subex
powering the ROC

Annual Report
2009-2010

the future
is bright

contents

ABOUT SUBEX LIMITED

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

The company pioneered the concept of a Revenue Operations Center (ROC) – a centralized approach that sustains profitable growth and financial health through coordinated operational control. Subex's customers include 36 of the world's 72 biggest telecommunications service providers. The company has more than 300 installations across 70 countries.

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financial
highlights

Particulars (Consolidated)	Figures in Rs. Million Except Key Indicators
Total Income	4,747.81
Export Sales	1,732.32
Operating Profits (EBITDA) Before Exceptional Items	947.23
Depreciation & Amortization	163.58
Profit/(Loss) Before Tax and Exceptional Items	309.49
Profit/(Loss) After Tax & Exceptional Items	1,002.96
Share Capital	579.83
Reserves & Surplus	2,093.05
Net Worth	2,730.00
Gross Fixed Assets	1,605.11
Net Fixed Assets	195.75
Total Assets	9,217.97

Key Indicators

Earnings Per Share (Year End) (Rs.)	25.87
Cash Earnings Per Share (Year End) (Rs.)	7.87
Book Value Per Share (Rs.)	47.08
Debt (Including Working Capital) Equity Ratio	2.32
EBITDA/Sales (%)	20.46
Net Profit Margin (%)	21.66
Return On Year End Net Worth (%)	36.74
Return On Year End Capital Employed (%)	11.06

FY10 proved we are here to stay

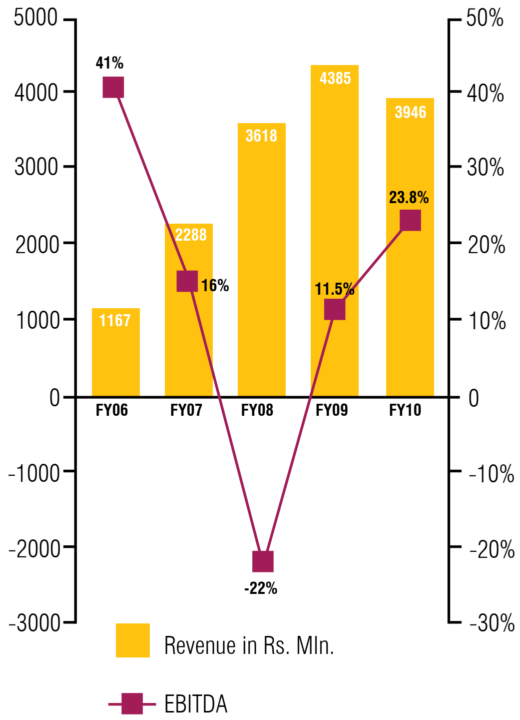
dear shareholders

Adversity, I had written last year, is a great opportunity to introspect and improve. Your company did exactly that during the just concluded financial year FY10. Despite the de-growth in revenue, we improved our margin quite significantly. On the whole, the year turned out to be quite satisfying. Let us take a look at the numbers.

Product business, which has been improving over the past 24 months, recorded Rs. 943.06 million as EBITDA – 23.8% on revenue. In keeping with the global scenario, product revenue was lower at Rs.3946.46 million as compared to FY09. The contribution of products to the total revenue stood at 83% and the company made a net profit (excluding Exceptional Items) of Rs. 208.24 million.

The Year That Was – A Snapshot

Financial year ended 31st March, 2010 was remarkable in more ways than one. Apart from making a strong come back on the profit front, we gained commendable traction with our Revenue Operations Centre (ROC) offering. While ensuring that we bring the company back to a sound financial footing, we were focused on growth opportunities in the future. That resulted in the launch of two new products and significant investment in ROC. Further, we stepped up our efforts in Managed Services. Just as all these efforts were progressing on the business front, we took a key step towards improvement of the balance sheet through the reduction of debt – FCCB Restructuring. On the whole, FY10 was quite eventful. The movement in revenue and EBITDA over the past several years has been captured in the graph given below. As can be seen, the company has turned around fully during FY10.



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Business Strategy

At the end of every global recession, the world experiences an upswing in the global economy. Most of the companies fail to see this opportunity and consequently, turn very shortsighted during the recession resulting in them being totally unprepared to take advantage of the upswing, thereby losing out to competition. Being cognizant of this reality, Subex had taken adequate care to ensure that long term prospects are not sacrificed at the altar of short term gains. Towards this end, we have been working on a three pronged strategy – problem, solution and delivery.

The first element of the strategy concerns the problems being faced by telcos. Your company has identified specific issues that need to be addressed. This involves issues like operational efficiency, margin management, cost management, revenue leakage etc. The next element, 'solution', looks at the packaging and presentation of the solutions to address the identified problems. The platform ROC underpins this strategy. Subex has been investing heavily in ROC right through the difficult period and that has resulted in overall acceptance of the platform by a variety of telcos. ROC, a unique concept pioneered by Subex, lends a very desirable differentiation to our offering while extending an attractive road map to the telcos. This road map ensures that the investments made now by the telcos are future proofed and also provides a long term vision for the evolution of higher margin and better customer service. The final element is the manner in which ROC is delivered. Apart from the conventional license model of delivery, Subex has been focusing on managed services. This model, which has found favour with both large and small telcos alike, enables the telcos to stay focused on their core operations while transferring the non-core activities to us. Given the deep domain expertise and the global exposure at Subex, we are in a position to use the products in a better manner on behalf of the telcos and help them gain from their investments like never before. Telcos need not invest in building domain expertise and in constantly scaling up. They can now obtain service level commitments from us and need only monitor to ensure that those commitments are met. This model of engagement results in a deep relationship between every telco and us with both sides finding value in making it an ever lasting one.

We expect this strategy to propel our growth in the coming years. Evidence has already been seen in the form of an improving pipeline with an increasing slant on managed services. Most of the contracts won during FY10 were for ROC for one or more applications. In short, we feel fully prepared to take advantage of the changing global landscape which has resulted in higher growth in Business Optimization sector. Given the global leadership that we enjoy in the space and the three pronged strategy that is fast proving to be successful, we are quite confident of not only maintaining our leadership position, but also widening the gap with our competitors by increasing our market share.

FCCB Restructuring

Your company had contracted US$ 180 million of quasi debt in the form of Foreign Currency Convertible Bonds (FCCBs) in March 2007 with a tenor of 5 years. With the high level of erosion in share price, conversion of these FCCBs to equity did not seem a possibility thereby converting them into pure debt repayable in March 2012. As the quantum of repayment would be quite high, the company would naturally find it a herculean task to repay in March 2012. So, a decision was taken to restructure the bonds to the extent possible. US$ 141 million worth of bonds were restructured by applying a discount of 30% to the face value and reducing the conversion price from Rs. 656.20 to Rs. 80.31. This has now improved the possibility of conversion phenomenally thereby reducing the potential redemption amount to an easily manageable quantum. It is heartening to note that almost one third of the restructured bonds have been converted to equity as of 31st March, 2010. With performance improving with every passing quarter, we are confident that all the restructured bonds will be converted prior to the date of maturity thereby removing the debt overhang completely.

Way Forward

The company has once again become profitable at both EBITDA and PAT levels. The next step is revenue growth. Given the non linearity of the business model, any growth in revenue will flow through to the bottomline. Your company slipped and fell. But Subexians are a tough lot and we got going when the going got tough. We thought through the issues and took all the appropriate steps to bring your company back from the brink. Now that we are back, it is once again growth and superior performance in the future. Let me sign off for now by thanking every one of you for the support and for the faith reposed in me and my colleagues. Dear Shareholders, Abraham Lincoln once said that the best way to predict the future is to create it. Each and every Subexian stays duty bound and committed to create a glorious future for your company.

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath, Chief Operating Officer & Wholetime Director

it's time to bring in business optimization

The overarching theme that is emerging now is a need to do more with less, but as we can see from the above, the challenge is very significant.

Telecommunications has been a high growth industry since its inception and is now maturing. Markets are entering into their next phase of evolution and that means the pace of growth is starting to come down after a scorching start. The developed markets are all saturated with market penetration well in excess of 100% in most markets. With population stagnating, growth by way of new subscriber addition is not a real possibility.

To add insult to injury, telecom – as a business – is getting commoditized. The holy grail for growth in the past few years was 3G and adoption of data based services. Data adoption has really taken off in the developed markets with the arrival of smartphones like the iPhone but this is now presenting a new problem to telecom operators. While such phones cause a significant increase in data traffic by way of application and video downloads, sharing etc., they seldom generate much extra revenue for the operator. The cost of carrying such traffic is high as these are bandwidth hungry services and the operator needs to spend money on network equipment to maintain acceptable quality of services. However, the additional revenue from these services is not at all commensurate with the extra investment needed in network equipment. Thus, in developed markets, the telecom operator is faced with the reality of a slow growth model. In developing markets such as India, there is still high growth from subscriber addition but here, the challenge comes from hyper-competition. Price points are under constant pressure and profit making is extremely difficult.

Both these situations are indicative of telecom business coming into maturity. Telecom is a relatively young industry with a history of about thirty years only. As the business matures, operators are finding that they have to go back to old business commonsense practices such as running efficient operations. In the days of heady growth and thus guaranteed profits, efficiency was not on top of the agenda for a telecom executive. Now, profits can be made only if the cost can be managed and that can be achieved only through improved efficiency. Thus far, cost reduction programs largely hinged on manpower reduction but that has also run its course. The 'low hanging fruit' is gone and not much more can be achieved by way of margin by reducing manpower costs – what needs to come down is the overall operational cost. Hence, the need is to look squarely at operations and figure out what best can be done to improve there.

Strange as it may sound, this is not something that telcos are used to. This requires a change in approach and mentality for them. Various surveys have repeatedly found that telco leaks amount to more than 10% of their revenue, but there has never been concerted and clear action to address those. Of course, the telco environment is very, very complex and hence extremely difficult to manage well. They are made up of operational silos (enterprise, retail, mobile, ISP, wireline, video etc.) and these silos do not interact well and thus cause operational inefficiencies. For instance, a telco that provides wireline, mobile and TV services to a customer cannot – more often than not – make out what margin they make from that particular customer. On top of this, add the tremendous volumes of data that telcos have to deal with (a tier-1 operator will have billions of transactions a day) and you have the perfect recipe for huge leakages and inefficiencies. The overarching theme that is emerging now is a need to do more with less but as we can see from the above, the challenge is very significant.

What is now required is a methodology to achieve this objective and telcos are waking up to the potential of Business Optimization as a means to towards this end. Business Optimization is all about improving efficiencies within the telco and is based on three themes - prevention of leakage, cost management and operational efficiency. Traditionally, these have been addressed through 'point' solutions that further increased the problems due to siloed approach. These three areas touch upon the lifeline of the telco, the revenue chain. Revenue chain can be defined as the series of business processes and activities that happen in a telco from the moment they have a sales lead to the time the lead turns into a customer, gets activated, starts using the services and finally pays cash. This lead-to-cash operation is the revenue chain for the telco and to achieve efficiencies in operations and thus profits, the revenue chain needs to be managed proactively and holistically.

Subex has been a proponent of this approach and has invested heavily into readying itself to be able to provide such support to telcos. We pioneered the concept of ROC as a pragmatic approach to manage the revenue and that has been accepted well in the market. All our products impact the revenue chain and we see great potential for our products and solutions in these times of challenge. It is not just with products that we support the telcos as their need goes beyond that. There is an increased relevance for support on operations with Managed Services and Subex is well positioned in that as well. Overall, we see tremendous opportunity for our solutions and services as the telecom market matures and we are well positioned to take advantage of the scenario.

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

Mark Nicholson, Chief Technology Officer

the new-age communications service provider

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Revenue and cost assurance have emerged in recent years to become an increasingly critical component in the transformation of telecommunications operations

For many Communication Service Providers (CSPs), significant parts of their next generation networks are already in-place and continue to evolve rapidly. Where carriers continue to lag behind, however, is in the evolution of their business processes and support systems (BSS/OSS) that enable providers to run those networks and accompanying services effectively and profitably. Today's communications networks are about the logistics and distribution of digital content including voice, video, information, and machine-to-machine data.

