

INDEPENDENT AUDITOR'S REPORT

To the Partners of Subex Digital LLP

Report on the Statement of Accounts

We have audited the accompanying Statement of Accounts of Subex Digital LLP ("the LLP"), which comprise the Statement of Assets and Liabilities as at March 31, 2018, the Statement of Income and Expenditure and the Statement of Cash Flows for the period from April 5, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Statement of Accounts").

Management's Responsibility for the Statement of Accounts

Management of the LLP is responsible for the matters stated in the Limited Liability Partnership Act, 2008 ("the Act") and the rules made thereunder, with respect to the preparation of these Statement of Accounts that give a true and fair view of the financial position, financial performance and cash flows of the LLP in accordance with accounting principles generally accepted in India, including the Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility also includes maintenance of adequate accounting records in accordance with the LLP Rules for safeguarding of the assets of the LLP and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Statement of Accounts that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Statement of Accounts based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are to be included in the audit report under the provisions of the Act and the Rules made thereunder. We have 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 Statement of Accounts are free from material misstatement.

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



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Statement of Accounts give the information required by the Act and the Rules made thereunder in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the LLP as at March 31, 2018, its loss and its cash flows for the period from April 5, 2018 to March 31, 2018.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

Rajeev Kumar
per Rajeev Kumar

Partner

Membership Number: 213803



Place: Bengaluru

Date: July 31, 2018

Subex Digital LLP**Statement of accounts****Statement of assets and liabilities as at March 31, 2018**

	Notes	(₹ in Lakhs) As at March 31, 2018 [refer note 1(a)]
Contribution and liabilities		
Partner's funds		
Partners' capital account	3	1,869
Partners' current account	3	(598)
		<u>1,271</u>
Non-current liabilities		
Long-term provisions	5	<u>22</u>
		<u>22</u>
Current liabilities		
Trade payables	4	437
Other current liabilities	4	43
Short-term provisions	5	12
		<u>492</u>
		<u>1,785</u>
Total		
Assets		
Non-current assets		
Property, plant and equipment	6	18
Intangible assets	7	1,631
Long-term loans and advances	8	<u>74</u>
		<u>1,723</u>
Current assets		
Trade receivables	9	34
Cash and bank balances	10	19
Short-term loans and advances	8	5
Other current assets	11	<u>4</u>
		<u>62</u>
		<u>1,785</u>
Total		

Entity information and significant accounting policies
The accompanying notes are an integral part of the statement of accounts.

1 & 2

As per our report of even date

For S.R Batliboi & Associates LLP

ICAI Firm Registration Number: 101049W/E300004

Chartered Accountants

Rajeev Kumar
per Rajeev Kumar

Partner

Membership No.: 213803

Place : Bengaluru

Date : July 31, 2018



For and on behalf of Subex Digital LLP

Vinod Kumar Padmanabhan
Vinod Kumar Padmanabhan
Designated partner

Place : Bengaluru

Date : July 31, 2018

Mehernaz Dalal
Mehernaz Dalal
Designated partner

Place : Bengaluru

Date : July 31, 2018



Subex Digital LLP**Statement of accounts****Statement of income and expenditure for the period from April 05, 2017 to March 31, 2018**

	Notes	(₹ in Lakhs) Period from April 05, 2017 to March 31, 2018 [refer note 1(a)]
1 Income		
Revenue from operations	12	33
Other income	13	8
Total income		41
2 Expenditure		
Employee benefits expense	14	201
Depreciation and amortisation expense	15	152
Other expenses	16	286
Total expenses		639
Finance costs	20	-
3 Loss before tax expense (1-2)		(598)
4 Tax expense		-
5 Loss after tax expense (3-4)		(598)

Entity information and significant accounting policies

1 & 2

The accompanying notes are an integral part of the statement of accounts.

