

INDEPENDENT AUDITOR'S REPORT

To the Partners of Subex Digital LLP

Opinion

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 2019, the Statement of Income and Expenditure and the Cash Flow Statement for the year then ended, and notes to the Statement of Accounts, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Statement of Accounts give the information required by the Limited Liability Partnership Act, 2008, as amended ("the Act") read with the Limited Liability Partnership Rules, 2009 (as amended) ("the Rules") 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, 2019, its loss and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Statement of Accounts in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India ("ICAI"). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Statement of Accounts' section of our report. We are independent of the LLP in accordance with the 'Code of Ethics' issued by the ICAI together with the ethical requirements that are relevant to our audit of the Statement of Accounts, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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.

Responsibilities of Management for the Financial Statements

The Management of the LLP is responsible for 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 the accounting principles generally accepted in India, including the Accounting Standards issued by the ICAI and the requirements of the Act read with the Rules. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act and the design, implementation and maintenance of internal control, relevant to the preparation of the Statement of Accounts that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Statement of Accounts, management is responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LLP or to cease operations, or has no realistic alternative but to do so.

The Management is also responsible for overseeing the LLP's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Statement of Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statement of Accounts.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the Statement of Accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 LLP's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LLP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement of Accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LLP to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the Statement of Accounts, including the disclosures, and whether the Statement of Accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Rajeev Kumar

Partner

Membership Number: 213803



Place of Signature: Bengaluru

Date: June 12, 2019

Subex Digital LLP
Statement of accounts

Statement of assets and liabilities as at March 31, 2019

		(₹ in Lakhs)	
	Notes	As at March 31, 2019	As at March 31, 2018 [refer note 1(a)]
Contribution and liabilities			
Partner's funds			
Partners' capital account	3	1,869	1,869
Partners' current account	3	(2,363)	(598)
		(494)	1,271
Non-current liabilities			
Long-term borrowings	5	1,370	-
Long-term provisions	6	21	22
		1,391	22
Current liabilities			
Trade payables	5	622	437
Other current liabilities	5	142	43
Short-term provisions	6	13	12
		777	492
Total		1,674	1,785
Assets			
Non-current assets			
Property, plant and equipment	7	35	18
Intangible assets	8	1,275	1,631
Long-term loans and advances	9	76	74
		1,386	1,723
Current assets			
Trade receivables	10	232	34
Cash and bank balances	11	41	19
Short-term loans and advances	9	15	5
Other current assets	12	-	4
		288	62
Total		1,674	1,785

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 : June 12, 2019

For and on behalf of Subex Digital LLP

Vinod Kumar Padmanabhan
Vinod Kumar Padmanabhan
Designated partner

Place : Bengaluru
Date : June 12, 2019

Venkatraman G S
Venkatraman G S
Designated partner

Place : Bengaluru
Date : June 12, 2019



Subex Digital LLP
Statement of accounts
Statement of income and expenditure for the year ended March 31, 2019

	Notes	(₹ in Lakhs)	
		Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018 [refer note 1(a)]
1 Income			
Revenue from operations	13	438	33
Other income	14	-	8
Total income		438	41
2 Expenditure			
Employee benefits expense	15	709	201
Depreciation and amortization expense	16	375	152
Other expenses	17	1,119	286
Total expenses		2,203	639
3 Loss before tax expense (1-2)		(1,765)	(598)
4 Tax expense		-	-
5 Loss after tax expense (3-4)		(1,765)	(598)

Entity information and significant accounting policies
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Designated partner

Place : Bengaluru
Date : June 12, 2019

Venkatraman G S

Venkatraman G S
Designated partner

Place : Bengaluru
Date : June 12, 2019



Subex Digital LLP**Statement of accounts****Statement of cash flows for the year ended March 31, 2019**