Given the current economic and competitive realities of the communications industry, CSPs need to focus on product innovation and operational excellence. However the reality is that most CSPs have the same network. It is the automation of their business processes and their choice of supporting BSS and OSS systems that will be one of their key differentiators.

The move towards more dynamic service offerings means significant changes to traditional billing approaches. Customers will increasingly expect the flexibility to try, subscribe and cancel services via online self-service portals. This also means up-to-the-second access to billing/usage information and multiple payment models, including pre-pay and any-pay.

Fulfillment also becomes much more dynamic. The changes transforming service fulfillment stem largely from a shift toward increasing customer control – specifically, toward customer or device self-provisioning. Self-provisioned services, and the networks that support them, present a completely different operations model than that required for traditional services.

Customers are also increasingly expecting to be able to try, subscribe and cancel services via online self-service portals. They expect real-time service fulfillment, which means zero-touch, flow-through ordering, provisioning and activation. This also means up-to-the-second access to billing/usage information and multiple payment models, including pre-pay and any-pay. So before, during and after delivery of a given service, the OSS/BSS must be able to compute how much it costs and provide an account balance that reflects any promotion or other credits that should be applied. Thirty-day posting will not meet customer expectations.

The move to converged IP networks and Ethernet as an underlying technology has also significantly empowered both enterprise and residential customers. In the traditional communications world, customers bought very complex communications pipes and were, to a large extent, unaware as to how it worked. With the move toward converged IP networks and Ethernet infrastructures, however, the tide has turned. Customers have been deploying these technologies and are well versed in them. In the new world, enlightened customers know exactly what they want and are now focused on 'content' rather than 'pipes'.

With these changes, revenue and cost assurance have emerged in recent years to become an increasingly critical component in the transformation of telecommunications operations. In our competitive era, it is of paramount importance to capture all revenues that are generated by the utilization of a service provider's resources. Operating in a less efficient manner is not a viable option any longer.

Customers who call with billing errors often have a higher propensity to churn, which further increases costs and creates additional pressure on margin. As operators begin to turn-up content-based services, the careful management of revenue chains and control over cost drivers and a better focus on the customer experience will become increasingly critical to the success of these new offerings and the enterprise's overall profitability.

From that basis, it is only a very short step to using the same basic functionality to extract, analyze and monitor the data associated with any operational process or group of processes. In fact, the innovations introduced through the maturity of revenue assurance can be brought into service for a more generalized 'operational assurance' enterprise function. This concept calls for the measuring and monitoring of any operational process that potentially has an impact on revenue or is a cost driver. In effect, operational assurance is about enabling the service provider to understand in real-time how operations are affecting profit. The results are, significantly enhanced visibility and clarity into how the enterprise is performing and much better intelligence for decision making. Operational Assurance could be described as the convergence of operations management, revenue management and business intelligence.

This extension of revenue management techniques becomes most evident in the Revenue Operations Center (ROC), a concept now being pursued in various forms by service providers around the industry. A ROC is a collection of systems and processes that are oriented around collecting, analyzing and monitoring the Key Performance Indicators (KPIs) that are deemed essential for the enterprise to meet its goals.

Service providers are already taking the important first steps down this path. As they begin to treat revenue assurance proactively, they are factoring the principles of process integrity and metric-oriented management into their product planning. As these projects extend and adapt the principles developed in the maturing revenue management functions, these service providers are laying the foundation for a transformation to lean operations and sustainable profit.

Mark Nicholson
Chief Technology Officer

Anuradha, Senior Vice President - Engineering

product innovation at Subex

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Technical innovation is the back bone of a products company and many such initiatives were rolled out in Subex last year

Engineering has a prime role to play in evolving the building blocks of our products. We need to keep pace with the new technologies by evaluating their fitment into our products, proactively reducing the total cost of ownership and ensuring that the platforms remain robust and extendable to accommodate the increasing processing loads owing to the world becoming flat and communication playing an important role in the same.

In the last year, Engineering has been involved in technical innovations and coming out with new products and solutions.

Some of these innovations are:

1. RocForms

During the course of the development of a new web enabled version of Spark, we have developed a generic software framework for the generation of user interface components (screens the customer sees in our products) dynamically. This will help in ensuring a consistent behavior and screen appeal in all products that use the framework. Some of the tasks involving designing a UI screen can now be done by generated by a script. This framework has been developed using Google's technology in web development.

This has been used in all web enablement of existing products and also for our new offerings like Vector which is our new offering in Fulfillment and activation space.

2. Cost Modeling

One of the innovations from the performance benchmarking team has been to arrive at an approach to analyze the space/time cost complexity by modeling the behavior of various algorithms / data structures that we use. This addresses the important question: Given a basic problem definition, how do you choose the 'best' solution? Best could be the simplest, best performance, easiest to extend, etc. However the neatness of the solution lies in the ability to estimate performance of a system design without actually having to build it. Apart from time / space complexity, the cost modeling also considers the behaviors of the servers / storage (e.g. how CPUs schedule jobs, how are instruction / data pipelines built, behavior of onboard CPU caches, page faults etc.) This is a proactive approach rather than a reactive approach. These techniques have been applied in the design and improvement of several features in ROC FM already.

3. New Platform

Several of our products are built on a reusable software platform called Spark. The platform has a rich set of reusable features used by the products. Some examples of these features are access control, data collection and management (ETL), data base interactions, scheduling of tasks / processes etc.

We have undertaken an activity to build a new framework to use the latest software innovations in the industry and extract the maximum performance gains that could be attained by the new generation of servers/ storage and also new software paradigms / tools. This activity will start actively in the FY 10 - 11. The goal of the new framework would be to build:

- distributed and scalable architecture
- resilience
- high performance
- simpler programmable interfaces to the product development teams
- modular software architecture

4. Support for alternate database technologies

Subex has invested in supporting multiple database technologies both traditional DB vendors and also non-traditional databases. The achievements in this regard have been as below:

- Integration of Dataupia: There is a huge explosion in the volume of data in telecom operators due to introduction of new services, growth in subscriber volumes etc. Dataupia is a non traditional data warehouse appliance that scales to very large volumes and can work in business optimization scenarios.

- IBM DB2 partnerships: The engineering team has finished the integration of ROC RA product with DB2. Benchmark tests are in progress. We will take up similar work with the next RMS product ROC FMS. The intent or goal is to broad base our database offerings and also to venture into strategic business relationships with IBM for newer opportunities.

- NetP's new version can support the Oracle database and has improved architecture for Layer 3 support.

5. DICE (Dynamic Intuitive Cube Engine)

This new module has been introduced into the ROC RA product to enhance the analysis of revenue leaks. This brings in the capabilities of OLAP based data analysis in RA. This feature enables an RA business analyst to slice and dice information dynamically from multiple dimensions/business scenarios. The analyst can easily locate anomalies and revenue leaks easily through an intuitive UI driven screen. This has been delivered to some customers already and the feedback has been extremely good.

6. Predictive Analytics

This program evaluates various techniques to ensure that the results obtained by our products are more qualified and enhance the productivity of the analysts as well as provide more meaningful results. The algorithms developed under this program are tuned to give the most optimum results. Some of these investigations will play an important role in the CEM (Customer Experience Management) space.

7. Change Catalyst

Other than the above programs, a program 'Change Catalyst' has been launched which is focused on work life innovations. This program encourages every Subexian in Engineering organization to find ways and means to improve the work space by coming out with small innovative ideas. The Subexians prepare a business case for their ideas and once accepted, implement the same. The ideas help increase productivity and help add new delta features to the products.

Anuradha
Senior Vice President - Engineering

Monisha Tambay, Vice President & Global Head of HR

tough times don't last, tough people do

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So what helped your company get back on track from an internal perspective? What were some effective strategies that were commissioned to re-energize the workforce?

Tough times test the true mettle of any entity. At Subex we faced this test over the past two years. Not only was the sustainability of the organization at risk due to financial concerns, we also had to contend with pockets of loss of faith within the team. In this environment of diminished morale, it took a lot more than pep talk to get everyone back on track.

So what helped your company get back on track from an internal perspective? What were some effective strategies that were commissioned to re-energize the workforce?

First, a leader who kept the faith

in the organization and the value that it adds, in himself and his team and in all stakeholders – investors, shareholders, bond holders and customers. Subash led by example and his 'never say die' attitude was the shot of adrenalin that we needed!

A steadfast commitment to our Core Values

The leadership team and the entire Subex family consistently exhibited all the things that we at Subex stand for – our values of Commitment, Innovation and Fairness! This was what we all rallied around and what brought us together.

Build a plan and communicate it

Subash had a concrete plan to navigate Subex out of choppy waters. There was extensive and repeated communication of the plan and the help that was required from every Subexian as well as periodic updates on progress against the plan were done. On achievement of key milestones on the plan, we celebrated – shared small successes with the teams with cake and a smile! The end result – we built alignment – ensuring that the strategy was brought in to and each Subexian knew the part that they had to play. We built a tool to cascade goals/KRAs down to drive alignment.

Subex cares

Extensive Subexian reach-out campaigns were launched with everyone on the leadership team starting with Subash, meeting with Subexians individually and in groups to talk about work demands and priorities and to genuinely listen to their inputs on what improvements could be made in the department to boost morale and productivity. Planned and spontaneous reach-out sessions help establish strong connect and pull the team together.

Allowing down time

Say it's okay to go away. It's counter-intuitive, but during busy periods it's necessary for team members to take some time off. Planned events like a Sports Day and an Annual Day as well as smaller unplanned events like team breaks, leaving the office early one day or going out for lunch, were encouraged. From a policy perspective, we launched a Global Sabbatical policy as well as a Work from Home Policy to allow teams some time to get away or to allow them flexibility in planning their time. This had a huge positive impact that helped Subexians return to the office refreshed and better prepared to take on the challenges ahead.

Support Subexian careers

Another valuable way we used to re-energize our team was by helping employees advance their professional knowledge. Developing new skills and staying on top of technological trends not only renewed their enthusiasm for their careers, but also increased their contributions. We ran special training programs globally to demonstrate to Subexians that their careers were important to us and that we would be ready to invest in them. The engineering teams launched new technical career paths that showed Subexians what their options were.

Cheer them on

Acknowledging the team's contributions was really important. Recognizing those who had accepted additional responsibilities or increased workloads and those who had made exceptional achievements was the need of the hour. We launched a new Reward and Recognition Program called STARs to assist in this endeavor. The launch was accompanied by celebration of an 'Appreciation Week' globally that culminated in parties/give aways in various locations around the world.

By confronting the situation head-on and making adjustments proactively, we were able to emerge relatively unscathed.

