOTE: 29 SEGMENTAL REPORTING

The Group has identified business segment as its Primary reporting segment with Secondary segments reported geographically. The accounting policies adopted for segment reporting are in line with the accounting policies of the Group outlined in Note 2. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities."

Information about Primary Business Segment:

The Group's operations comprise two Business segments viz, (a) Software Products and (b) Services. Under the business segment of Software products, the Group provides Software Products (and related services) in the Revenue Assurance space to Communication Service providers (CSPs) who operate in the Telecom industry.

The Staff Augmentation business of the Group is organized under the Services segment and is carried out through its subsidiaries Subex Technologies Limited and Subex Technologies Inc.The Group has discontinued the service segment entirely, refer Note 35 for more information

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 29 SEGMENTAL REPORTING *(contd.)*

₹ In Lakhs

	Products		Services		Consolidated	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Revenues	34,005.16	30,734.27	-	2,323.68	34,005.16	33,057.95
Segment results before interest, taxes & exceptional item	6,971.78	4,202.94	(220.86)	(604.79)	6,950.92	3,598.15
Exceptional Items	-	(3,069.92)	(219.61)	(926.70)	(219.61)	(3,996.62)
Interest expense	(6,709.52)	(5,210.00)	(38.24)	-	(6,747.75)	(5,210.00)
Profit/(Loss) before tax	6,971.78	1,133.02	(478.71)	(1,531.49)	(216.45)	(5,608.47)
Tax expenses (Net)	-	-	-	-	(944.82)	(386.24)
Profit/(Loss) After Tax					**(1,161.27)**	**(5,994.71)**

Particulars of Segment Assets & Liabilities *Amount ₹ In Lakhs*

	Products		Services		Unallocable		Consolidated	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Segment Assets	1,08,090.82	1,06,545.70	-	506.00	-	-	1,08,090.82	1,07,051.70
Unallocable Assets:	-	-	-	-	1,342.22	1,745.67	1,342.22	1,745.67
Total Assets							**1,09,433.04**	**1,08,797.37**
Segment Liabilities	8,928.03	9,345.44	-	772.65	-	-	8,928.03	10,118.09
Unallocable Liabilities:	-	-	-	-	83,143.11	76,179.60	83,143.11	76,179.60
Total Liabilities							**92,071.14**	**86,297.69**

Segment assets include all assets relating to the segment and consist principally of Fixed assets, Receivables, Other current assets and non-current assets and Goodwill (on consolidation). Unallocable asset includes income tax balances and deferred taxes.

Segment liabilities include all liabilities relating to the segment and consist principally of Trade payables and other operating liabilities. Unallocable liabilities include loans and tax.

Addition to assets *Amount ₹ In Lakhs*

Particulars	2013-14	2012-13
Products	368.00	122.90
Services	-	2.83

Total amount of expense included in the segment result for depreciation and amortisation in respect of segment assets for the period.

Amount ₹ In Lakhs

Particulars	Products		Services		Consolidated	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Depreciation	244.18	420.51	4.16	6.26	248.34	426.77

NOTE: 29 SEGMENTAL REPORTING *(contd.)*

Total amount of significant non-cash expenses, other than depreciation and amortization in respect of segment assets that are included in segment expense and, therefore, deducted in measuring segment result.

Amount ₹ In Lakhs

	Products		Services		Consolidated	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Expense on Employee Stock Option Scheme (ESOPs) (net)*	(27.16)	11.27	-	-	(27.16)	11.27
Exceptional Items						
- Provision for doubtful trade and other receivables	-	3,069.92	219.61	-	219.61	3,069.92
- Impairment of goodwill	-	-	-	926.70	-	926.70
Provision for Doubtful trade and other receivables	(240.03)	168.34	-	-	(240.03)	168.34
Total	**(267.19)**	**3,249.53**	**219.61**	**926.70**	**47.58**	**4,176.23**

* Amount in bracket indicates balance credited to Statement of Profit and Loss (net of expenses).