	(₹ in Lakhs)	
	As at March 31, 2019	Period from April 05, 2017 to March 31, 2018 [refer note 1(a)]
A Operating activities		
Loss before tax expense	(1,765)	(598)
Adjustments to reconcile loss before tax expense to net cash flows:		
Depreciation and amortization expense	375	152
Net foreign exchange differences	2	-
Operating loss before working capital changes	(1,388)	(446)
Working capital adjustments:		
(Increase)/ decrease in loans and advances	(12)	5
(Increase)/ decrease in other assets	4	(4)
(Increase)/ decrease in trade receivables	(206)	(34)
Increase/ (decrease) in trade payables	191	196
Increase/ (decrease) in other current liabilities	96	(3)
Increase/ (decrease) in provisions	-	5
Net cash flows used in operating activities	(1,315)	(281)
B Net cash flows from/ (used in) investing activities		
Purchase of property, plant and equipment	(33)	-
Net cash flows used in investing activities	(33)	-
C Financing activities		
Loans and advances from related party	1,370	-
Cash received in form of capital contribution [refer note 1(b)]	-	300
Net cash flows from financing activities	1,370	300
D Net increase in cash and cash equivalents (A+B+C)	22	19
Cash and cash equivalents at the beginning of the year	19	-
E Cash and cash equivalents at year end	41	19
Components of cash and cash equivalents		
Balance with bank in current account (note 10)	41	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:101049W/E300004

Chartered Accountants

Rajeev Kumar
per Rajeev Kumar
Partner
Membership No.: 213803



Place : Bengaluru
Date : June 12, 2019

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Vinod Kumar Padmanabhan
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Place : Bengaluru
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Place : Bengaluru
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Subex Digital LLP

Notes to statement of accounts for the year ended March 31, 2019

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. As detailed in note 1(b) below, during the previous year 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. Previous year was the first year of LLP and its operations commenced pursuant to Restructuring effective November 1, 2017 as detailed below in note 1(b). Accordingly, the current year figures are not comparable with the previous year figures. During the year ended March 31, 2019, the LLP has incurred loss of ₹ 1,765 lakhs and has a negative net worth of ₹ 494 lakhs as at March 31, 2019. Based on the management's business plan indicating generation of profit from its operations and letter of continued financial support from the Parent Company, these statement of accounts of the LLP has been prepared on going concern basis.

b. Capital contribution

Effective November 1, 2017, the Parent Company had 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 LLP and SA LLP and the entire economic interest as well as control and ownership of the Digital Businesses and RMS remains with the Parent Company.

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 had received the Digital business from its Parent Company, in form of Capital Contribution of ₹ 1,869 Lakhs.

The LLP 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
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 year ended March 31, 2019

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

The LLP derives its revenues primarily from sale of license and implementation of its software, managed/ support services and fees from subscription of software.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the LLP and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenues from licensing arrangements is recognized on transfer of the title in user licenses, except those contracts where transfer of title is dependent upon rendering of significant implementation and other services by the LLP, in which cases revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

Revenue from implementation and customization services is recognized using the percentage of completion method. Percentage of completion is determined on the basis of completed efforts against the total estimated efforts, which represent the fair value of services rendered.

Revenue from managed/ support services comprise income from fixed price contracts, time-and-material contracts and annual maintenance contracts. Revenue from fixed price contracts is recognized over the period of the contracts using the percentage of completion method. Revenue from time and material contracts is recognized when the services are rendered in accordance with the terms of contracts. Revenue from annual maintenance contracts is recognised rateably over the period of the contracts.

Subscription revenues are comprised of fees that provide customers with access to software licenses and related support and updates during the term of the arrangement. The subscription revenues could be linked to the number of devices supported by the software or a fixed value for a defined set of devices or defined period. Revenue from such arrangements is recognized over the subscription period.

Revenue from sale of hardware under reseller arrangements is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of goods to customers. Revenue is shown as net of Goods and Service tax and others applicable taxes and discounts.

Revenue from group companies is recognised on the basis of transfer pricing arrangement.

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.



Subex Digital LLP

Notes to statement of accounts for the year ended March 31, 2019

d. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except for the Property, plant and equipment received as capital contribution from the Parent Company which was recorded at fair value, also refer note 1(b). 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.

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 equipment	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

Intangible assets are measured at cost on initial recognition except for intangibles assets received as capital contribution from the Parent Company or identified in purchase price allocation [also, refer note 1(b)] were recorded at fair value. 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.