As per our report of even date

For S.R Batliboi & Associates LLP

ICAI Firm Registration Number: 101049W/E300004

Chartered Accountants

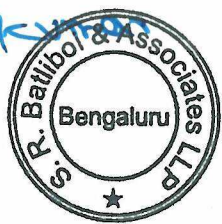
per Rajeev Kumar

Partner

Membership No.: 213803

Place : Bengaluru

Date : July 31,2018

**For and on behalf of Subex Digital LLP**
Vinod Kumar Padmanabhan
Designated partnerPlace : Bengaluru
Date : July 31,2018
Mehernaz Dalal
Designated partnerPlace : Bengaluru
Date : July 31,2018

Subex Digital LLP**Statement of accounts****Statement of cash flows for the period April 05, 2017 to March 31, 2018**

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018 [refer note 1(a)]
A Operating activities	
Loss before tax expense	(598)
Adjustments to reconcile loss before tax expense to net cash flows:	
Depreciation and amortisation expense	152
Operating loss before working capital changes	(446)
 <i>Working capital adjustments:</i>	
Decrease in loans and advances	5
Increase in other assets	(4)
Increase in trade receivables	(34)
Increase in trade payables	196
Decrease in other current liabilities	(3)
Increase in provisions	5
Net cash flows used in operating activities	(281)
 B Net cash flows from/ (used in) investing activities	-
 C Financing activities	
Cash received in form of capital contribution [refer note 1(b)]	300
Net cash flows from financing activities	300
 D Net increase in cash and cash equivalents (A+B+C)	19
Cash and cash equivalents at the beginning of the year	-
E Cash and cash equivalents at year end	19
Components of cash and cash equivalents	
Balance with bank in current account (note 10)	19

Entity information and significant accounting policies

1 & 2

The accompanying notes are an integral part of the statement of accounts.

As per our report of even date

For S.R Batliboi & Associates LLP

ICAI Firm Registration Number: I01049W/E300004

Chartered Accountants

Rajeev Kumar
per Rajeev Kumar
Partner
Membership No.: 213803

Place : Bengaluru
Date : July 31, 2018

**For and on behalf of Subex Digital LLP**

Vinod Kumar Padmanabhan
Vinod Kumar Padmanabhan
Designated partner

Place : Bengaluru
Date : July 31, 2018

Mehnaz Dalal
Mehnaz Dalal
Designated partner

Place : Bengaluru
Date : July 31, 2018



Subex Digital LLP

Notes to statement of accounts for the period April 05, 2017 to March 31, 2018

1. Entity information

a. About the LLP

Subex Digital LLP ("the Entity" or the "LLP") is a subsidiary of Subex Limited ("the Parent Company"), registered as a limited liability partnership under the Limited Liability Partnership Act 2008 on April 05, 2017. As detailed in note 1(b) below, pursuant to the Restructuring of the Parent Company and the transfer of Subex Secure and Analytics Solutions and related business by way of Capital Contribution by the Parent Company to the LLP, the LLP is engaged in providing IOT SECURITY solutions and business analytics to Communication service providers and others businesses engaged in IOT. As this is the first year of the LLP, there are no previous period figures. Further during the period from April 5, 2017 to March 31, 2018, the LLP has incurred loss of ₹ 598 Lakhs and has a positive net-worth of ₹ 1,271 Lakhs as at March 31, 2018. Accordingly, the statement of accounts have been prepared on a going concern basis.

The Parent Company pioneered the concept of a Revenue Operations Centre ("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 fulfilment, provisioning automation, data integrity management, revenue assurance, cost management, fraud management and interconnect/inter-party settlement. Subex also offers a scalable Managed Services Program. The CSPs achieve competitive advantage through Business Optimization and Service Agility and improve their operational efficiency to deliver enhanced service experiences to their subscribers.