Information about Secondary Business Segment

The Group operations spans across the world and are categorized geographically as (a) Americas, (b) EMEA and (c) APAC and rest of the World. 'Americas' comprises the Group's operations in North America, South America and Canada. 'EMEA' comprises the Group's operations in Europe, Middle East and Africa and the Group's operations in the rest of the world are organized under 'APAC and the rest of the world'. Segment revenue by geographical location are as follows:

₹ In Lakhs

	Products		Services		Consolidated	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
AMERICAS	6,758.41	8,009.78	-	2,323.68	6,758.41	10,333.46
EMEA	21,393.84	16,386.44	-	-	21,393.84	16,386.44
APAC and rest of the world	5,852.91	6,338.05	-	-	5,852.91	6,338.05
Total	**34,005.16**	**30,734.27**	**-**	**2,323.68**	**34,005.16**	**33,057.95**

Assets and additions to tangible and intangible fixed assets by geographical area: The following table shows the carrying amount of segment assets and additions to tangible and intangible fixed assets by geographical area in which the assets are located:

₹ In Lakhs

Location	2013-14		2012-13	
	Carrying Amount of Segment Assets	Additions to Fixed assets and Intangible assets	Carrying Amount of Segment Assets	Additions to Fixed assets and Intangible assets
AMERICAS	3,516.64	216.33	3,314.99	12.55
EMEA	8,046.22	4.44	7,215.82	2.13
APAC,and rest of the world	96,527.96	147.23	96,395.19	111.05
Total	**1,08,090.82**	**368.00**	**1,06,926.00**	**125.73**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 30 RELATED PARTY INFORMATION

Related Parties

Key Management Personnel

Surjeet Singh, Managing Director & CEO, 5th October, 2012 onwards
Subash Menon, Managing Director & CEO upto 27th September, 2012
Sudeesh Yezhuvath, Wholetime Director & Chief Operating Officer upto 5th October, 2012

Details of the transactions with the related parties: *₹ In Lakhs*

	Key Management Personnel	
	2013-14	2012-13
a) Salary and Perquisites (Also refer Note 37.6)		
Subash Menon	-	107.69
Sudeesh Yezhuvath	-	108.39
Surjeet Singh	512.53	224.60
b) Amount due as at year end from/(to)		
Surjeet Singh	-	(70.00)

NOTE: 31 OPERATING LEASES

The Group had entered into non-cancellable leasing arrangement for its India office premises which on renewal this year became cancellable. Rental expenses for operating leases included in the Statement of Profit and Loss for the year is ₹1,540.70 Lakhs (Previous year ₹1,426.53 Lakhs). The Current year balance includes ₹57.53 Lakhs towards Subex (UK) Limited paid as part of rental service charges.

NOTE: 32 EARNINGS PER SHARE (EPS) *Amount in ₹Lakhs except as otherwise indicated*

	MARCH 31, 2014	MARCH 31, 2013
Profit after Tax attributable to shareholders (A)	(1,161.27)	(5,994.71)
Add : Interest on FCCBs	-	-
Add/(Less) : Exchange Fluctuation on FCCB	-	-
Adjusted Profits after Tax for Diluted EPS (B)	**(1,161.27)**	**(5,994.71)**
Weighted Average Number of Shares (in Lakhs) for Basic EPS (C)	1,666.40	1,362.43
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs) – (in Lakhs)	-	0.10
Weighted Average Number of Shares (in Lakhs) for Diluted EPS (D)	1,666.40	1,362.53
Earnings per Share – Basic [(A)/(C)] - ₹	(0.70)	(4.40)
Earnings per Share - Diluted [(B)/(D)] - ₹	(0.70)	(4.40)

Face value of shares: ₹10/- each

Note: FCCBs outstanding as at March 31, 2014 are anti-dilutive and hence have not been considered for purposes of Dilutive EPS in year ended March 31, 2014.

Certain of the FCCBs as at March 31, 2013 were anti-dilutive and hence were not considered for purposes of Dilutive EPS in year ended March 31, 2013.

NOTE: 33 DEFERRED TAXES

The deferred tax asset and liability recognised comprises of the tax impact arising from timing differences on: *₹ In Lakhs*

Particulars	MARCH 31, 2014	MARCH 31, 2013
Leave Encashment and Gratuity	-	62.80
Differences between the book balance and tax balance of Fixed assets	-	78.40
Total	**-**	**141.20**

The Group has a net deferred tax asset as at March 31, 2014 significantly arising from brought forward unabsorbed depreciation and tax losses, which has not been recognized as a matter of prudence.