Subex Digital LLP

Notes to statement of accounts for the year ended March 31, 2019

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

Assets	Useful lives
Goodwill	5 years
Development 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.

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 year ended March 31, 2019

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".

The LLP reviews the "AMT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the LLP does not have convincing evidence that it will pay normal tax during the specified period.

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.

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.



Subex Digital LLP

Notes to statement of accounts for the year ended March 31, 2019

i. 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 LLP 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 year ended March 31, 2019

3.Partners' funds

Movement in partner's capital and current account for the period ended March 31, 2018:

Name of the Partner	Opening balance as on April 05, 2017			Addition during the period		Profit % as per LLP agreement	Profit 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 Digital LLP	-	-		-	-	0.01%	-	-	-	-	-
Total	-	-		1,869	-	100.00%	(598)	-	-	1,869	(598)

Movement in partner's capital and current account for the period ended March 31, 2019:

Name of the Partner	Opening balance as on April 01, 2018			Addition during the year		Loss/profit % (as per LLP agreement)	Loss for the year ended March 31, 2019 (e) **	Withdrawal during the year		Balance as at March 31, 2019	
	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	(598)		-	-	99.99%	(1,765)	-	-	1,869	(2,363)
Subex Assurance LLP	-	-		-	-	0.01%	-	-	-	-	-
Total	1,869	(598)		-	-	100.00%	(1,765)	-	-	1,869	(2,363)

* refer note 1(b)

** refer note 3(a)



3(a). Reserves and surplus

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Deficit as per statement of income and expenditure	(1,765)	(598)
Less: Appropriation of loss to partner's current account		
Subex Limited (99.99%)	(1,765)	(598)
Subex Assurance LLP (0.01%)	-	-
Total appropriations	(1,765)	(598)
Closing balance	-	-

4. Long term borrowings

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Loan from related party	1,370	-
	1,370	-

5. Trade payables and other current liabilities

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Trade payables	622	437
	622	437

Other current liabilities

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Employee related liabilities	104	18
Creditors for capital goods	3	-
Statutory remittances	12	11
Advances from customers	-	6
Rent equalisation reserve	23	8
	142	43

6. Provisions

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Non-current		
Provision for employee benefits		
Provision for gratuity [refer note 20(b)]	21	22
	21	22
Current		
Provision for employee benefits		
Provision for gratuity [refer note 20(b)]	4	6
Provision for compensated absences	9	6
	13	12



7. Property plant and equipment

Cost

Assets received as capital contribution *

Additions

Disposals

At March 31, 2018

Additions

Disposals

At March 31, 2019

Depreciation

Charge for the period

Disposals

At March 31, 2018

Charge for the year

Disposals

At March 31, 2019

Net block

As at March 31, 2018

As at March 31, 2019

(₹ in Lakhs)

Computer equipment	Office equipment	Total
21	2	23
-	-	-
-	-	-
21	2	23
36	-	36
-	-	-
57	2	59
4	1	5
-	-	-
4	1	5
19	-	19
-	-	-
23	1	24
17	1	18
34	1	35

8. Intangible assets

(₹ in Lakhs)

Cost

Assets received as capital contribution *

Additions

Disposals

At March 31, 2018

Additions

Disposals

At March 31, 2019

Amortisation

Charge for the period

Disposals

At March 31, 2018

Charge for the year

Disposals

At March 31, 2019

Net block

As at March 31, 2018

As at March 31, 2019

Development Technology	Goodwill	Total
1,678	100	1,778
-	-	-
-	-	-
1,678	100	1,778
-	-	-
-	-	-
1,678	100	1,778
139	8	147
-	-	-
139	8	147
336	20	356
-	-	-
475	28	503
1,539	92	1,631
1,203	72	1,275

*refer note 1(b)



9. Loans and advances (Unsecured, considered good)**Non-current**

Security deposits
Advance to supplier

(₹ in Lakhs)	
As at March 31, 2019	As at March 31, 2018
74	74
2	-
76	74
9	4
6	1
15	5