b. Capital contribution

Effective November 1, 2017, the Parent Company has restructured its business involving transfer of its Subex Secure and Analytics solutions and related business ("Digital business") to the LLP and the Revenue Maximisation Solution and related business ("RMS business") to the fellow subsidiary of the LLP, Subex Assurance LLP ("SA LLP") by way of Capital Contribution (hereinafter referred to as "Restructuring"), to achieve interalia, segregation of the Parent Company's business into separate verticals to facilitate greater focus on each business vertical, higher operational efficiencies, and to enhance the Parent Company's ability to enter into business specific partnerships and attract strategic investors at respective business levels, with an overall objective of enhancing shareholder value. The Parent Company continues to directly hold 99.99% share in the capital of, and in the profits and losses of the

The Board of Directors of the Parent Company in its meeting held on August 21, 2017 approved the aforesaid Restructuring, subject to the approval of its shareholders and other requisite approvals. The shareholders of the Parent Company approved the Restructuring by way of special resolution passed through postal ballot on September 23, 2017 and subsequently, the Board of Directors of the Parent Company in its meeting held on October 04, 2017 approved November 01, 2017 to be the effective date of Restructuring.

Pursuant to the aforesaid Restructuring, effective November 01, 2017, the LLP has received the Digital business from its Parent Company, in form of Capital Contribution of ₹ 1,869 Lakhs.

The LLP has accounted the assets and liabilities of Digital business received from the Parent Company, at their individual fair values, determined on the basis of Purchase Price Allocation performed by an external valuer. Purchase price allocation as at November 01, 2017 is as follows:

		(₹ in lakhs)
Partner's capital contribution	A	1,869
Assets:		
Property, plant and equipment		23
Loans and advances		84
Cash and bank balances		300
Other current assets		
Identifiable intangible assets:		
Development technology		1,678
	B	2,085
Liabilities:		
Provisions		29
Trade payables		241
Other current liabilities		46
	C	316
Goodwill (residual)	(A-B+C)	100



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

3. Partners' funds

Name of the Partner	Opening balance		Addition for the year ended		Loss/profit % (as per LLP agreement)	Loss for the period ended March 31, 2018 (e)	Withdrawal during the period		Balance as at March 31, 2018	
	Capital Account (a)	Current Account (b)	Capital Account (c)*	Current Account (d)			Capital Account (f)	Current Account (g)	Capital Account (a+c-f)	Current Account (b+d+e-g)
Subex Limited	-	-	1,869	-	99.99%	(598)	-	-	1,869	(598)
Subex Assurance LLP	-	-	-	-	0.01%	-	-	-	-	-
Total	-	-	1,869	-	100.00%	(598)	-	-	1,869	(598)

* refer note 1(b)



Subex Digital LLP

Notes to statement of accounts for the period April 05, 2017 to March 31, 2018

2. Significant accounting policies

a. Basis of preparation

The statement of accounts of the LLP have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The LLP has prepared these statement of accounts to comply in all material respects with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of Limited Liability Partnership Act, 2008. The statement of accounts have been prepared on an accrual basis and under the historical cost convention except for assets and liabilities of Digital business received as capital contribution from the Parent Company, [also refer note 1(b)], which have been accounted at their individual fair values.

These statement of accounts are presented in INR "₹" and all the values are rounded off to the nearest lakhs (INR 00,000).

b. Use of estimates

The preparation of the statement of accounts in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in the future periods.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the LLP and the revenue can be reliably measured.

Revenue from sale of services is recognised as and when the services are rendered to the customer based on contractual agreement with such customers.

The LLP collects Goods and Service tax and others taxes as applicable in the respective tax jurisdictions where the LLP operates on behalf of the government and therefore it is not an economic benefit flowing to the LLP. Hence it is excluded from revenue.

Provisions for estimated losses on contracts are recorded in the period in which such losses become probable based on the current contract estimates.

d. Property, plant and equipment

Property, plant and equipment received as capital contribution from the Parent Company are recorded at fair value. Also refer note 1(b). All other property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities. Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the LLP depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of income and expenditure as incurred.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income and expenditure when the asset is derecognized.

The LLP identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

Property, plant and equipment held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the statement of income and expenditure.