NOTE: 34 CONTINGENT LIABILITIES

Claims against the Company not acknowledged as debt:

₹ In Lakhs

Particulars	MARCH 31, 2014	MARCH 31, 2013
Income Tax Demands significantly pertaining to transfer pricing and other adjustments which are being contested by the company These cases are pending at various forum with the respective authorities. Outflows, if any, arising out of these claims would depend upon the outcome of the decision of the appellate authority and the Companies right for future appeals before Judiciary. No reimbursements are expected	4,514.57	3,298.47
Value Added Taxes & Central Sales Tax	Nil	27.80
Others	**1,001.04**	**1,001.04**

The Company has received a demand of service tax of ₹3,607.60 lakhs and equivalent amount of penalties under the provisions of the Finance Act, 1994 along with the consequential interest, for the period from April, 2006 to July, 2009 towards service tax payable on import of certain services. The Company has filed an appeal contesting the demand before the Central Excise and Service Tax Appellate Tribunal (CESTAT), Bangalore. During the year, CESTAT without expressing any opinion, has remanded the appeal back to the adjudication authority and dispensed with the requirement of Pre-deposit.

NOTE: 35 DISCONTINUING OPERATIONS

During the year, pursuant to the approval of the Board of Directors, the Company has discontinued the operations of two of its subsidiaries with effect from April 01, 2013. The two subsidiaries represented and were reported as services segment of the Company. The results of the discontinued business during the year until discontinuation were as under:

₹ In Lakhs

Particulars	FOR THE YEAR ENDED MARCH 31, 2014	FOR THE YEAR ENDED MARCH 31, 2013
Profit / (Loss) from ordinary activities		
Sale of services	-	2,323.69
Other Income	5.52	0.17
Total revenue (A)	**5.52**	**2,323.86**
Cost of Material Consumed	0.90	-
Employee benefits expense	150.72	2,713.22
Finance costs	38.24	71.88
Depreciation and amortization expense	4.16	6.26
Other expenses	70.60	209.17
Exceptional Item	219.61	926.70
Total expenses (B)	**482.23**	**3,927.23**
Profit / (Loss) before tax from ordinary activities (A-B)	(478.71)	(1,603.37)
Add / (Less): Gain / (Loss) on disposal of assets / settlement of liabilities attributable to the discontinuing operations	-	-
	(478.71)	**(1,603.37)**
Tax expense	8.44	-
Profit / (Loss) after tax of discontinuing operations	**(487.15)**	**(1,603.37)**
Carrying amount of assets as at the Balance Sheet date relating to the discontinued business to be disposed off	32.43	506.00
Carrying amount of liabilities as at the Balance Sheet date relating to the discontinued business to be settled	151.57	883.49
Net cash flow attributable to the discontinued business		
Cash flows from operating activities	894.62	(757.91)
Cash flows from investing activities	0.45	(2.67)
Cash flows from financing activities	(969.37)	866.02

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE: 36 PAYMENTS TO AUDITORS INCLUDE

A. Statutory Auditors *₹ In Lakhs*

Particulars	2013-14	2012-13
As Auditors – Statutory audit	75.00	65. 00
For Taxation matters	1.50	1.50
For Certification matters	1.20	-
For Other assurance services	15.00	10.00
For Reimbursement of expenses	5.38	2.73
Total	**98.08**	**79.23**

B. Other auditors for the Subsidiaries *₹ In Lakhs*

Particulars	2013-14	2012-13
Audit fees	22.34	1.30
For Taxation matters	-	-
For Other services	-	-
For Reimbursement of expenses	-	-
Total	**22.34**	**1.30**

NOTE: 37 OTHERS

1. Unclaimed dividend of ₹1.31 Lakhs as at March 31, 2014 (Previous Year - ₹2.92 Lakhs) represent dividends not claimed for the period from 2006-2007. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred ₹1.60 Lakhs (Previous Year - ₹0.59 Lakhs) to Investor Protection Fund.

2. Net cash flow from operating activities in the Cash Flow Statement comprises outflows on account of permitted utilisations from the BRR of ₹Nil Lakhs (Previous Year - ₹359.58 Lakhs).

3. Personnel Cost for the year includes expenditure on Research and Development of ₹1,665.37 Lakhs (Previous year - ₹1,108.71 Lakhs). This is as certified by the management and relied upon by the auditors.