Current

Loans and advances to employees
Prepaid expenses

10. Trade Receivables

(Unsecured)

Current

Considered good

(₹ in Lakhs)	
As at March 31, 2019	As at March 31, 2018
232	34
232	34

11. Cash and bank balances**Cash and cash equivalents**

Balance with bank in current account

(₹ in Lakhs)	
As at March 31, 2019	As at March 31, 2018
41	19
41	19

12. Other Current Assets

Expenses incurred on behalf of customers

(₹ in Lakhs)	
As at March 31, 2019	As at March 31, 2018
-	4
-	4

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13. Revenue from operations

Sale of services

(₹ in Lakhs)	
Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
438	33
438	33

14. Other income

Miscellaneous income

(₹ in Lakhs)	
Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
-	8
-	8

15. Employee benefits expense

Salaries and wages

Contribution to provident and other funds

Gratuity expense [refer note 20(b)]

Staff welfare expenses

(₹ in Lakhs)	
Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
658	180
21	9
17	6
13	6
709	201

16. Depreciation and amortization

Depreciation of property, plant and equipment (refer note 7)

Amortization of intangible assets (refer note 8)

(₹ in Lakhs)	
Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
19	5
356	147
375	152

17. Other expenses

Cost of hardware, software and support charges

Rent

Power and fuel

Repairs and maintenance

- Building

- Others

Communication costs

Printing and stationery

Traveling and conveyance

Rates and taxes

Advertisement and business promotion

Consultancy charges

Payments to auditors

Marketing and allied service charges

Exchange fluctuation loss (net)

(₹ in Lakhs)	
Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
3	3
164	65
22	8
9	6
28	9
5	1
1	1
148	41
2	4
70	5
46	4
3	2
613	133
5	4
1,119	286



18. 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

Designated Partner

Vinod Kumar Padmanabhan Designated Partner (w.e.f April 05, 2017)

Venkatraman G S Designated Partner (w.e.f. November 15, 2018)

Mehernaz Dalal Designated Partner (w.e.f June 15, 2017 to November 14, 2018)

(ii) Details of the transactions with related parties

	(₹ in Lakhs)	
	Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
Income from software development and services:		
Subex (UK) Limited	252	33
Subex (Asia Pacific) Pte. Limited	156	-
Subex Inc.	14	-
	422	33
Marketing and allied service charges:		
Subex (UK) Limited	118	6
Subex (Asia Pacific) Pte. Limited	12	-
Subex Inc.	483	127
	613	133
Reimbursement of expenses made to:		
Subex Limited	-	69
Subex Assurance LLP	3	5
Subex (Asia Pacific) Pte. Limited	2	-
Subex (UK) Limited	27	-
	32	74
Reimbursement of expenses received from:		
Subex Assurance LLP	34	129
Subex Limited	10	11
Subex (UK) Limited	2	-
Subex Inc.	5	-
	51	140
Investment received in form of capital contribution [refer note 1(b)]:		
Subex Limited	-	1,869
Subex Assurance LLP	-	-
	-	1,869
Share of loss, net, transferred to current account of:		
Subex Limited	1,765	598
Subex Assurance LLP	-	-
	1,765	598
Loan received during the year:		
Subex Assurance LLP	1,370	-
	1,370	-



Subex Digital LLP

Notes to statement of accounts for the year ended March 31, 2019

(iii) Details of balances receivable from and payable to related parties as at year ended March 31, 2019:

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Trade receivables		
Subex (UK) Limited	64	34
Subex (Asia Pacific) Pte. Limited	154	-
Subex Inc.	13	-
	231	34
Trade payables		
Subex Assurance LLP	145	111
Subex Inc	306	279
Subex Limited	-	6
Subex (UK) Limited	124	20
Subex (Asia Pacific) Pte. Limited	11	-
	586	416
Loans and advances payable		
Subex Assurance LLP	1,370	-
	1,370	-

(iv) Other transactions:

Refer note 1(b) regarding capital contribution.

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19. 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 ₹ 164 Lakhs (March 31, 2018: ₹ 65 Lakhs)

b) Contingent liabilities

There are no contingent liabilities as at March 31, 2019.