Subex Digital LLP

Notes to statement of accounts for the period April 05, 2017 to March 31, 2018

e. Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

The LLP has used the following useful lives to provide depreciation on its property plant and equipment:

Assets	Useful lives
Computer hardware	3 years
Office equipments	5 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f. Intangible assets

Intangibles assets received as capital contribution from the Parent Company or identified in purchase price allocation [also, refer note 1(b)] are recorded at fair value. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an amalgamation in the nature of purchase is their fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income and expenditure in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The LLP uses a rebuttable presumption that the useful life of an intangible asset will not exceed five years from the date when the asset is available for use. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds five years, the LLP amortizes the intangible assets over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income and expenditure when the asset is derecognized.

A summary of amortisation policies applied to the LLP's intangible assets is as below:

Assets	Useful lives
Goodwill	5 years
Developed Technology	5 years

The management has estimated the useful life of aforesaid intangibles, supported by independent assessment by external valuers.

g. Leases

Assets leased by the LLP in its capacity as lessee where substantially all the risks and rewards of ownership vest in the LLP are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value of leased asset 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 achieve a constant periodic rate of interest on the outstanding liability for each year. Finance charges are recognised as finance costs in the statement of income and expenditure. Lease management fees, legal charges and other initial direct costs of lease are capitalised.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the LLP will obtain the ownership by the end of the lease term, the capitalised asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

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 income and expenditure on a straight line basis over the lease term.



Subex Digital LLP

Notes to statement of accounts for the period April 05, 2017 to March 31, 2018

h. Impairment

The LLP assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the LLP estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The LLP bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the LLP's cash-generating unit to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

The impairment loss is recognised as an expense in the statement of income and expenditure.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

i. Employee benefits

Employee benefits include provident fund, gratuity, employee state insurance and compensated absences.

(a) Defined contribution plans:

The LLP's contribution to provident fund and employee state insurance scheme is considered as defined contribution plan and is charged as an expense as and when services are rendered by the employees. These contributions are paid/payable in accordance with the applicable laws and regulations.

(b) Defined benefit plans:

For defined benefit plans in the form of gratuity, 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 income and expenditure in the period in which they occur.

(c) Short-term employee benefits:

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. Compensated absences, which are expected to be utilised within the next 12 months, are treated as short-term employee benefits. The LLP measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

(d) Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employees render the related services are treated as long-term employee benefits for measurement purpose. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year end, less the fair value of the plan assets out of which the obligations are expected to be settled. Actuarial gains/losses are immediately taken to the statement of income and expenditure and are not deferred.

The LLP presents the entire compensated absences balance as a current liability in the statement of assets and liabilities, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.



Subex Digital LLP

Notes to statement of accounts for the period April 05, 2017 to March 31, 2018

j. Foreign currency transactions and translation

Initial recognition:

Transactions in foreign currencies entered into by the LLP 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.

Conversion:

Foreign currency monetary items are translated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

Exchange differences:

The LLP accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

1. Exchange differences arising on a monetary item that, in substance, forms part of the LLP's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.
2. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
3. All other exchange differences are recognized as income or as expenses in the period in which they arise.

k. Taxes on income

Tax expense comprises current and deferred tax. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws prevailing in the respective tax jurisdictions where the LLP operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of income and expenditure.

Alternate Minimum Tax (AMT) paid in a year is charged to the statement of income and expenditure as current tax. AMT payment 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 LLP will pay normal income tax in the foreseeable future. Accordingly, AMT is recognised as an asset in the statement of assets and liabilities when it is probable that future economic benefits associated with it will flow to the LLP and can be measured reliably, AMT credit is recognised by way of credit to the statement of income and expenditure and shown as "AMT Credit Entitlement".

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 other items 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 and items relating to capital losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income and expenditure

At each reporting date, the LLP re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.