Monisha Tambay
Monisha Tambay, Vice President & Global Head of HR

subexian pride award winners

John Myers	Presales(P)	Vinay M A	Legal(P)	Srinivas M R	Engineering(P)
Rajesh Abraham	PSO(P)	Krishnoji Rao S	Facilities & Administration	Vishwanath B V	Engineering(P)
Vijay Raghunathan	PSO(P)	Sylvan Sam Sugen S	Engineering(P)	Arun Kumar K	Engineering(P)
Bhagyalaxmi H C	Engineering(P)	John Brooks	Presales(P)	Jiju George	HR(P)
Ravi Kumar Chakka	Engineering(P)	John Myers	Presales(P)	Sandeep Jain	Engineering(P)
Madhu K U	Engineering(P)	Thomas Walker	Presales(P)	Tintu Joseph	PSO(P)
Vijay Shankar H S	Engineering(P)	Meredith Milshtein	PSO(P)	Sunil Kumar	Engineering(P)
Saifullah Talut Rothin	PSO(P)	Meredith Milshtein	PSO(P)	Amit Kumar Gupta	Engineering(P)
Vijayakumar Vallipi	Engineering(P)	Mohit Gupta	Engineering(P)	Manoj Kumar P	Engineering(P)
Sankara Rao Ballari	Engineering(P)	Anees Ahmed A Mulla	Engineering(P)	Sreekanth Ramadas	Engineering(P)
Subhadip Duttagupta	PSO(P)	Sumit Ahuja	Engineering(P)	Shrikanth D	Engineering(P)
Lakshmikanth RG	Finance(P)	David Gibson	Product Management(P)	Prasad K S	Engineering(P)
G Vijay	Finance(P)	Sekharan Y Menon	Corporate(P)		

Subex charitable trust

another busy year

1. Sponsored 100 school bag kits for needy students through Youth for Seva
2. Provided educational support to 35 students through Nurture merit program
3. Provided educational support to children in Ananda Marga school, Kolar district
4. Extended support to build 3 toilets in Ananda Marga school, Kolar district
5. Sponsored water and electricity for Prerana resource center
6. Supported Swanthana, a center for physically and mentally challenged girls
7. Provided relief to flood victims in North Karnataka and Andhra Pradesh
8. Sponsored Speech and Physical therapy kits for Gerizim Integrated Home and School For the Handicapped

board of directors

Subash Menon
Founder Chairman, Managing Director & CEO

V. Balaji Bhat
Independent Director

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

Vinod R. Sethi
Independent Director

Harry Berry
Independent Director

Andrew Garman
Independent Director

management team

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

Mark Nicholson
Chief Technology Officer

Vinod Kumar
Group President

Anuradha
Senior Vice President – Engineering

Greg Le Neveu
President – Americas

Monisha Tambay
Vice President & Global Head of HR

Paul Skillen
President – EMEA

Sekharan Y Menon
President – Asia Pacific

Raj Kumar
Vice President – Legal & Company Secretary

Ramanathan J
Vice President – Finance

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general review & accountability

Your Directors have pleasure in presenting the 16th Annual Report of the Company on the business and operations together with the audited results for the year ended March 31, 2010.

FINANCIAL RESULTS

Amount in Rs. million

	Consolidated		Standalone	
	2009-10	2008-09	**2009-10**	2008-09
Total revenue	4,630.78	5,584.89	3,201.44	3,011.05
Profit/(Loss) before Interest, Depreciation, Tax & Amortization	947.23	662.06	999.19	559.16
Interest, Depreciation & Amortization	637.74	663.64	510.05	489.03
Profit/(Loss) before Exceptional items & tax	309.49	(1.58)	489.14	70.13
Exceptional Items	794.72	(1,717.59)	891.66	(1,819.97)
Profit/(Loss) before tax	1,104.21	(1,719.17)	1,380.80	(1,749.84)
Provision for taxes	101.25	164.46	12.19	32.27
Profit/(Loss) after tax	1,002.96	(1,883.63)	1,368.61	(1,782.11)
APPROPRIATIONS				
Interim Dividend Preference Dividend	-	-	-	-
Dividend proposed on equity shares	-	-	-	-
Provision for tax on Dividends	-	-	-	-
Transfer to General Reserve	-	-	-	-
Surplus/(Deficit) carried to Balance Sheet	1,002.96	(1,883.63)	1,368.61	(1,782.11)

RESULTS OF OPERATIONS

During the financial year ended March 31, 2010, the total revenue on a consolidated basis stood at Rs.4,630.78 million. The Company has made a profit of Rs.1,002.96 million for the financial year 2009-10 as against the loss of Rs.1,883.63 million in the previous year.

On a standalone basis, the total revenue stood at Rs.3,201.44 million. The net profit for the financial year 2009-10 was Rs.1,368.61 million.

BUSINESS

Your Company is a provider of solutions in the Business Support Systems (BSS) and Operations Support Systems (OSS) areas for telecom applications. The key sub-areas in BSS and OSS are Revenue Maximization or Business Optimization, Billing Systems, Mediation, Service Fulfillment and Service Assurance. The Company operates in Business Optimization and Service Fulfillment areas. While Business Optimization solutions improve the revenues and profits of the communications service providers through identification and elimination of leakages in their revenue chain, Service Fulfillment solutions enable the carriers to fulfill the needs of their subscribers through provisioning and activation of services. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, Canada, UK, UAE, India, Singapore and Australia. Subex is the global leader in Business Optimization for communications service providers.

Telecom operators are facing a difficult situation globally as their business has commoditized. Further, subscribers are expecting telcos to keep rolling out newer and more attractive services. Thus telcos are being pushed from both the cost side and the competitive side. Given this situation, telcos need to take adequate steps to protect their margins and improve operational efficiency. Subex's solutions help them on these fronts. Our well accepted platform, the Revenue Operations Centre (ROC) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc.

CHANGES IN SHARE CAPITAL

The Authorised share capital of the Company was increased pursuant to the approval of the members at the Extraordinary General Meeting held on October 20, 2009. Presently, the authorised share capital of the Company is Rs.1,300,000,000 (Rupees One Thousand Three Hundred Million only) divided into 128,040,000 (One Hundred and Twenty Eight Million and Forty Thousand) equity shares of Rs.10 (Rupees Ten only) each and 200,000 (Two Hundred Thousand) Preference Shares of Rs.98 (Rupees Ninety Eight only) each.

During the year, your Company has allotted 23,136,050 equity shares, out of which:

- 19,133,637 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of US$ 31.9 million, out of its US$ 98.7 million 5% Convertible Unsecured Bonds.
- 1,203 equity shares were allotted under its ESOP 2005 scheme and 1,210 equity shares were allotted under its ESOP 2000 scheme, consequent to exercise of stock options.
- 4,000,000 equity shares were allotted on a preferential basis to M/s Woodbridge Consultants, an entity belonging to Promoters/ Promoter group.

As at March 31, 2010, the paid-up share capital of the Company stood at Rs.579,831,390/- comprising 57,983,139 equity shares of Rs.10/- each.

SUBSIDIARIES

SUBEX TECHNOLOGIES LIMITED

For the year ended March 31, 2010, Subex Technologies Limited earned an income of Rs.801.35 million, on a consolidated basis, as against Rs.1,200.08 million last year, and had a net loss of Rs.5.73 million as against a net profit of Rs.68.54 million last year.

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

SUBEX (UK) LIMITED

For the year ended March 31, 2010, the consolidated income of Subex (UK) Limited was Rs.2,892.44 million and the net profit was Rs.37.82 million.

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

SUBEX AMERICAS INC

For the year ended March 31, 2010, the consolidated income of Subex Americas Inc was Rs.984.77 million and net loss was Rs.389.87 million.

During the year, the following dormant subsidiaries of Subex Americas Inc were closed down -2101874 Ontario Inc, Subex Azure (GB) Limited and Subex Azure (Ireland) Limited. Also, Subex Azure (US) Inc and Subex Azure (Delaware) Inc, the two subsidiaries of Subex Azure Holdings Inc, were merged to its holding Company.

Presently, Subex Americas Inc has 2 subsidiaries viz. Subex Azure Holdings Inc and Syndesis Development India Private Limited.

COMPLIANCE UNDER SECTION 212

Ministry of Corporate Affairs, Government of India, vide order No. 47/119/2010-CL-III dated April 20, 2010, has granted approval under section 212(8) of the Companies Act, 1956 stating that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company for the financial year ended March 31, 2010. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said order, is disclosed under Annexure I to this report. The Company will make available the annual accounts of the subsidiary companies and the related information to any investor of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the registered office of the Company. The consolidated financial statements presented by the Company include financial results of its subsidiary companies.

RESTRUCTURING OF FCCBs

During the financial year, your Company launched a cashless exchange offer for the holders of its US$ 180 million 2% Coupon Convertible Unsecured Bonds ("Original FCCBs") to exchange the Original FCCBs for new FCCBs. Pursuant to the cashless exchange offer, Original FCCBs worth US$ 141 million out of US$ 180 million have been cancelled and US$ 98.7 million 5% Convertible Unsecured Bonds ("Restructured FCCBs") in satisfaction of the same have been issued.

As at March 31, 2010, a principal amount of US$ 39 million was outstanding under the Original FCCBs.

During the financial year, Restructured FCCBs aggregating to principal amount of US$ 31.9 million were converted into 19,133,637 equity shares in accordance with the terms and conditions thereof. As at March 31, 2010, a principal amount of US$ 66.8 million was outstanding under the Restructured FCCBs.

REDUCTION OF SECURITIES PREMIUM

A proposal for reduction and utilization of Securities Premium and Capital Reserve under the provisions of section 78 read with section 100 to 104 of the Companies Act, 1956 was approved pursuant to the resolution passed by the Board of Directors on February 8, 2010 and special resolution passed by the members at the Extraordinary General Meeting held on March 4, 2010. The reduction, as aforesaid, envisages transfer of certain amounts from the Securities Premium and Capital Reserves as on April 1, 2009 and thereafter, to a Business Restructuring Reserve (BRR) to be utilized from or after April 1, 2009 for certain Permitted Utilizations as mentioned in the explanatory statement to the notice of the Extraordinary General Meeting held on March 4, 2010.

The petition seeking approval of the reduction was approved by the Hon'ble High Court of Karnataka vide its order dated April 21, 2010. The copy of the said order and the minute confirming the reduction was registered by the Registrar of Companies, Karnataka at Bangalore vide its certificate dated May 11, 2010.

The details of the implementation of the reduction as aforesaid have been elaborated in the financial statements.

EMPLOYEE STOCK OPTIONS SCHEMES

Your Company has introduced various Stock Option plans for its employees. Details of these, including grants to Directors and Senior Management issued during the year are given below.

EMPLOYEE STOCK OPTION PLAN-1999 (ESOP – I)

This scheme was instituted during 1999 and managed by Subex Foundation with a corpus of 120,000 equity shares initially. Since the scheme was formulated prior to the promulgation of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company has discontinued the scheme.

EMPLOYEE STOCK OPTION PLAN-2000 (ESOP- II)

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

In accordance with the scheme, a Compensation Committee has been formed, which grants options to the eligible employees. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2008-09, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company.

EMPLOYEE STOCK OPTION PLAN-2005 (ESOP-III)

Under this scheme, a corpus of 500,000 options was created for grant to the eligible employees, with each option convertible into one fully paid-up equity share of Rs.10/-. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The corpus of the scheme was further enhanced by 1,500,000 options during the financial year 2007-08. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vest over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

During the year 2008-09, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 31,500 options were surrendered by 7 employees during the financial year ended March 31, 2010.

EMPLOYEE STOCK OPTION PLAN-2008 (ESOP-IV)

During 2008-09, your Company instituted the Employee Stock Option Plan-2008, vide approval of shareholders through the postal ballot mechanism. A corpus of 2,000,000 options has been created for grant to the eligible employees under the scheme. The Scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company has obtained the requisite in-principle approvals from the stock exchanges for the purpose of listing of equity shares arising out of exercise of options granted under the scheme.

The Compensation Committee grants options to the eligible employees in accordance with the provisions of the scheme. The options are granted at a price, which is not less than 85% of the average of the closing price of the equity shares during the 15 trading days preceding the date of grant on the stock exchange where there is highest trading volume during this period. Unless otherwise resolved, the options granted vests over a period of 1 to 4 years and can be exercised over a period of 3 years from the date of vesting.

Additional information as at March 31, 2010 required to be disclosed as per Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999 is given as Annexure II to this report.

CORPORATE GOVERNANCE

Your Company strongly believes that the spirit of Corporate Governance goes beyond the statutory form. Sound Corporate Governance is a key driver of sustainable corporate growth and long-term value creation for the stakeholders and protection of their interests. Your Company endeavors to meet the growing aspirations of all stakeholders including shareholders, employees and customers. Your Company is committed to maintaining the highest level of transparency, accountability and equity in its operations. Your Company always strives to follow the path of good governance through a broad framework of various processes.

Your Company has complied with all the requirements as per Clause 49 of the listing agreement of the Stock Exchanges, as amended from time to time. The Auditor's certificate on compliance with Clause 49 is included elsewhere in the Annual Report. In addition, your Company has documented its internal policies in line with the Corporate Governance guidelines. The Management Discussion & Analysis of the financial position of the Company has been provided as a part of this report.