4. The Company does not have any outstanding forward foreign exchange contracts or other derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures as the year end.

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

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

Particulars	MARCH 31, 2014		MARCH 31, 2013	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
(a) Receivables towards export of goods and services	6.82	AED 0.42		
	326.88	AUD 5.91	475.35	AUD 8.39
	84.78	CHF 1.25	71.25	CHF 1.25
	1,454.07	EUR 17.59	735.29	EUR 10.58
			252.15	GBP 3.07
	178.69	MYR 9.74	73.87	MYR 4.22
	71.69	OMR 0.46	43.31	OMR 0.31
	114.02	QAR 6.93	53.52	QAR 3.59
			9.93	SEK 1.19
	10.74	SGD 0.23	23.90	SGD 0.55
	10,462.68	USD 174.63	9,719.16	USD 179.04

NOTE: 37 OTHERS *(contd.)*

Particulars	MARCH 31, 2014		MARCH 31, 2013	
	Amount (₹)	Foreign currency	Amount (₹)	Foreign currency
(b) Payables towards import of goods and services	5,363.15	USD 89.51	22.71	USD 0.41
	0.29	GBP 0.003	5.00	CAD 0.12
	1.62	OMR 0.01		
	17.30	EUR 0.21		
	5.21	AUD 0.09		
	10.09	CAD 0.19		
	1.32	SAR 0.08		
	3.04	AED 0.19		
	7.40	MYR 0.40		
(c) Loan (being other amounts payable in foreign currency)	4,695.61	USD 17.95	2,766.25	USD 30.29
		GBP 26.57		GBP 13.77
		EUR 0.50		EUR 0.18
		SGD 19.50		
(d) Capital goods (including intangibles)	-	-	0.22	SGD 0.10
			1.43	GBP 0.11
			20.91	EUR 0.31
			15.42	CHF 0.22
(e) Towards interest on Foreign Currency loans	5,271.80	USD 87.99	2,213.42	USD 40.61
Towards Foreign Currency Convertible Bonds (FCCB's)	54,253.03	USD 905.50	49,155.07	USD 886.51
Redemption premium accrued on FCCB's	571.59	USD 9.54	517.93	USD 9.54
(f) Bank Balances	2,161.69	USD 36.08	2,451.41	USD 45.15
	53.30	AED 3.27	64.86	AED 4.38
	62.23	AUD 1.13	0.07	AUD 0.001
	25.53	CAD 0.47	27.56	CAD 0.51
	225.60	EUR 2.73	38.68	EUR 0. 55

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

6. a) In view of the losses incurred by the Company during the year ended March 31, 2014, the excess of the managerial remuneration paid to the directors during the FY 2012-13 over the limits prescribed under Schedule XIII of the Companies Act, 1956 has been treated as monies due from the directors, being held by them in trust for the Company, and is included under 'Short-term loans and advances' amounting to ₹123.80 Lakhs (Previous Year ₹123.80 Lakhs)

   b) Other advances to directors during the FY 2012-13: ₹110.00 Lakhs (Previous year ₹110.00 Lakhs)

   The Company has taken necessary steps for recovery of the above amounts and these items along with other claims are a subject matter of arbitration which is in progress.

7. Exceptional items include an amount of ₹219.61 lakhs pertaining to provision for doubtful trade receivables arising from the discontinuance of the services segment. The management has decided to classify the same as exceptional item being non-recurring in nature.

NOTE: 37 OTHERS *(contd.)*

During the year ended March 31, 2013,

a. the Company had carried out an assessment of its receivables and an amount of ₹3,069.92 lakhs had been provided towards doubtful receivables. Considering that the amount of provision towards doubtful receivables was significant and relevant in understanding the financial performance, it had been disclosed separately under exceptional item.

b. the Company had impaired goodwill outstanding in books pertaining to its services business for an amount of ₹926.70 Lakhs. As an impairment in goodwill is not considered to be regular adjustment in the results, the same had been categorised as an exceptional item.

NOTE: 38

During the year, the Company has assessed the carrying value of goodwill arising from its investment in its subsidiary viz Subex Americas Inc, amounting to ₹18,606.00 Lakhs. Based on management's assessment there is no impairment of goodwill taking into account the future operational plans and cash flows as prepared by the management and accordingly no impairment loss is required to be recognized at this stage.