Subex Digital LLP

Notes to statement of accounts for the period April 05, 2017 to March 31, 2018

The carrying amount of deferred tax assets are reviewed at each reporting date. The LLP writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the LLP has a legally enforceable right for such set off.

l. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises cash in hand and cash at bank and short-term investments with an original maturity of three months or less, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

m. Provisions and contingencies

Provisions:

A provision is recognized when an enterprise has a present obligation as a result of past event 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 of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the statement of assets and liabilities date. These estimates are reviewed at each statement of assets and liabilities date and adjusted to reflect the current best estimates.

Contingent liabilities:

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the LLP or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The LLP does not recognize a contingent liability but discloses its existence in the statement of accounts

n. Segment reporting

The LLP 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. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

The accounting policies adopted for segment reporting are in line with the accounting policies of the LLP. 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.

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

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

o. Operating cycle

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



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

3(a). Reserves and surplus

	(₹ in Lakhs)
	As at
	March 31, 2018
Deficit as per statement of income and expenditure	(598)
Less: Appropriation of loss to partner's current account	
Subex Limited (99.99%)	(598)
Subex Assurance LLP (0.01%)	-
Total appropriations	(598)
Closing balance	-

4. Trade payables and other current liabilities

	(₹ in Lakhs)
	As at
	March 31, 2018
Trade payables	
- total outstanding dues of micro enterprises and small enterprises *	-
- total outstanding dues of creditors other than micro enterprises and small enterprises	437
	437

Other current liabilities

	(₹ in Lakhs)
	As at
	March 31, 2018
Employee related liabilities	18
Statutory remittances	11
Advances from customers	6
Rent equalisation reserve	8
	43

* There are no micro, small and medium enterprises to whom the entity owes any dues as at March 31, 2018. This information has been determined to the extent such parties have been identified on the basis of information available with the entity.

5. Provisions

	(₹ in Lakhs)	
	As at March 31, 2018	
	Non-current	Current
Provision for employee benefits		
Provision for gratuity [refer note 19(b)]	22	6
Provision for compensated absences	-	6
	22	12



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

6. Property plant and equipment

(₹ in Lakhs)

	Computer equipment	Office equipment	Total
Cost			
Assets received as capital contribution *	21	2	23
Additions during the period	-	-	-
Disposals during the period	-	-	-
At March 31, 2018	21	2	23
Depreciation			
Charge for the period	4	1	5
Disposals for the period	-	-	-
At March 31, 2018	4	1	5
Net block			
As at March 31, 2018	17	1	18

7. Intangible assets

(₹ in Lakhs)

	Development Technology	Goodwill	Total
Cost			
Assets received as capital contribution *	1,678	100	1,778
Additions during the period	-	-	-
Disposals during the period	-	-	-
At March 31, 2018	1,678	100	1,778
Amortisation			
Charge for the period	139	8	147
Disposals during the period	-	-	-
At March 31, 2018	139	8	147
Net block			
As at March 31, 2018	1,539	92	1,631

*refer note 1(b)



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

8. Loans and advances (Unsecured, considered good)

Security deposits
Loans and advances to employees
Prepaid expenses

(₹ in Lakhs)	
As at March 31, 2018	
Non-current	Current
74	-
-	4
-	1
74	5

9. Trade Receivables
(Unsecured)

Current
Considered good

(₹ in Lakhs)
As at
March 31, 2018
34
34

10. Cash and bank balances

Cash and cash equivalents
Balance with bank in current account

(₹ in Lakhs)
As at
March 31, 2018
19
19

11. Other Current Assets

Expenses incurred on behalf of customers

(₹ in Lakhs)
As at
March 31, 2018
4
4



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

12. Revenue from operations

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Sale of services	33
	<u>33</u>

13. Other income

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Miscellaneous income	8
Share of Profit	-
	<u>8</u>

14. Employee benefits expense

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Salaries and wages	180
Contribution to provident and other funds	15
Staff welfare expenses	6
	<u>201</u>

15. Depreciation and amortization

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Depreciation of property, plant and equipment (refer note 6)	5
Amortisation of intangible assets (refer note 7)	147
	<u>152</u>