AUDIT COMMITTEE

The Audit Committee presently has 5 Directors as its members viz. Mr. V. Balaji Bhat, Mr. Vinod R Sethi, Mr. Andrew Garman, Mr. Harry Berry and Mr. Subash Menon. Except for Mr. Subash Menon, all other members of the Audit Committee are Independent Directors. Mr. V Balaji Bhat is the Chairman of the Audit Committee. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Further details of the Audit Committee have been provided in the report on Corporate Governance forming part of this annual report.

AUDITORS

M/s. Deloitte Haskins & Sells (ICAI registration number 008072S), the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and have confirmed their eligibility as per Section 224(1B) of the Companies Act, 1956 and their willingness to accept office, if re-appointed.

There were no qualifications observed in the Auditor's report for the financial year 2009-10.

DIRECTORS

As per Article 87 of the Articles of Association of the Company read with section 255 and 256 of the Companies Act, 1956, atleast two-third of the Directors shall be subject to retirement by rotation. One-third of such Directors must retire from office at each Annual General Meeting of the shareholders and a retiring director is eligible for re-election. Mr. Vinod R Sethi and Mr. Andrew Garman retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

During the financial year 2009-10, Mr. P. P. Prabhu and Mr. K. Bala Chandran resigned from the Board of Directors of your Company. The Board places on record their immense contributions to the Company.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public.

PARTICULARS OF EMPLOYEES

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, are given at Annexure III appended hereto and forming part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Vice President-Legal & Company Secretary at the registered office of the Company.

INFORMATION UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A CONSERVATION OF ENERGY

The operations of your Company are not energy-intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment. Your Company constantly evaluates new technologies and invests to make its infrastructure more energy-efficient. Currently your Company uses CFL fittings and electronic ballasts to reduce the power consumption of fluorescent tubes. Air conditioners with energy efficient screw compressors for central air conditioning and air conditioners with split air conditioning for localized areas are used.

B TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Your Company has a strong R&D Division responsible for developing technologies for its products in the telecom domain. The Company holds several patents for its technological innovations. The telecommunications domain, in which your Company operates, is subject to high level of obsolescence and rapid technological changes. Your Company has developed inherent skills to keep pace with these changes. Since software products are the significant line of business of your Company, the Company incurs expenses on product related Research & Development on a continuous basis. These expenses are charged to revenue under the respective heads and are not segregated and accounted separately.

C FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company has over the years shifted its focus from software services to software products. This has resulted in substantial foreign exchange earnings as compared to previous years. During the year 2009-10, total foreign exchange inflow and outflow was as follows:

i)	Foreign Exchange earnings	Rs.2,910.89 Million (previous year Rs.2,975.37 Million)
ii)	Foreign Exchange outgo:	
	Travelling expenses	Rs.50.41 Million (previous year Rs.37.60 Million)
	Interest expense	Rs.178.53 Million (previous year Rs.173.15 Million)
	Product marketing expense and other expenditure incurred overseas for software development	Rs.19.15 Million (previous year: Rs.85.21 Million)

SOCIAL RESPONSIBILITIES - SUBEX CHARITABLE TRUST

The trust was set up to provide for welfare activities for under privileged and the needy in the society. The trust is managed by Trustees elected amongst the employees of the Company. During the year the Trust has provided active support for education of economically challenged meritorious students, financial assistance to old age homes and to individuals who needed medical help.

HUMAN RESOURCE MANAGEMENT

The Human Resource function constantly endeavours to uphold the Subex Vision of "Deliver Value to Excel and Lead". The passion, excitement, hard work and the involvement of the Subex family has ensured that your Company constantly upholds the Subex vision.

During the year ended March 31, 2010, your Company successfully reinvented itself through streamlining its HR processes and identifying strategic HR initiatives. Motivation of Subexians was the critical focus area. To that end your Company launched an online Reward and Recognition Program and platform called STARs. Your Company also put a renewed emphasis on training and alignment. Communication within the Company was stepped up. Alignment, renewal, re-energizing and rewards were the critical focus areas.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a) that in the preparation of the annual accounts for the year ended March 31, 2010, the applicable accounting standards have been followed. Pursuant to, and in accordance with, the approval of the members and the Hon'ble High Court of Karnataka to a proposal for reduction of securities premium and capital reserve as described earlier, the Company has utilised the Business Restructuring Reserve for adjustment of certain expenses/impairments. Such adjustment being at variance with applicable accounting standards, necessary disclosure has been made in the Notes to the accounts in standalone and consolidated financial statements.

b) that the accounting policies have been selected and applied consistently and it has made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the profit of the Company for the year ended on that date.

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

d) that the accounts for the year ended March 31, 2010 have been prepared on a going concern basis.

APPRECIATION/ACKNOWLEDGEMENTS

We thank our clients, vendors, investors and bankers for their continued support during the year. We place on record our appreciation for the co-operation and assistance provided by the Central and State Government authorities particularly SEZ authorities, customs and central excise authorities, Registrar of Companies, Karnataka, the Income Tax department, Reserve Bank of India and various authorities under the Government of Karnataka.

Your Directors also wish to place on record their deep appreciation to Subexians at all levels for their hard work, solidarity, co-operation and support, as they are instrumental in your Company scaling new heights, year after year.

For and on behalf of the Board

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : July 29, 2010

ANNEXURE - I

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES FOR FY 2009-10

Amount in Rs.

Name of the Subsidiary	Subex Technologies Limited	Subex Technologies Inc***	Subex (UK) Limited	Subex Inc*	Subex (Asia Pacific) Pte. Ltd*	Subex Americas Inc	Subex Azure Holdings Inc.**	Syndesis Development India Pvt Ltd**
Financial period ended	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
Date of becoming a subsidiary	28.03.2005	12.01.2000	23.06.2006	23.06.2006	23.06.2006	01.04.2007	01.04.2007	01.04.2007
Holding company's interest	100%	100%	100%	100%	100%	100%	100%	100%
Shares held by the holding company in the subsidiary	3,999,994 of Rs.10/- each	3000 of USD0.67 each	5,039,565,245 of GBP 0.00001 each	1,000 of USD 0.01 each	2 of SGD 1 each	100 at no par value	-	10,000 of Rs. 10/- each
The net aggregate of profits or (losses) of the subsidiary for the current period so far as it concerns the members of the holding company								
a. dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-
b. not dealt with or provided for in the accounts of the holding company	(1,694,978)	(4,035,710)	5,653,259	59,910,546	(27,741,962)	(370,294,968)	(18,181,999)	(1,391,697)
The net aggregate of profits or (losses) for previous financial years of the subsidiary so far as it concerns the members of the holding company								
a. dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-
b. not dealt with or provided for in the accounts of the holding company	19,080,156	49,458,108	191,202,705	16,248,953	15,813,852	(269,645,551)	(130,334,592)	(1,208,314)
Issued & Subscribed share capital	40,000,000	209,053,688	4,059,539	392	58	3,533,898,015	293,511,621	40
Reserves	32,399,736	122,264,787	502,551,100	(321,042,632)	(196,219,383)	(4,787,825,819)	(235,790,866)	(13,247,785)
Loans	-	-	(4,473)	-	-	155,264,299	2,245,000	-
Total assets	310,821,601	374,961,563	2,469,792,003	378,779,349	299,139,693	5,323,104,488	563,281,303	14,603,546
Total liabilities	310,821,601	374,961,563	2,469,792,003	378,779,349	299,139,693	5,323,104,488	563,281,303	14,603,546
Investments								
Long Term	246,402,895	-	495	-	-	293,559,959	-	-
Current	-	-	-	-	-	-	-	-
Total	246,402,895	-	495	-	-	293,559,959	-	-

ANNEXURE - I

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES FOR FY 2009-10

Amount in Rs.

Name of the Subsidiary	Subex Technologies Limited	Subex Technologies Inc***	Subex (UK) Limited	Subex Inc*	Subex (Asia Pacific) Pte. Ltd*	Subex Americas Inc	Subex Azure Holdings Inc.**	Syndesis Development India Pvt Ltd**
Financial period ended	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
Turnover	-	801,345,994	1,386,381,052	1,211,177,450	294,883,537	984,774,263	-	-
Profit/(Loss) before taxation	(918,209)	1,369,026	42,352,521	59,910,546	(15,895,016)	(336,037,200)	(18,102,504)	(1,391,697)
Provision for taxation	776,769	5,404,736	36,699,262	-	11,846,945	34,257,768	79,495	-
Profit / (Loss) after taxation	(1,694,978)	(4,035,710)	5,653,259	59,910,546	(27,741,962)	(370,294,968)	(18,181,999)	(1,391,697)
Proposed dividend	-	-	-	-	-	-	-	-

Conversion Rates from Reporting Currency to INR

Reporting Currency	INR	USD	GBP	USD	SGD	USD	USD	USD
Exchange rate adopted for Profit & Loss account related items	1.0000	47.7447	76.1983	47.7447	33.4479	47.7447	47.7447	47.7447
Exchange rate adopted for Balance Sheet related items	1.0000	44.9000	67.9550	44.9000	32.0775	44.9000	44.9000	44.9000

* Wholly owned subsidiaries of Subex (UK) Limited

** Wholly owned subsidiaries of Subex Americas Inc

*** Wholly owned subsidiary of Subex Technologies Limited

For and on behalf of the Board

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : July 29, 2010

ANNEXURE - II

ADDITIONAL INFORMATION AS AT MARCH 31, 2010 AS PER SECURITIES AND EXCHANGE BOARD OF INDIA (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999

SL.NO	PARTICULARS	ESOP 2000	ESOP 2005	ESOP 2008
1	Net options granted as on March 31, 2010	669,188	1,590,558	598,954
	Options granted during the year	-	131,300	598,954
2	Pricing formula	As mentioned earlier in the report	As mentioned earlier in the report	As mentioned earlier in the report
3	Options vested but not exercised as on March 31, 2010	161,663	468,088	-
4	Options exercised as on March 31, 2010	236,443	7,927	-
	Options exercised during the year	1,210	1,203	-
5	Money realized by exercise of options during the year	81,070	80,601	-
6	The total number of shares arising as a result of exercise of options as on March 31, 2010	1,210	1,203	-
7	Options lapsed/cancelled/surrendered as on March 31, 2010	936,768	2,430,019	-
	Options lapsed/cancelled/surrendered during the year	56,059	341,991	-
8	Variation of terms of options	None	None	None
9	No. of employees covered	624	1,618	272
10	Employee wise details of options granted during the year under review to: (i) Senior managerial personnel			
	Mr. Mark Nicholson	-	-	10,000
	Mr. Greg LeNeveu	-	-	12,000
	Mr. Paul Skillen	-	-	12,000
	Mr. Raj Kumar C	-	-	12,000
	Mr. Ramanathan J	-	2,500	15,000
	Mr. Sekharan Y Menon	-	-	15,000
	Mr. Vinod Kumar P	-	-	20,000
	Ms. Anuradha	-	-	15,000
	Ms. Monisha Tambay	-	8,000	-
	(ii) other employee receiving a grant in the year of options amounting to 5% or more of options granted during that year	NIL	NIL	NIL
	(iii) identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	NIL	NIL
11	Diluted Earning per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earning per Share'	Rs.8.44		
12	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company is:	Losses would have been higher by Rs.25,502,015 Basic EPS would have been lower by Rs.0.66 and Diluted EPS would have been lower by Rs.0.36		
13	Weighted-average exercise prices and weighted-average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	-	Weighted average exercise price is Rs.48.45	Weighted average exercise price is Rs.53.34
14	Description of the method used during the year to estimate the fair values of options, including the following weighted-average information:	Black Scholes method of valuation		
	i. risk-free interest rate	8.00%		
	ii. expected life	3 Years		
	iii. expected volatility	34.267%		
	iv. expected dividends, and	0.71%		
	v. market price on grant date	Rs.65.99		

For and on behalf of the Board

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : July 29, 2010

REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and ethical business conduct. It is about how an organization is managed. Therefore situation, performance, ownership and governance of the company are equally important as regards to the structure, activities and policies of the organization. Consequently, the organization is able to attract investors, and enhance the trust and confidence of the stakeholders.

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

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

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

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

II. BOARD OF DIRECTORS

The Board of Directors of Subex Limited comprises 6 Directors out of which 2 are Executive Directors and 4 are Independent Directors.