NOTE: 39 DETAILS OF THE SUBSIDIARIES CONSOLIDATED FOR THE YEAR ENDED MARCH 31, 2014 *₹ In Lakhs*

Particulars	Subex (Asia Pacific) Pte Ltd	Subex (UK) Limited	Subex Americas Inc.	Subex Incorporated	Subex Technologies Inc.	Subex Technologies Limited
	(Note 1 below)	(Note 1 below)	(Note 1 & 2 below)	(Note 1 below)	(Note 1 below)	
Country of Incorporation	Singapore	UK	Canada	USA	USA	India
Capital	-	40.60	38,274.10	-	2,090.54	400.00
Reserves*	(3,364.94)	13,439.47	(59,318.54)	(2,714.37)	(2,134.95)	671.48
Total Assets	12,006.62	40,852.85	38,937.30	22,005.72	(4.66)	284.32
Total Liabilities	15,371.56	27,372.79	59,981.74	24,720.09	39.76	12.84
Details of investment (other than Subsidiaries)	-	-	-	-	-	-
Turnover	3,131.70	17,514.12	2,812.88	11,735.05	-	-
Profit / (Loss) before taxation	156.06	1,084.67	81.46	257.38	(483.56)	(3.59)
Provision for taxation	80.04	230.53	14.73	472.96	-	-
Profit after taxation	76.02	854.15	66.74	(215.58)	(483.56)	(3.59)
Proposed Dividend	-	-	-	-	-	-
Base Currency	SGD	GBP	USD	USD	USD	INR
Exchange Rate	47.58	99.77	59.92	59.92	59.92	1.00

*Inclusive of exchange reserve on consolidation

Note:

1. The information in respect of these entities are extracted from the financial summary considered in the consolidated financial statements, which have been subject to audit, by the statutory auditors solely for the purpose of the inclusion of these balances in the consolidated financial statements.

2. The details given in respect of Subex Americas Inc. are on a consolidated basis. The subsidiaries of Subex Americas Inc. that have been consolidated are as follows:

Subsidiary	Country of Incorporation
Subex Azure Holding Inc.	United Sates of America

NOTE: 40

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

Monisha Parikh
Partner

Mumbai
Date: May 29, 2014

For and on behalf of the Board of Directors

Surjeet Singh
Managing Director & CEO

Anil Singhvi
Director

Karthikeyan Muthuswamy
Director

Sanjeev Aga
Director

Ganesh K.V
Chief Financial Officer,
Global Head-Legal and Company Secretary

Mumbai
Date: May 29, 2014

SHAREHOLDERS' INFORMATION

REGISTERED OFFICE

The Registered office of the Company is at RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037.

DATE AND VENUE OF THE ANNUAL GENERAL MEETING (AGM)

Date : August 14, 2014

Venue : Subex Limited, RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore - 560 037

Time : 1 PM

DATES OF BOOK CLOSURE

From August 7, 2014 to August 14, 2014 (both days inclusive)

BOARD MEETINGS & FINANCIAL CALENDAR

Financial year : April 1, 2014 to March 31, 2015

Calendar of Board Meetings to adopt the accounts (tentative and subject to change):

For quarter ending June 30, 2014	– 3rd week of August, 2014
For quarter ending September 30, 2014	– 2nd week of November, 2014
For quarter ending December 31, 2014	– 2nd week of February, 2015
For the year ending March 31, 2015	– 4th week of May, 2015

DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2013-14.

LISTING ON STOCK EXCHANGES

Equity Shares of the Company are quoted on the National Stock Exchange of India Limited (NSE) since September 5, 2003 and on the BSE Limited (BSE) since July 31, 2000. The Company has paid listing fees for the year 2014-15 in accordance with the provisions of the Listing Agreement with NSE and BSE.

The Global Depositary Receipts (GDRs) of the Company are listed on the Professional Securities Market of London Stock Exchange since March 9, 2007.

The Company's outstanding US$ 180 million 2% Coupon Convertible Unsecured Bonds are listed on the London Stock Exchange since March 9, 2007.