16. Other expenses

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Cost of hardware, software and support charges	3
Rent	65
Power and fuel	8
Repairs and maintenance	
- Building	6
- Others	9
Communication costs	1
Printing and stationery	1
Traveling and conveyance	41
Rates and taxes	4
Advertisement and business promotion	5
Consultancy charges	4
Payments to auditors	2
Marketing and allied service charges	133
Exchange fluctuation loss (net)	4
	<u>286</u>



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

17. Related Party Transactions**(i) Names of related parties and related party relationship****Parent Entity**

Subex Limited

Fellow Subsidiaries

Subex (UK) Limited

Subex Middle East (FZE)

Subex (Asia Pacific) Pte. Limited

Subex Inc.

Subex Americas Inc.

Subex Assurance LLP

Subex Technologies Limited

(ii) Details of the transactions with related parties

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Income from software development and services:	
Subex (UK) Limited	33
	<u>33</u>
Marketing and allied service charges:	
Subex Inc.	127
Subex (UK) Limited	6
	<u>133</u>
Reimbursement of expenses made to:	
Subex Limited	69
Subex Assurance LLP	5
	<u>74</u>
Reimbursement of expenses received from:	
Subex Assurance LLP	129
Subex Limited	11
	<u>140</u>
Investment received in form of capital contribution [refer note 1(b)]:	
Subex Limited	1,869
Subex Assurance LLP	-
	<u>1,869</u>
Share of loss, net, transferred to:	
Subex Limited	598
	<u>598</u>

(iii) Details of balances receivable from and payable to related parties as at year ended March 31, 2018

	(₹ in Lakhs)
	As at March 31, 2018
Trade receivables	
Subex (UK) Limited	34
	<u>34</u>
Trade payables	
Subex Assurance LLP	111
Subex Inc	279
Subex Limited	6
Subex (UK) Limited	20
	<u>416</u>

(iv) Other transactions:

Refer note 1(b) regarding capital contribution.



Subex Digital LLP**Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018****18. Commitments and contingent liabilities****a) Commitments****Operating leases**

The LLP leases office facilities, residential facilities and servers under cancellable operating lease agreements. The LLP intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was ₹ 65 Lakhs.

b) Contingent liabilities

There are no contingent liabilities as at March 31, 2018

19. Employee benefit plans**a) Defined contribution plans**

The LLP makes contributions to Provident Fund which is a defined contribution plan for qualifying employees. Under the scheme, the LLP is required to contribute a specified percentage of the payroll costs to fund the benefits. The LLP recognized ₹ 9 Lakhs for Provident Fund contributions in the statement of income & expenditure.

b) Defined benefit plans

The LLP offers Gratuity benefits to employees, a defined benefit plan. Gratuity plan is governed by the Payment of Gratuity Act, 1972. Under gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @15 days of last drawn salary for each completed year of service.

The following tables summarise the components of net benefit expenses recognised in the statement of income and expenditure and the funded status and amount recognised in the statement of assets and liabilities.

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
I Components of employee benefits expense	
Current service cost	1
Interest cost	1
Expected return on plan assets	-
Actuarial losses	4
Total expense recognized in the statement of income and expenditure	6
II Actual contribution and benefit payments for the period	
Actual benefit payments	5
Actual contributions	-
	(₹ in Lakhs)
	As at March 31, 2018
III Net asset / (liability) recognized in statement of assets and liabilities	
Present value of defined benefit obligation	34
Fair value of plan assets	6
Net liability recognized statement of assets and liabilities	28
-Current	6
-Non current	22