Details of the composition of the Board of Directors and their attendance and other particulars are given below:

A. Composition and Category of Directors as on July 29, 2010

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

B. Attendance of Directors at the Board Meetings and the last AGM and details about Directorships and Memberships in Committees as on March 31, 2010

Director	Position	No. of Board meetings held	No. of Board meetings attended	Last AGM attendance	No. of Directorships in other companies ▲	No. of Committees in which the Director is Chairman ■	No. of Committees in which the Director is a Member ■
Mr. Subash Menon	Founder Chairman, Managing Director & CEO	4	4	Yes	1	-	1
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director	4	2	Yes	1	-	1
Mr. V. Balaji Bhat	Independent Director	4	4	Yes	4	4	4
Mr. Vinod R. Sethi	Independent Director	4	1	No	11	-	8
Mr. Harry Berry	Independent Director	4	3	No	-	-	1
Mr. Andrew Garman	Independent Director	4	- *	No	-	-	1
Mr. K. Bala Chandran**	Independent Director	4	1	No	1	1	3
Mr. P P. Prabhu▶	Independent Director	4	-	N A	3	1	2

▲ Excluding private limited companies & overseas companies.

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

* Participated through tele-conference at the Board meeting held on October 20, 2009.

** Ceased to be the Director of the Company consequent to resignation during the financial year 2009-10. The details of Directorships and Committee memberships stated reflect the position prior to his resignation.

▶ Mr. P P Prabhu resigned from the Board of Directors of the Company on May 26, 2009. The details of Directorships and Committee memberships stated reflect the position as at March 31, 2009.

C. Number and Dates of Board Meetings

4 (Four) Board meetings were held during the financial year 2009-10. The dates on which meetings were held are as follows:

May 26, 2009; July 29, 2009; October 20, 2009; January 19, 2010.

D. Brief Details of Directors Seeking Re-appointment

Mr. Vinod R. Sethi

Mr. Vinod R. Sethi is a member of the Board of Directors since 2000. He is a graduate in Chemical Engineering and also holds a degree in B.Tech from IIT, Mumbai and an MBA in Finance from Stern School of Business, New York University.

His earlier assignments include working with Morgan Stanley as Chief Investment Officer and Portfolio Manager of Morgan Stanley Asset Management managing over US$ 2.4 billion of investments in India.

As on the date of this report, Mr. Vinod R. Sethi does not hold any equity shares of the Company.

Mr. Andrew Garman

Mr. Andrew Garman is a member of the Board of Directors since 2006. He is a managing partner at New Venture Partners LLC where he focuses on the firm's software, services, networking and communications investment areas. Mr. Garman joined Lucent's New Ventures Group in 1999. Before Lucent, Mr. Garman was a managing director of BT Ventures at Bankers Trust Company, where he created and managed a portfolio of internally generated corporate spin-outs in information technology. Prior to joining BT Ventures in 1996, Mr. Garman was the Vice President of Strategy and Business Development for Xerox's New Enterprise Group. At Xerox, he helped expand the firm's internal venture portfolio by developing eleven companies based upon technology innovations, primarily derived from the Xerox Palo Alto Research Centre. From 1985 to 1991, Mr. Garman was a general partner at CommTech International Inc., an incubator and venture capital firm with exclusive rights to commercialise the technology of SRI International, a non-profit research institution. Mr. Garman was formerly a director of AcuPrint, Amati Communications, Celiant, Certco, ColoRep, Document Forum, dpiX, InXight Software, Lucent Public Safety Systems (now Intrado), Placeware, Microwave Photonics, Vidus Ltd. and Visual Insights.

Mr. Garman holds an AB in Engineering and Applied Physics from Harvard College, an MS in Mechanical Engineering from Stanford University and an MBA from Stanford University, where he was named an Arjay Miller Scholar. He is a past president of the Stanford Business School Alumni Association and member of the Board of Advisers.

Mr. Andrew Garman does not hold any equity shares of the Company.

III. AUDIT COMMITTEE

A. Terms of Reference

The Audit Committee has, inter alia, the following mandate:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Review of annual financial statements before submission to the Board;
- Review of adequacy of internal control systems;
- Review of adequacy of internal audit function, including the reporting structure, coverage and frequency of internal audit; and
- Review of the Company's financial and risk management policies.

The current charter of the Audit Committee is in line with international best practices and the regulatory changes formulated by SEBI and the listing agreements with the Stock Exchanges on which Subex is listed.

B. Composition of Audit Committee

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

*Appointed as a member of the Audit Committee at the meeting of the Board of Directors held on January 19, 2010.

Mr. Raj Kumar, Vice President-Legal & Company Secretary, is the Secretary of the Audit Committee.

C. Meetings and Attendance During the Year

During the Financial Year 2009-10, four Audit Committee meetings were held on May 26, 2009, July 29, 2009, October 20, 2009, and January 18, 2010. The unaudited financial results for the quarter ended March 31, 2010 were taken on record at the meeting held on April 29, 2010. The audited financial results for the financial year ended March 31, 2010 were taken on record at the meeting held on June 10, 2010. The quarterly results for the quarters April-June 2009, July-September 2009 and October-December 2009 were taken on record on July 29, 2009, October 20, 2009, and January 18, 2010 respectively.

Attendance of Committee Members at the Audit Committee Meetings Held During the Financial Year 2009-10:

Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Mr. V. Balaji Bhat	4	4
Mr. Vinod R. Sethi	4	2
Mr. Andrew Garman	4	-▲
Mr. Harry Berry	4	N A■
Mr. Subash Menon	4	4
Mr. K. Bala Chandran*	4	2

▲ Participated through tele-conference at the Audit Committee meeting held on October 20, 2009

■ Appointed as a member of the Audit Committee at the meeting of the Board of Directors held on January 19, 2010

* Ceased to be the Director of the Company consequent to his resignation during the financial year 2009-10

IV. REMUNERATION COMMITTEE

A. Composition of the Committee

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

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

B. Details of Remuneration to Directors

Amount in Rs.

Name	Designation	Salary	Commission	Total
Mr. Subash Menon	Founder Chairman, Managing Director & CEO	25,468,803	-	25,468,803
Mr. Sudeesh Yezhuvath	Chief Operating Officer & Wholetime Director	22,458,087	-	22,458,087

Note: Further details have been disclosed in Note II.9 under Schedule P to the standalone financial statements and Note II.8 under Schedule O to the consolidated financial statements.

The following Directors have been allotted stock options under the employee stock options scheme of the Company:

Name	Designation	No. of Options Granted	No. of Options vested and exercised as on March 31, 2010
Mr. V. Balaji Bhat	Independent Director	7,500	7,500
Mr. Vinod R. Sethi	Independent Director	7,500	7,500

The above stock options were granted on the terms and conditions mentioned in the Employee Stock Option Plan-2000 of the Company.

During the financial year under review, no additional stock options were granted to any of the Directors of the Company.

DETAILS OF SHAREHOLDING OF NON- EXECUTIVE DIRECTORS

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

Name	No. of shares held as at March 31, 2010
Mr. V. Balaji Bhat	31,000
Mr. Vinod R. Sethi	21,200
Mr. Andrew Garman	NIL
Mr. Harry Berry	NIL

Some of the Non-Executive Directors are paid sitting fees at the rate of Rs.2,500 for attendance in the Board Meetings.

The Remuneration Committee determines and recommends to the Board, the compensation payable to the Directors. All Board level compensation is approved by the shareholders, and separately disclosed in the financial statements. Remuneration of Executive Directors consists of a fixed component and a performance based commission.

The compensation, however, shall be within the parameters set by the shareholders meetings and the provisions of the Companies Act, 1956. The Executive Directors have entered into service contracts with the Company. Both the Executive Directors have 3 months notice period with the Company if they decide to terminate the contract. If the termination is from the Company, the notice period shall be 12 calendar months. In case of severance from the Company, Mr. Subash Menon is eligible for compensation of not less than twenty times and Mr. Sudeesh Yezhuvath is eligible for compensation of not less than fifteen times of their total remuneration for the preceding 12 months from the date of the notice. Subject to approval of the members of the Company and other applicable provisions of the Companies Act, 1956, the Non-Executive Directors are eligible for commission not exceeding 0.5% of the profits of the Company subject to a maximum of Rs. 2 million in aggregate per year. The Non-Executive Directors are also eligible for grant of stock options of the Company subject to the terms of the stock option schemes of the Company.

V. SHARE TRANSFER COMMITTEE

A. Composition of the Committee

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

Authorised Representative of Share Transfer Agents.

B. Meetings During the Year

The Company holds Share Transfer Committee Meetings on a periodical basis, as may be required, for approving, inter alia, the transfers/ transmissions/rematerialisation of equity shares. The Company has appointed M/s. Canbank Computer Services Limited, a SEBI registered transfer agent, as its Share Transfer Agent with effect from November 6, 2001. The Share Transfer Committee has met four times during the financial year 2009-10 on the following dates:

Date of the meeting	No. of transfer deeds received	Shares pursuant to the deeds	Rematerialisation requests received	Equity Shares involved
July 15, 2009	1	300	-	-
October 15, 2009	-	-	1	2
December 24, 2009	-	-	1	600

At its meeting held on December 22, 2009, the Share Transfer Committee approved the issuance of duplicate share certificates pertaining to 200 equity shares.

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

VI. INVESTOR GRIEVANCE COMMITTEE

A. Composition of the Committee

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

* Consequent to resignation of Mr. K Bala Chandran, Mr. V Balaji Bhat was appointed as the Chairman of the Committee at the meeting of the Board of Directors held on January 19, 2010.

Mr. Raj Kumar, Vice President-Legal & Company Secretary, is the Compliance Officer of the Company.

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

VII. ESOP COMMITTEE (COMPENSATION COMMITTEE)

The Company has instituted Employee Stock Option Schemes in line with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Committee grants and administers options under the stock schemes to eligible employees.

A. Composition of the Committee

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

* Consequent to resignation of Mr. K Bala Chandran, Mr. Vinod R Sethi was appointed as the Member of the Committee at the meeting of the Board of Directors held on January 19, 2010.

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

VIII. GENERAL BODY MEETINGS

A. Location and Time of the Last Three AGMs

Year	Date of AGM	Venue	Time
2006-2007	July 26, 2007	Le Meridien Bangalore	4:00 p.m.
2007-2008	September 23, 2008	Registered Office	4:00 p.m.
2008-2009	July 29, 2009	Registered Office	3:00 p.m.

B. Location and Time of the Last Three EGMs

Year	Date of EGM	Venue	Time
2007-08	November 26, 2007	Corporate office	4:00 p.m.
2009-10	October 20, 2009	Registered office	10:30 a.m.
2009-10	March 4, 2010	Registered office	3:00 p.m.

IX. DISCLOSURES

A. There are no significant related party transactions of the Company of material nature, with the Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Note II. 7 under Schedule P to the standalone financial statements and Note II. 8 under Schedule O to the consolidated financial statements in the Annual Report.

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

C. The Company has not been subjected to any penalties, strictures by Stock Exchange(s)/SEBI or any statutory authorities on any matter related to capital markets, during the last three years.

D. The Company has complied with the listing conditions laid down in the Listing Agreement of the Stock Exchanges where the shares of the Company are listed.

X. MEANS OF COMMUNICATION

A. Annual/Half Yearly and Quarterly results

The annual/half yearly/quarterly audited/un-audited results are generally published in all editions of Financial Express and Udayavani/Vijay Karnataka. The complete financial statements are posted on the Company's website www.subexworld.com. Subex also regularly provides information to the Stock Exchanges as per the requirements of the Listing Agreements and updates the website periodically to include information on new developments and business opportunities.

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

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

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

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

Clause 49 further states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosures of compliance with mandatory requirements and adoption (and compliance)/non adoption of non-mandatory requirements shall be made in the section on Corporate Governance in the annual report. The Company has complied with the following non-mandatory requirements:

A. The Board

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

B. Remuneration Committee

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

C. Shareholders' Rights

The Company communicates with investors regularly through e-mails, telephone and face-to-face meetings like investor conferences, earnings calls, company visits and on road shows. The Company announces quarterly financial results within four weeks of the close of a quarter. The Company publishes the quarterly financial results in leading business newspaper(s) as well as on the Company's website. However, the Company has not initiated sending half-yearly declaration of financial performance to the household of shareholders so far.