The Company's outstanding 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 Company's US$ 127.721 million 5.70% Convertible Secured Bonds, issued pursuant to the restructuring of US$ 180 million 2% Convertible Unsecured Bonds and US$ 98.7 million 5% Convertible Unsecured Bonds, have been listed on the Singapore Exchange Securities Trading Limited since July 10, 2012.

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

Name and address of the Stock Exchange	Stock code
National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (East) Mumbai- 400051	SUBEX
BSE Limited, Phiroze Jeejeebhoy Towers Dalal Street, 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 1 Singapore 068804	4AFB (SUBEX US$ 98.7 million 5% bonds) 2EUB (SUBEX US$127.721 million 5.70% bonds)

The International Securities Identification Number (ISIN) for the Company's Equity 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 2014-15 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2014.

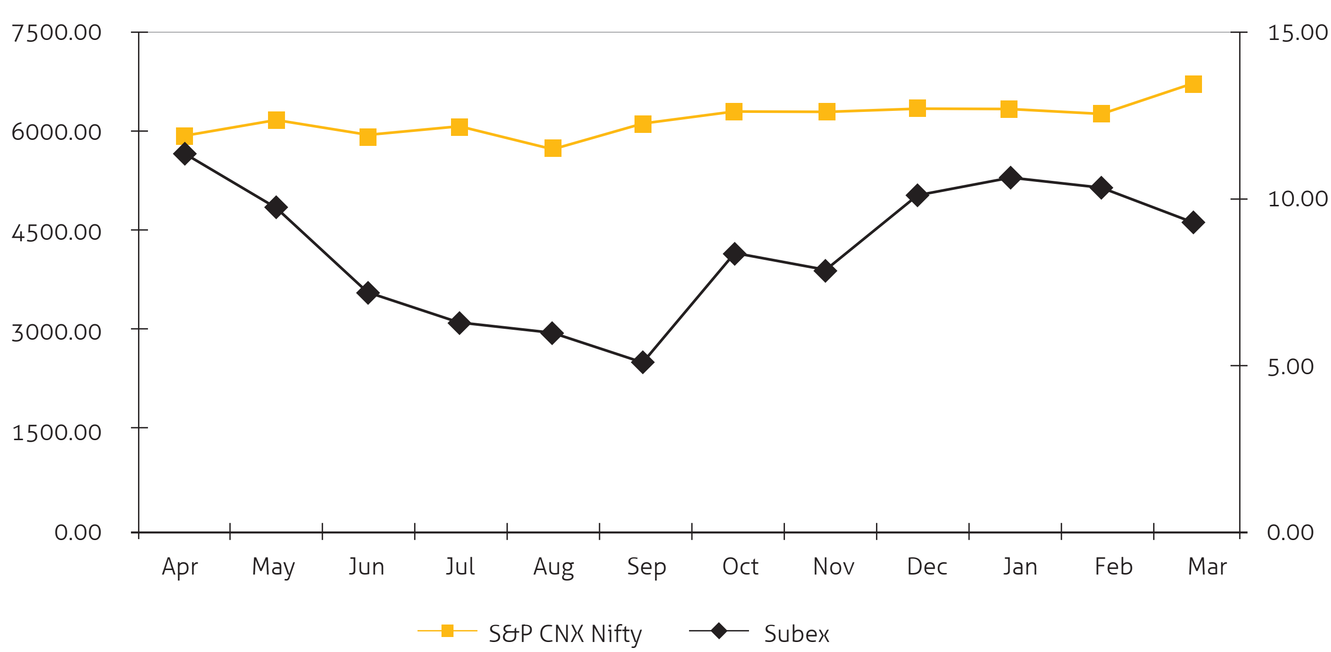
STOCK MARKET DATA RELATING TO EQUITY SHARES LISTED IN INDIA

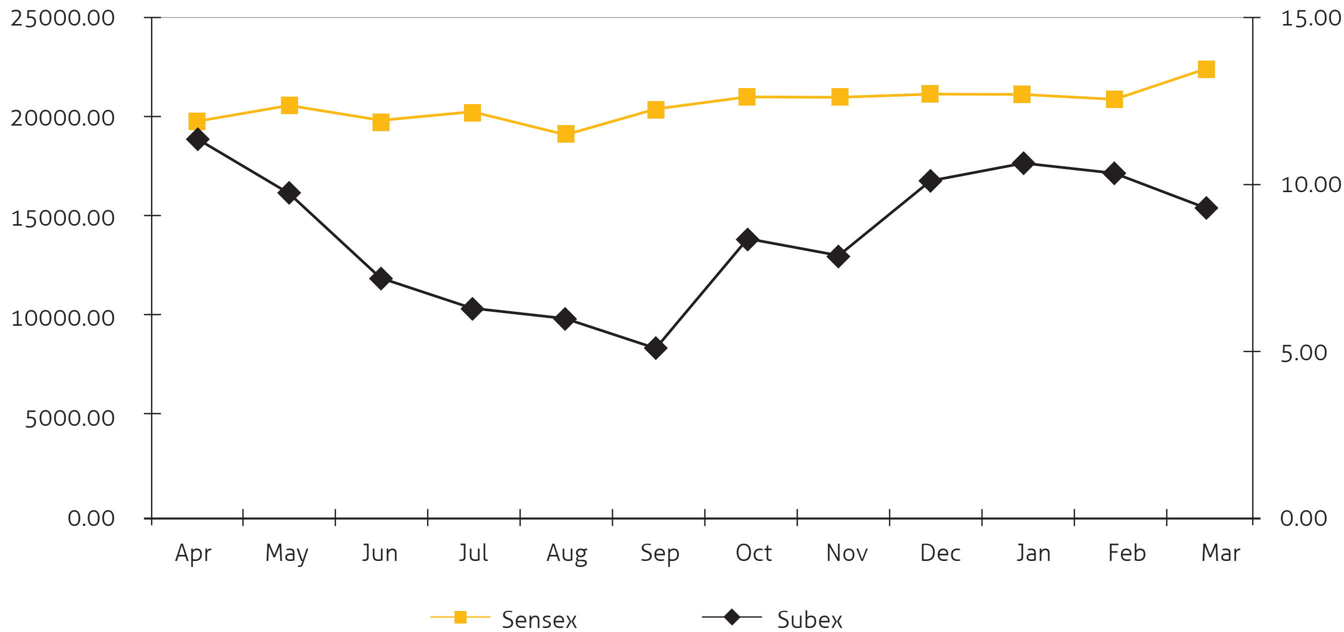
Monthly high and low quotes during each month in the financial year 2013-14 as well as the volume of shares traded on NSE and BSE are as under:

Month	NSE			BSE		
	High ₹	Low ₹	Volume Nos.	High ₹	Low ₹	Volume Nos.
Apr-13	11.35	9.05	7160007	11.39	9.09	3376903
May-13	9.75	7.05	7404075	9.73	7.05	3006104
Jun-13	7.2	5.8	3324816	7.16	5.80	1333028
Jul-13	6.3	4.85	3032827	6.26	4.85	1407400
Aug-13	5.95	4.4	6029913	5.93	4.43	2071915
Sep-13	5.1	4.45	9038636	5.14	4.44	2786277
Oct-13	8.4	5.05	10552119	8.59	5.08	6158773
Nov-13	7.85	6.9	7168971	7.88	6.80	2108052
Dec-13	10.15	6.65	11598649	10.13	6.68	6562130
Jan-14	10.65	8.85	10656285	10.71	8.82	5037062
Feb-14	10.35	8.8	5825799	10.43	8.82	3081200
Mar-14	9.3	8.15	4125450	9.28	8.15	1670876
TOTAL			**85917547**	**TOTAL**		**38599720**

*The monthly high and low quotes are calculated on the basis of the closing prices of the month.

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, 2014		As on March 31, 2013	
	No. of share holders	% to total share holders	No. of share holders	% to total share holders
1 – 5000	48,218	73.43	52,850	75.27
5001 – 10000	7,653	11.65	8,112	11.55
10001 – 20000	4,412	6.72	4,332	6.17
20001 –30000	1,591	2.42	1,547	2.20
30001 – 40000	789	1.20	742	1.06
40001 – 50000	788	1.20	723	1.03
50001 – 100000	1,134	1.73	1,028	1.46
100001 and above	1,084	1.65	882	1.26
TOTAL	65,669	100.00	70,216	100.00

Categories of Shareholders:

Category	As on March 31, 2014			As on March 31, 2013		
	No. of share holders	Voting strength %	No. of shares held	No. of share holders	Voting strength %	No. of shares held
Public & Others	64,661	83.61	139,807,211	69,009	83.99	138,917,848
Companies/ Bodies Corporate	952	12.16	20,261,298	1,147	7.48	12,380,644
Core Promoters	3	3.88	6,474,044	3	5.12	8,474,044
Mutual Funds	Nil	Nil	Nil	Nil	Nil	Nil
ESOPs/Employee shareholders	51	0.29	474,265	50	0.25	418,235
FII	2	0.06	97,409	7	3.16	5,219,387
TOTAL	65,669	100	166,639,962	70,216	100.00	165,410,158

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:

With a view to expedite the transfer process in the interest of investors, SEBI vide its Circular No. CIR/MIRSD/8/2012 dated July 5, 2012 has reduced the time-line for registering the transfer of shares to 15 days with effect from October 1, 2012.

Share transfers would be registered and returned within a period of fifteen days from the date of receipt, if the documents are clear in all respects.

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, 2014, 99.97 % of the Company's shares were held in dematerialized form and the rest in physical form.

OUTSTANDING GDRS/ADRS/WARRANTS/ CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

As on March 31, 2014, 1,799,310 GDRs were outstanding. As on March 31, 2014, the Company had outstanding FCCBs aggregating to US$ 1 million under its US$ 180,000,000 2% Coupon Convertible Unsecured Bonds **("FCCBs I")** and US$ 1.4 million under its US$ 98,700,000 5% Convertible Unsecured Bonds **("FCCBs II")**. 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, 2014 available on the Company's website under the Investors section.

In July 2012, pursuant to the exchange of US$ 38 million out of FCCBs I and US$ 53.40 million out of FCCBs II under a cashless exchange offer, the Company issued US$ 127.721 million 5.70% Secured Convertible Bonds **("FCCBs III")** with a maturity period due July 2017 with a conversion price of Rs. 22.79 per equity share. As a part of the terms and conditions of FCCBs III, principal amount of US$ 36.321 million out of FCCBs III were mandatorily converted into equity shares at the aforesaid conversion price. Pursuant to the mandatory conversion and subsequent conversion of US$ 3.25 million of FCCBs III, currently US$ 88.15 million is outstanding under FCCBs III. Also, the maturity period of the un-exchanged FCCBs I worth US$ 1 million and the un-exchanged FCCBs II worth US$ 1.40 million now stands extended to March 2017.

LEGAL PROCEEDINGS

There are no legal proceedings against the Company which are material in nature except those disclosed in Note no. 35 in the notes to the standalone financial statements.

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 M/s 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 has been sending all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., 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@subex.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
2003-04	August 24, 2004	Final	20	See note below*
2004-05	January 27, 2005	Interim	10	See note below*
2004-05	July 28, 2005	Final	20	See note below*
2005-06	October 28, 2005	Interim	15	See note below*
	August 28, 2006	Final	10	See note below*
2006-07	January 29, 2007	Interim	15	See note below*
	July 26, 2007	Final	20	September 1, 2014

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

* The final dividend for the financial years 2003-04, 2004-05 and 2005-06 and the interim dividend declared for the financial years 2004-05, 2005-06 and 2006-07 which were unclaimed for 7 years from the date of payment being due, were 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.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company will be making available the requisite details of unpaid dividend to the MCA and will also be uploading the same on its website. The Investors may refer to these details in order to ascertain the unpaid dividend standing to their credit.

INVESTOR GRIEVANCES

Investor grievances received from April 1, 2013 to March 31, 2014:

Nature of complaints	Received	Cleared
Non-receipt of share certificates/ refund orders/call money notice/ allotment advice/dividend warrant/ annual report	4	4
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	**4**	**4**

During the year ended March 31, 2014, 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:

Ganesh K V
Chief Financial Officer, Global Head- Legal and Company Secretary
Subex Limited, RMZ Ecoworld, Outer Ring Road, Devarabisanahalli,
Bangalore – 560 037, India.
Telephone: +91 80 6659 8700 Fax: +91 80 6696 3333
Email: investorrelations@subex.com

WEBSITE

Company's website www.subex.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 like Board of Directors and the committees, financial results, shareholding pattern, distribution of shareholding, dividend etc.

NOTES

A TRISYS PRODUCT

info@trisyscom.com

www.subex.com
info@subex.com

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