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
IV Change in defined benefit obligations during the period	
Liability received as part of capital contribution	33
Current service cost	1
Interest cost	1
Actuarial losses	4
Benefits paid	(5)
Present value of defined benefit obligation at the end of the period	34
V Change in fair value of assets during the period	
Assets received as part of capital contribution	11
Expected return on plan assets (estimated)	-
Actuarial gain	-
Actual contributions	-
Benefits paid	(5)
Plan assets at the end of the period	6
VI Actual return on plan assets	-
VII Expected contribution in the next year	6
VIII Major categories of plan assets as a percentage of the fair value of total assets are:	
Investments with insurer	100%
(i) The discount rate is based on the prevailing bond yields of Government of India securities as at the balance sheet date corresponding to a term of approximately 6 years which is the expected term of defined benefit obligation.	
(ii) The expected rate of return on plan assets is determined after considering several applicable factors such as composition of plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.	
(iii) The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors, benefit obligation such as supply and demand in the employment market.	
(iv) The mortality rate is based on the table as specified by the Indian Assured Lives Mortality (2006-08) (modified) Ult.	
IX Actuarial assumptions	
Discount rate	7.60%
Expected return on plan assets	7.75%
Salary escalation	8.00%
Attrition rate	18.00%
X Amount for the current period are as follows:	
	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
Defined benefit obligation at the end of the year	34
Plan assets at the end of the year	6
Funded status	(28)
Actuarial gain/(loss) due to change on plan liabilities	(4)
Actuarial gain/(loss) due to change on plan assets	-



Subex Digital LLP**Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018****20. Unhedged foreign currency exposure:**

The entity 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 at the year end. The net foreign currency exposure that has not been hedged by derivative instruments or otherwise as at March 31, 2018 is as follows.

	(₹ in Lakhs)
Total	
Receivables	
Trade receivables	34
Other current assets	3
Total (A)	37
Payables	
Trade payables	304
Other current liabilities	12
Total (B)	316
Net Unhedged Foreign Currency Exposure (C = A-B)	(279)

21. Segment Reporting

The LLP 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. The analysis of geographical segments is based on the areas in which customers of the LLP domicile.

The LLP is primarily engaged in a single business segment viz sale of services in relation to Digital business. This being a single segment, no additional segment disclosure has been made for business segment.

The accounting policies adopted for segment reporting are in line with the accounting policies of the LLP. 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. Common allocable costs are allocated to each segment according to their relative contribution to each segment to the total common costs.

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

The LLP operations geographically spans across (a) EMEA and (b) India.

'EMEA' comprises the LLP's operations in Europe, Middle East and Africa. The LLP has identified its secondary segment to be geographical.

Segment revenue by geographical location are as follows :

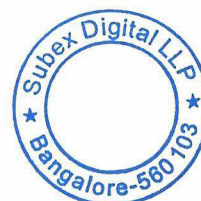
	(₹ in Lakhs)
	Period from April 05, 2017 to March 31, 2018
EMEA	33
	33

Segment assets by geographical location are as follows:

The following table shows the carrying amount of the segment assets by geographical area in which the assets are located:

	(₹ in Lakhs)
	As at March 31, 2018
EMEA	38
India	97
Unallocable	1,650
	1,785

Property, plant and equipment acquired during the year pertain to India Geography.



Subex Digital LLP

Notes to statement of accounts for the period from April 05, 2017 to March 31, 2018

22. The LLP has entered into 'International transactions' with 'Associated Enterprises' which are subject to Transfer Pricing regulations in India. The LLP is in the process of carrying out transfer pricing study for the year ended March 31, 2018 in this regard, to comply with the requirements of the Income Tax Act, 1961. The Management of the LLP, 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 LLP statement of accounts, particularly on account of tax expense and that of provision for taxation.

As per our report of even date

For S.R Batliboi & Associates LLP

ICAI Firm Registration Number:101049W/E300004

Chartered Accountants

Rajeev Kumar

per Rajeev Kumar

Partner

Membership No.: 213803

Place : Bengaluru

Date : July 31, 2018



For and on behalf of Subex Digital LLP

Vinod Kumar Padmanabhar

Vinod Kumar Padmanabhar

Designated partner

Place : Bengaluru

Date : July 31, 2018

Mehernaz Dalal

Mehernaz Dalal

Designated partner

Place : Bengaluru

Date : July 31, 2018