D. Audit Qualifications

The Company does not have any audit qualification for the year under review. The Company always endeavours to move towards a regime of un-qualified financial statements.

E. Training of Board Members

All new Non-Executive Directors inducted into the Board are given adequate orientation on the Company's businesses, group structure, risk management strategy and policies.

F. Mechanism for Evaluating Non-Executive Board Members

The Company compensates Non-Executive Directors keeping in view the time and attention devoted by them for the Company. While doing so, the Company evaluates the performance of the Non-Executive Directors using various parameters. However the Company is yet to formalize this evaluation by peer group comprising entire Board of Directors, excluding the Director being evaluated.

G. Whistle Blower Policy

The Company has established a mechanism for employees to report concerns about unethical behaviours, actual or suspected fraud or violation of the Code of Conduct. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The employees are informed of this policy through appropriate internal communications. None of the employees have been denied access to this facility.

For Subex Limited

Subash Menon

Place : Bangalore
Founder Chairman,

Date : July 29, 2010
Managing Director & CEO

DECLARATION BY THE CEO UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

To,

The Members of Subex Limited

In accordance with Clause 49(I)(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel including me, have affirmed compliance to their respective Codes of Conduct, as applicable for the financial year ended March 31, 2010.

For Subex Limited

Subash Menon
Founder Chairman,
Managing Director & CEO

Place : Bangalore
Date : June 10, 2010

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

1. We have examined the compliance of conditions of Corporate Governance by Subex Limited ['the Company'] for the year ended March 31, 2010, as stipulated under Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
Membership No. 203685

Place : Bangalore
Date : July 29, 2010

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

Subex Limited ("Subex" or "the Company") has its Equity shares listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). The Global Depositary Receipts are listed on the London Stock Exchange (LSE). The Foreign Currency Convertible Bonds of the Company are listed on the London Stock Exchange (LSE) and Singapore Exchange Securities Trading Limited (SGX).

The management of Subex is committed to improving the levels of transparency and disclosure. Keeping this in mind, an attempt has been made to disclose hereunder, information about the Company, its business, operations, outlook, risks and financial condition.

The financial statements of the Company have been prepared in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. The management of Subex accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably present the state of affairs and profits for the year under review.

In addition to the historical information contained herein, the following discussion may include forward looking statements which involve risks and uncertainties, including but not limited to the risks inherent in the Company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

1. INDUSTRY

Your Company is a provider of solutions in the Business Support Systems (BSS) and Operations Support Systems (OSS) areas for telecom applications. The key sub-areas in BSS and OSS are Revenue Maximization or Business Optimization, Billing Systems, Mediation, Service Fulfillment and Service Assurance. The Company operates in Business Optimization and Service Fulfillment areas. While Business Optimization solutions improve the revenues and profits of the communications service providers through identification and elimination of leakages in their revenue chain, Service Fulfillment solutions enable the carriers to fulfill the needs of their subscribers through provisioning and activation of services. Subex conceptualizes and develops software products at its facilities in Bangalore and is focused on the telecom business segment. Subex has sales and support offices in the United States, Canada, UK, UAE, India, Singapore and Australia. Subex is the global leader in Business Optimization for communications service providers.

Telecom operators are facing a difficult situation globally as their business has commoditized. Further, subscribers are expecting telcos to keep rolling out newer and more attractive services. Thus telcos are being pushed from both the cost side and the competitive side. Given this situation, telcos need to take adequate steps to protect their margins and improve operational efficiency. Subex's solutions help them on these fronts. Our well accepted platform, the Revenue Operations Centre (ROC) brings together business intelligence, domain knowledge and workflow support. ROC acts as the underpinning solution on which telcos can build their processes to achieve several objectives like, lower cost, higher margin, higher revenue etc.

2. OPPORTUNITIES AND THREATS

Strategy

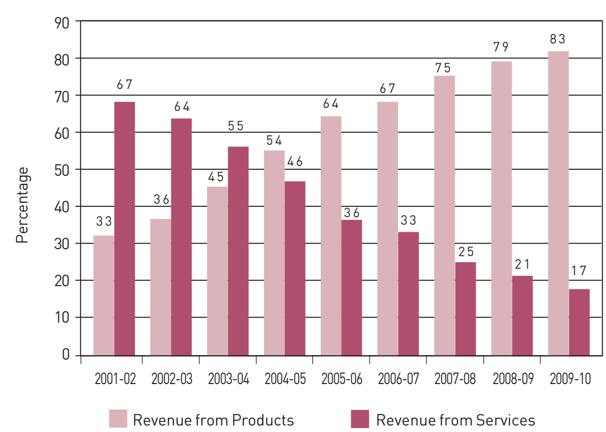
Subex has always been quite strategic. The key elements of the strategy are our offering, positioning and customer acquisition and retention. We have always been at the leading edge of technology and have evolved new concepts to enable our customers to keep pace with changing scenarios. Using our products,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

3. BUSINESS SEGMENTS AND INDUSTRY OUTLOOK

3.1 Business Segments

Subex operates in two business segments – telecom software products and telecom software services. The former is the key focus area for the Company and is being discussed in detail. The latter is staff augmentation services for Telcos in the United States and is fast losing its significance as can be seen from the business mix data provided herein.

Revenue Mix



3.2 Telecom Software Products

Solutions for Business Optimization

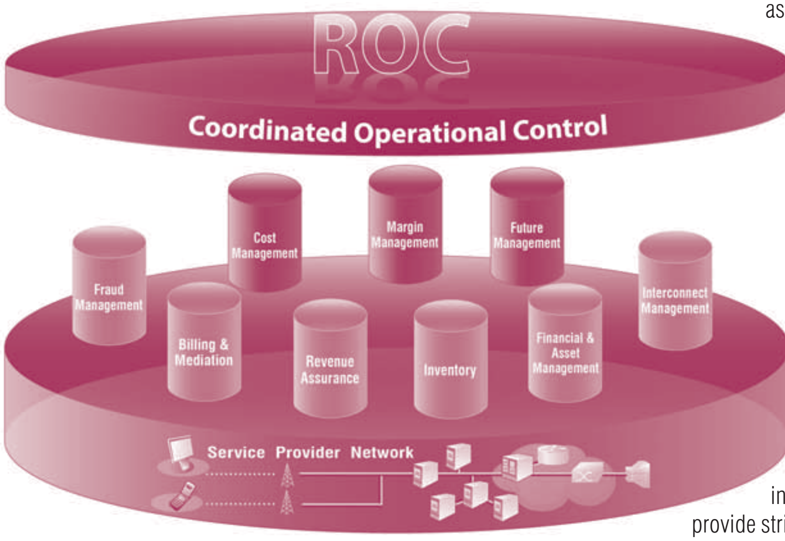
Subex offers the ROC Solution Suite for Business Optimization, which has solutions for Revenue Assurance, Fraud Management, Cost Management, Partner Settlement, Credit Risk Management and Route Optimization.

Revenue Operations Centre (ROC)

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

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

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



ROC Fraud Management

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

ROC Fraud Management is differentiated by its unique architecture that harnesses the power of proven rules-based alarms and pattern matching driven by advanced statistical techniques. Adding power to this hybrid detection system is a set of strong case management tools. These tools provide all relevant case data which are made easily accessible through a single window in a fast web-based GUI.

The solution's high flexibility allows operators of different sizes to customize rules to suit unique network and business requirements. Moreover, seamless visual alarm linking using third party visualization software reduces investigation efforts, thus decreasing case turnover time. The solution has the ability to detect fraud types in all telecom environments - Wireline (PSTN, ISP, VoIP), Wireless (2G, 2.5G, 3G) and across all services - postpaid, prepaid, VAS, MMS, and M-commerce.

ROC Revenue Assurance

ROC Revenue Assurance is a first-of-its-kind, comprehensive revenue assurance solution, designed to tackle critical revenue assurance challenges across the entire revenue chain. It offers a set of pre-configured solution templates to address revenue assurance challenges inherent to individual service verticals - Wireless, Fixed, Cable MSPs & MVNOs. These solution templates address revenue assurance issues across multiple functional areas such as service fulfillment, usage integrity, retail billing, interconnect/wholesale billing and content settlement.

Each solution template is ready-to-use and includes:

- Set of appropriate health checks to monitor
- Control points & interfaces to extract data
- Reports & dashboards to present results, and
- Workflow to monitor, action & close cases

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

ROC Cost Management

ROC Cost Management is a state-of-the-art revenue management offering from Subex, which helps service providers effectively monitor and manage the cost of services. It enables operators to efficiently manage the process of identification, collection and comparison of cost related data across multiple sources such as partner invoices, inventory, orders, and call detail records. It ensures the profit margins and operational agility through reduction of service delivery costs. It is built on a highly integrated platform using components-based technology to provide striking performance, scalability, interoperability and reliability.

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

ROC Credit Risk Management

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

- Subscriber acquisitioning
- Ongoing usage
- Collections and recovery

The solution provides the operator with a holistic view that helps in understanding subscriber risk profile and thereby aids its management. Further, it can quickly, and seamlessly, accommodate new service information to provide an accurate picture of the exposure at any point in time.

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

ROC Partner Settlement

The ROC Partner Settlement solution allows operators to quickly and accurately settle charges with their interconnect, network and content partners on a single, modular platform. Shrinking margins have highlighted the increased need for visibility of each deal's impact on the operator's bottom line. For agreements with domestic and international partners, it provides the ability to manage these major costs and revenues on a day-to-day, hour-to-hour basis. As product bundles and their related tariff plans become more complex, this ability to see all revenues and related costs is vital to ensuring a healthy bottom line.

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

ROC Route Optimization

The ROC Route Optimization solution is designed to provide operators with the tools to manage network cost information supplied by other operators. Additional analysis on the impact of current operator tariffs as well as forecasts on potential future operator tariffs is also featured. The system is capable of taking into account factors such as call quality rate information, capacity and network costs in calculating the optimum choice of operators.

ROC Route Optimization ensures that the entire end-to-end process from dial code/destination operator rate imports to switch updates is controllable and auditable. The solution is fully supported by a comprehensive list of reports, and when generating an optimized routing table the system provides an integrated management of the routing table changes across multiple business functions.

Solutions for Service Fulfillment

Vector

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

TrueSource

Without consistently accurate network and service information, OSS and BSS implementations are delayed, their overall effectiveness falters, asset tracking becomes a guessing game, and revenue leaks abound. TrueSource combats these problems by providing the high levels of data integrity central to OSS and BSS data reconciliation and essential for the network and for business operations. TrueSource is the industry's first Data Integrity Management (DIM) solution for improving the quality of data that drives key service provider processes, resulting in lower costs and higher service profitability. TrueSource employs an operations-wide approach to solving data integrity problems, combining three powerful data integrity functions: multi-layer network and service discovery, data reconciliation, and discrepancy analytics. Leveraging inherent cross-domain intelligence and extensive off-the-shelf network equipment support, TrueSource discovers devices and logical services in complex multi-layer, multi-vendor, multi-service environments and reconciles this data with OSS/BSS on a continuous, controlled basis. The result is consistent, relevant data throughout service provider operations, enhancing the effectiveness and value of service fulfillment, service assurance, and billing systems.

NetProvision

In the world of converging and ubiquitous communications, effective service fulfillment is all about meeting demand – satisfying increasing order volumes, aggressive delivery schedules, diverse service requirements, and customers' heightened expectations. Traditional approaches to service fulfillment are not equipped to keep pace with the demands of evolving networks, services, and subscribers. Manual and siloed service provisioning, in particular, is slow, complicated, and error-prone, forming a significant barrier to both revenue growth and customer satisfaction and retention. NetProvision automates the design and activation of complex, application-aware connectivity services, enabling flow-through provisioning of next-gen data and IP offerings across multi-vendor, multi-technology networks. NetProvision uses the industry's most advanced and most widely deployed discovery engine, enabling the system to perform design, and assign based on the network and logical resources as they really exist, not as an off-line database thinks they might. This significantly reduces fallout rates and decreases the time required to activate a service. NetProvision also features productized Equipment Modules (i.e., device interfaces), native support for the widest range of convergent IP/data technologies, and a modular, extensible, and scalable design – all of which speed time-to-market for new offerings while reducing project risk and TCO.