20. 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 ₹ 21 Lakhs (March 31, 2018: ₹ 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)	
		Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
I Components of employee benefits expense			
Current service cost		5	1
Interest cost		3	1
Expected return on plan assets		(1)	-
Actuarial losses		10	4
Total expense recognized in the statement of income and expenditure		17	6
II Actual contribution and benefit payments for the year/ period			
Actual benefit payments		25	5
Actual contributions		20	-
		(₹ in Lakhs)	
		As at March 31, 2019	As at March 31, 2018
III Net asset / (liability) recognized in statement of assets and liabilities			
Present value of defined benefit obligation		27	34
Fair value of plan assets		2	6
Net liability recognized statement of assets and liabilities		25	28
-Current		4	6
-Non current		21	22



	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
IV Change in defined benefit obligations during the year/ period		
Present value of defined benefit obligation at the beginning of the year/ period	34	-
Liability received as part of capital contribution	-	33
Current service cost	5	1
Interest cost	3	1
Actuarial losses	10	4
Benefits paid	(25)	(5)
Present value of defined benefit obligation at the end of the year/ period	27	34
V Change in fair value of assets during the year/ period		
Plan assets at the beginning of the year/ period	6	-
Assets received as part of capital contribution	-	11
Expected return on plan assets (estimated)	1	-
Actuarial gain	-	-
Actual contributions	20	-
Benefits paid	(25)	(5)
Plan assets at the end of the year/ period	2	6
VI Actual return on plan assets	-	-
VII Expected contribution in the next year	4	6
VIII Major categories of plan assets as a percentage of the fair value of total assets are:		
Investments with insurer	100%	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 (March 31, 2018: 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).		
IX Actuarial assumptions		
	As at March 31, 2019	As at March 31, 2018
Discount rate	7.30%	7.60%
Expected return on plan assets	7.50%	7.75%
Salary escalation	8.00%	8.00%
Attrition rate	18.00%	18.00%
X Amount for the current year are as follows:		
	(₹ in Lakhs)	
	Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
Defined benefit obligation at the end of the year/ period	27	34
Plan assets at the end of the year/ period	2	6
Funded status	(25)	(28)
Actuarial gain/(loss) due to change on plan liabilities	(10)	(4)
Actuarial gain/(loss) due to change on plan assets	-	-



21. 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, 2019 is as follows.

	(₹ in Lakhs)	
	As at March 31, 2019	As at March 31, 2018
Receivables		
Trade receivables	231	34
Other current assets	5	3
Total (A)	236	37
Payables		
Trade payables	457	304
Other current liabilities	3	12
Total (B)	460	316
Net Unhedged Foreign Currency Exposure (C = A-B)	(224)	(279)

22. 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 spans across the world and are categorized geographically as (a) Americas, (b) EMEA (c) India and (d) APAC. 'Americas' comprises the Company's operations in North America, South America and Canada. 'EMEA' comprises the Group's operations in Europe, Middle East and Africa and 'APAC' comprises of the Company's operations majorly in Singapore and Australia. LLP has identified its secondary segment to be geographical.

Segment revenue by geographical location are as follows :

	(₹ in Lakhs)	
	Year ended March 31, 2019	Period from April 05, 2017 to March 31, 2018
Americas	13	-
EMEA	253	33
India	16	-
APAC	156	-
	438	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, 2019	As at March 31, 2018
Americas	13	-
EMEA	64	38
India	127	97
APAC	154	-
Unallocable	1,316	1,650
	1,674	1,785

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



Subex Digital LLP

Notes to statement of accounts for the year ended March 31, 2019

23. 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.
24. Previous period figures have been regrouped/ reclassified, wherever necessary to confirm to current years' classification. Consequent to the restructuring more fully described in note 1(b), the current year figures are not comparable to the previous period figures.

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 : June 12, 2019

For and on behalf of Subex Digital LLP


Vinod Kumar Padmanabhan
Designated partner

Place : Bengaluru

Date : June 12, 2019


Venkatraman G S
Designated partner

Place : Bengaluru

Date : June 12, 2019