3.3 Customer Base

Subex today serves over 200 customers spread across 70 countries. This includes 36 of the top 72 telcos globally. A partial list of customers is given below:

APAC	**EMEA**	**Americas**
Aircel	Avea	AT&T
Airtel	BT	Bell Canada
BSNL	Cable & Wireless	Claro
CAT	CellC	Comcast
DTAC	COLT	Embarq
Idea	Du	Global Crossing
Indosat	MTN	Level 3
Maxis	O2	Qwest
MTNL	Orange	Sprint
Reliance Communications	Romtelecom	Telefonica
StarHub	STC	Telmex
Tata Teleservices Ltd	Swisscom	Telus
Telstra	Telecom Italia	Time Warner Cable
Uninor	Telekom Slovenije	T-Mobile
Vodafone India	Telenor	Verizon
	TeliaSonera	
	Umniah	
	UPC	
	Vodafone	
	Wind Telecom	

3.4 Revenue Model

Subex licenses its software solutions on per subscriber or per transaction basis for every service stream of our customers, resulting in continuous growth in license revenues depending on the growth of the networks where the solutions are installed. Another sustainable revenue stream is the support revenue calculated as a function of the license revenue. Further, we also have a fourth stream of revenue namely, customization.

While these four streams are directly related to the license model, we also have embarked on two additional streams of revenue namely Managed Services and SaaS. These two streams are detailed below.

Managed Services

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

Subex Managed Services program is designed to add both strategic and tactical value to service providers' operations and enable better customer experience while also enhancing their operational efficiency, service agility and profitability. With Subex at the helm of its operations, service providers can redirect critical resources at core business functions generating more revenue and saving costs.

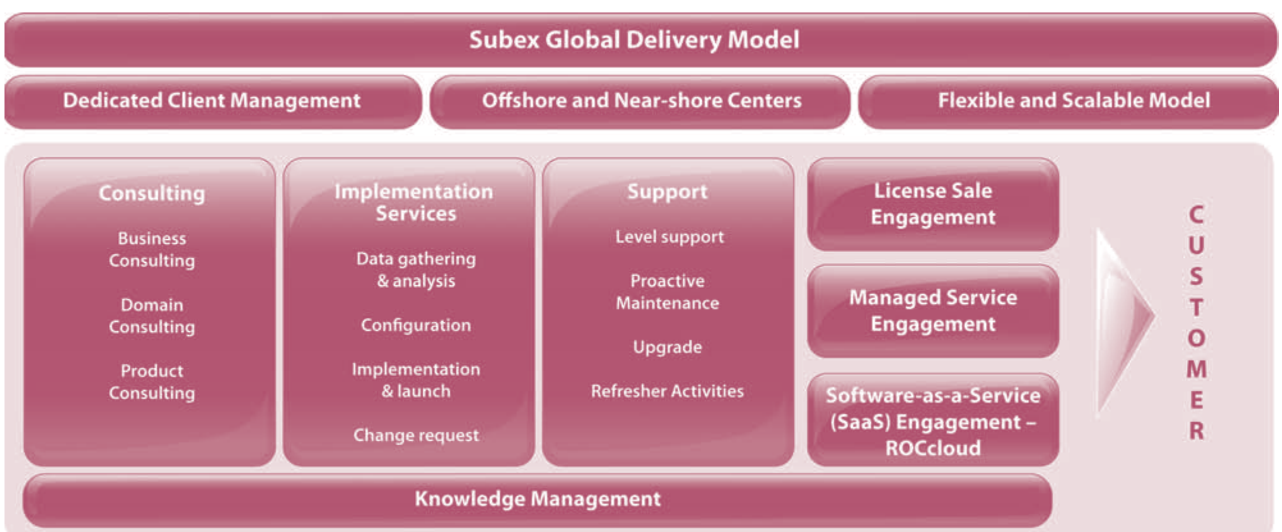
Subex understands that no two service provider requirements are alike and hence offers the flexibility to pick and choose services based on:

- Scope of Operations: Ranging from standard operations to large scale transformational programs
- BSS / OSS Domains: Drawing from Subex's established expertise on various BSS / OSS domains
- On-Site Support: High caliber, experienced resources to ensure functional continuity and high resource efficiency

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

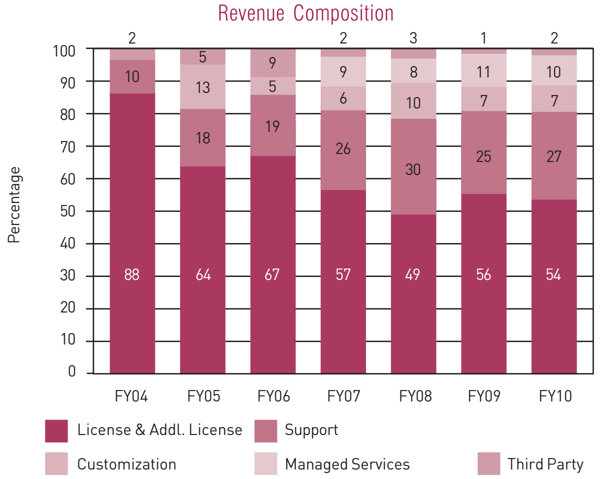
Small and medium telcos have Business Support System (BSS) needs that are very different from those of larger telcos. In the same vein, most BSS products are developed to address the needs of large telcos. They are loaded with a host of standard features, not all of which are relevant to smaller organizations,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

ROCcloud brings Subex's proven Revenue Operations Center (ROC) to small and medium telcos. It is an on-demand business support system (BSS) ideally suited for small and medium telcos. ROCcloud employs a monthly subscription based usage model and is delivered over the web in a completely secure environment. It utilizes shared infrastructure at various locations across the globe. It is a pre-configured service with minimal customization needed and no implementation services required. ROCcloud is currently available for fraud management; addressing all common fraud threats.



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

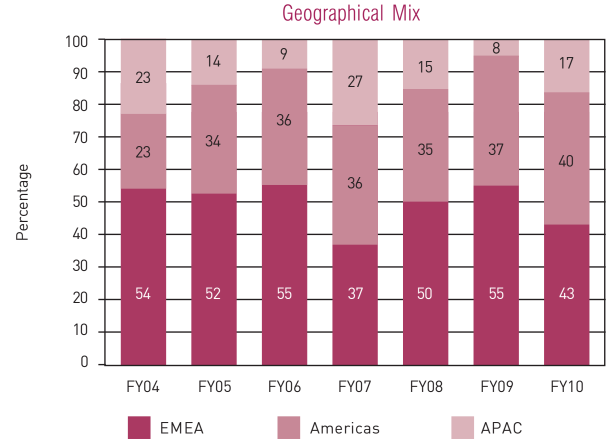
Revenue Composition



3.5 Geographical Mix

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

Geographical Mix



4. RISKS AND CONCERNS

Every business has several risks and ours is no different. Following are the risks that we are cognizant of:

4.1 Market

The business model of communications service providers is highly dependant on consumer behaviour and any reduction on spending by consumers will negatively impact the fortunes of the Telcos. That will result in reduction of investment by the Telcos and a consequent contraction of market for our products. The communications industry continues to experience consolidation and an increased formation of alliances among communications service providers and between communications service providers and other entities. Should one of our significant customers consolidate with a service provider using a competing product and decide to discontinue the use of our product(s), this could have a negative material impact on our business. These consolidations and alliances may cause us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which would have a material adverse effect on our business. We may not be able to offset the effects of any price reductions. We may not be able to expand our customer base to make up any revenue declines if we lose customers.

Subex is fully dependant on the telecom industry. So, any vagaries in the telecom business environment will considerably impact the fortunes of the Company.

4.2 Technology and Personnel

Our industry is characterized by rapid technological changes and frequent new service offerings. Significant technological changes could make our technology and services obsolete, less marketable or less competitive. We must adapt to our rapidly changing market by continually improving the features, functionality, reliability and capability of our products to meet changing customer needs. We may not be able to adapt to these challenges or respond successfully or in a cost-effective way. Our failure to do so would adversely affect our ability to compete and retain customers or market share. Launching new products is a key element of our growth and an inability to bring new products with high demand to the market in a timely manner will reduce our growth and profitability.

Subex has set up processes and methodologies to address this threat and to turn it into a strategic advantage by being in the forefront of technological evolution. Regular skill upgradation programs and training sessions that include attending global conferences, employing specialized consultants etc. are undertaken.

Retention of software personnel is another major risk being faced by Subex. Towards this, the Company provides an empowered atmosphere with extensive mentoring, career counseling and constant learning opportunities in cutting edge and challenging technologies.

4.3 Intellectual Property

Our success depends to a significant degree upon the protection of our software and other proprietary technology rights. We rely on trade secret, copyright and trademark laws and confidentiality agreements with Subexians and third parties, all of which offer only limited protection. The steps we have taken to protect our intellectual property may not prevent misappropriation of our proprietary rights or the reverse engineering of our solutions. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in several countries are uncertain and may afford little or no effective protection of our proprietary technology. Consequently, we may be unable to prevent our proprietary technology from being exploited abroad, which could require costly efforts to protect our technology. Policing the unauthorized use of our products, trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm our business. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

4.4 Infringement

Third parties could claim that our current or future products or technology infringe their proprietary rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Third parties may also assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers. We also generally indemnify our customers if our services infringe the proprietary rights of third parties. If anyone asserts a claim against us relating to proprietary technology or information, while we might seek to license their intellectual property, we might not be able to obtain a license on commercially reasonable terms or on any terms.

4.5 Variability of Quarterly Operating Results

The quarterly operating results of the Company have varied in the past due to reasons like seasonal pattern of hardware and software capital spending by customers, information technology investment trends, achievement of milestones in the execution of projects, hiring of additional staff and timing and integration of acquired businesses. Hence, the past operating results and period to period comparisons may not indicate future performance. The management is attempting to mitigate this risk through expansion of client base geographically and increase of steady annuity revenue. Despite those efforts, variability could continue.

4.6 Statutory Obligations

Subex has registered with Special Economic Zone for software development activities and has availed Customs Duties, Sales Tax and Central Excise exemptions. The non-fulfillment of export obligations may result in penalties as stipulated by the Government and this may have an impact on future profitability.

4.7 Environmental Matters

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

4.8 Foreign Exchange

Subex has substantial exposure to foreign exchange related risks on account of revenue from export of software and outstanding liabilities. These are hedged with banks and risks mitigated to the extent possible. Despite this, particularly given the volatility in the foreign exchange market, there could be significant variations.

4.9 Taxation

Consequent to the end of STPI related tax benefits for Subex, we have moved to a Special Economic Zone (SEZ). While tax protection is expected to continue under the SEZ scheme, there is a significant amount of uncertainty in the regulatory environment. This could lead to incidence of higher tax.

4.10 Litigation

There is an increasing trend in litigation regarding intellectual property rights, patents and copyrights in the software industry. There also exist other corporate legal risks. Subex has no material litigation pending against it in any court in India or abroad.

4.11 Contractual Obligation

In terms of the contract entered into by Subex with its customers in the ordinary course of business, it is obliged to perform and act according to the contractual terms and regulations. Failure to fulfill the contractual obligations arising out of such contracts may expose Subex to financial and other risks.

The management has taken sufficient measures to cover all of its contractual risks and does not foresee any major liability due to its non fulfillment of any contractual terms and conditions.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The internal audit function also carries out Operations Review Audits to improve the processes and strengthen control of the existing processes. The Audit Committee periodically reviews the functions of internal audit.

Pursuant to revised Clause 49 of the Listing Agreement, the CEO / CFO has to accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and that they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

The adequacy of the Company's internal controls are tested from time to time and control deficiencies, if any, identified during the assessments are addressed appropriately.

6. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

6.1 Key Financials and Ratio Analysis

Amount in Rs million, except key indicators

Financial Highlights Year ending March 31	2010		2009		2008	
	Consolidated	**Standalone**	**Consolidated**	**Standalone**	**Consolidated**	**Standalone**
Total Income	4,747.81	3,239.50	5,725.56	3,025.63	4,859.58	1,440.46
Export Sales	1,732.32	1,298.90	2,233.06	1,282.16	3,799.38	1,080.40
Operating Profits (EBITDA) Before Exceptional Items	947.23	999.19	662.06	559.16	(730.20)	(251.60)
Depreciation & Amortization	163.58	88.15	228.83	136.46	184.04	121.55
Profit/(Loss) Before Tax and Exceptional Items	309.49	489.14	(1.58)	70.13	(1,219.04)	(652.12)
Profit/(Loss) After Tax and Exceptional Items	1,002.96	1,368.61	(1,883.63)	(1,782.11)	(680.71)	(61.88)
Equity Dividend %	Nil	Nil	Nil	Nil	Nil	Nil
Share Capital	579.83	579.83	348.47	348.47	348.47	348.47
Reserves & Surplus	2,093.05	2,932.02	3,464.34	4,167.89	6,348.96	6,539.30
Net Worth	2,730.00	3,568.98	3,844.51	4,562.67	6,875.17	7,097.98
Gross Fixed Assets	1,605.11	708.83	1,746.33	764.23	1,507.51	742.71
Net Fixed Assets	195.75	97.53	306.65	163.34	388.77	265.97
Total Assets	9,217.97	9,753.02	15,902.45	15,830.78	16,185.94	15,957.34
Key Indicators						
Earnings Per Share (Year End) (Rs.)	25.87	35.30	(54.05)	(51.14)	(19.49)	(1.77)
Cash Earnings Per Share (Year End) (Rs.)	7.87	(2.06)	23.62	12.61	(28.53)	(14.68)
Book Value Per Share (Rs.)	47.08	61.55	110.33	130.93	197.30	203.69
Debt (Including Working Capital) Equity Ratio	2.32	1.73	2.83	2.28	1.35	1.25
EBITDA / Sales - %	20.46%	31.21%	11.85%	18.57%	(15.04%)	(17.49%)
Net Profit Margin - %	21.66%	42.75%	(33.73)%	(59.19)%	(14.02%)	(4.30%)
Return on Year End Net Worth %	36.74%	38.35%	(49.00)%	(39.06)%	(9.90%)	(0.87%)
Return on Year End Capital Employed %	11.06%	14.03%	(12.78)%	(11.92)%	(4.22%)	(0.39%)

Note: Earnings per share, Cash Earnings per share and book value of share are in Rupees.

7. COMMENTARY ON FINANCIAL STATEMENTS

7.1 Share Capital

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

- 115,000 shares of Rs.10/- each, towards the balances in the current account of partners, Mr. Subash Menon and Mr. Alex J. Puthenchira, on the takeover of Subex Systems, a partnership firm, by the Company during 1993-94.
- 4,626,940 Shares of Rs.10/- each to all eligible shareholders as on March 31, 1999 in the ratio of 1:1 by capitalizing the General Reserves.
- 12,840 shares of Rs.10/- each to the erstwhile owners of M/s. Ivth Generation Inc., towards part consideration of the cost of acquisition of that Company at Rs.1,023/- per share during 1999-2000.
- 10,878,784 Shares of Rs.10/- each to all eligible shareholders as on January 6, 2006 in the ratio of 1:1 by capitalizing the securities premium.
- 1,109,878 Shares of Rs.10/- each to the GDR holders as on April 7, 2006 @ Rs.400/-.
- 11,728,728 Shares of Rs.10/- each to the GDR holders as on June 22, 2006 towards consideration of the cost of acquisition of Azure Solutions Ltd at Rs.532.24 per share

7.1.2 During 2006-07 the Company issued 219,551 (including Bonus shares, wherever options are eligible) shares of Rs.10/- each to various Employees on exercise of Stock Options granted under the Employee Stock Option Plan (ESOP – II & III).

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

7.1.4 During 2009-10, the Company issued 1,203 equity shares of Rs.10/- each under its ESOP 2005 scheme and 1,210 equity shares of Rs.10/- each under its ESOP 2000 scheme to various Employees on exercise of Stock Options.

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

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

7.1.7 There are no calls in arrears.

7.2 Reserves and Surplus

7.2.1 Capital Reserve of Rs.13.00 Million was created by credit of the notional premium on 12,840 equity shares of Rs.10/- each valued at a price of Rs.1,023/- per share and issued to the owners of IVth Generation Inc, USA as part consideration for the transfer of their shareholding to Subex Systems Ltd.

During the year 2009-10, additions to capital reserve due to restructuring of FCCBs net of expenses amounted to Rs.1,786.54 Million, reductions due to transfer to Business Restructuring Reserve amounted to Rs.1,700 Million and deferred interest on restructured FCCBs amounted to Rs. 203.05 Million.

7.2.2 Securities Premium Account represents the premium collected on:

- 971,000 equity shares issued at a premium of Rs.65/- per share through an Initial Public Offer in 1999-2000.
- 330,800 equity shares issued at a premium of Rs.740/- per share to Mutual Funds and Bodies Corporate on a preferential basis during 1999-2000.
- 1,887,000 equity shares issued at a premium of Rs. /- per share to holders of ROCCPS on conversion of preferential shares of Rs 98/- each, namely Intel Capital, Toronto Dominion Bank and UTI Venture Funds.
- 1,538,459 equity shares issued at a premium of Rs.290/- per share to holders of FCCBs on conversion of the bonds at a price of Rs.300/- per share.
- 1,109,878 equity shares issued at a premium of Rs.390/- per share to holders of GDR at a price of Rs.400/-.
- 11,728,728 equity shares issued at a premium of Rs.522.24/- per share to holders of GDR at price of Rs.532.24
- 253,328 (including Bonus shares, wherever options are eligible) equity shares allotted to the employees under ESOP II & III Scheme as per the provisions of the Scheme at various premiums.
- 19,133,637 equity shares were allotted upon conversion of FCCBs aggregating to principal amount of US$ 31.9 Million, out of its US$ 98.7 Million 5% Convertible Unsecured Bonds, in accordance with the terms and conditions thereof
- 4,000,000 equity shares were allotted, on a preferential basis, to M/s Woodbridge Consultants, an entity belonging to Promoters/ Promoter group, at an issue price of Rs 80 per share including a premium of Rs.70 per share

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

7.3 Employee Stock Options

In accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company amortizes the excess of market price of the underlying equity shares as on the date of the grant of the option over the exercise price of the option, to be adjusted over the period of vesting. The net amount carried in respect of stock options outstanding at March 31, 2010 amounts to Rs.57.12 Million (Previous Year: Rs.46.31 Million).

7.4 Deferred Tax

In accordance with the generally accepted accounting principles in India on Accounting for Direct Taxes, Deferred Taxes has been restated to Rs. 12.18 Million on a standalone and consolidated basis.

7.5 Secured Loans

On consolidated basis, the secured loan of Rs.1,588.88 Million (Previous Year: Rs.980.04 Million) and on stand alone basis, the secured loan of Rs.1,433.62 Million (Previous Year: Rs.479.16 Million) outstanding in the books as at March 31, 2010 consists of Rs.17.74 Million pertaining to motor cars financed by the Company through Hire purchase scheme with the financiers and is secured by hypothecation of the vehicles and Rs.706.95 Million pertaining to the working capital loan from Axis Bank Ltd and State Bank of India secured by Fixed Assets and

Receivables, and Rs.708.93 Million relating to long term loan from State Bank of India secured by second charge on Current Assets and pledge of portion of share of promoters.

7.6 Unsecured Loans

On a consolidated basis, the unsecured loan outstanding in the books as at March 31, 2010 consists of :

a. Rs.1,751.10 Million (Previous Year: Rs.9,129.60 Million) relating to Foreign Currency Convertible Bonds issued in fiscal 2006-07. The bonds carry interest of 2% per annum and are redeemable by March 9, 2012 if not converted into equity shares as per terms of issue. These bonds are listed in the Professional Securities Market of London Stock Exchange. The premium payable on these bonds is accrued over the life of the bonds and is carried under Current Liabilities & Provisions.

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

c. Rs. Nil (Previous Year: Rs.29.11 Million) relates to short term working capital loan from Deutsche Bank.

d. Rs. 2.24 Million (Previous Year : Rs. 5.07 Million) relates to an unsecured loan

e. Rs. Nil (Previous Year: Rs.749.86 Million) relates to long term working capital loan from State Bank of India, now being structured as long term secured loan.

On a standalone basis, the unsecured loan outstanding in the books as at March 31, 2010 consists of :

a. Rs.1,751.10 Million (Previous Year: Rs.9,129.60 Million) relating to Foreign Currency Convertible Bonds issued in fiscal 2006-07. The bonds carry interest of 2% per annum and are redeemable by March 9, 2012 if not converted into equity shares as per terms of issue. These bonds are listed in the Professional Securities Market of London Stock Exchange. The premium payable on these bonds is accrued over the life of the bonds and is carried under Current Liabilities & Provisions.

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

c. Rs. Nil (Previous Year: Rs.29.11 Million) relates to short term working capital loan from Deutsche Bank.

d. Rs. Nil (Previous Year: Rs.749.86 Million) relates to long term working capital loan from State Bank of India, now being structured as long term secured loan.

7.7 Fixed Assets

7.7.1 The value of intangible assets, based on the valuation report by independent valuers, is being depreciated over 5 years in accordance with the Company's assessment of useful life thereof.

7.7.2 During the year, the Company added Rs.66.60 Million on consolidated basis and Rs.23.41 Million on standalone basis, to its gross block. The Company disposed off certain assets no longer required. The Company's net block of fixed assets was Rs.195.75 Million (Previous year Rs.284.28 Million) on consolidated basis and Rs.97.53 Million (Previous year Rs.163.34 Million) on standalone basis.

7.8 Investments

7.8.1 During 1999, the Company had acquired the whole of the outstanding common stocks numbering 3,000 of no par value of IVth Generation, Inc., New Jersey, USA, Consequent to the acquisition, IVth Generation Inc, a wholly owned subsidiary of the Company, has been renamed as "Subex Technologies Inc." During 2007-08, the Company filed an application with Hon'ble High Court of Karnataka to transfer the Services Business Division (which included the investment in Subex Technologies Inc.) to Subex Technologies Ltd, a wholly owned subsidiary of Subex Ltd under a scheme of arrangement. On obtaining the order from the Hon'ble High Court of Karnataka, the Company has transferred the Services business to Subex Technologies Ltd with effect from September 1, 2007 (appointed date) at an aggregate consideration of Rs.310,000,000. In accordance with the order of the Hon'ble High Court, the Company shall receive 3,000,000 shares of Subex Technologies Ltd valued at Rs.30,000,000 in settlement of the consideration with the balance Rs.280,000,000 being treated as unsecured loan taken by the subsidiary from the Company.

7.8.2 On June 23, 2006, the Company acquired the entire share holding of Azure Solutions Ltd, UK. The consideration was discharged by issue of 11,728,728 GDRs each representing one equity share of Rs.10/- at a premium of Rs.522.24 per share and cash of Rs.214.57 Million.

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

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

7.9 Sundry Debtors

7.9.1 During the year, on a standalone basis the Company has securitized a portion of its receivables amounting to Rs.286.65 Million (Previous year: Rs.401.04 Million) with Axis Bank Ltd and on consolidated basis Rs.957.87 Million (Previous Year: Rs.582.81 Million).

7.9.2 The major customers of the Company are the telecom and cellular operators overseas and in India. The receivables are spread over a large customer base. There is no significant concentration of credit risk on a single customer, but for the majority of the services business coming from AT&T, USA.

7.9.3 All the debtors are generally considered good and realizable and necessary provision has been made for debts considered to be bad and doubtful. The level of sundry debtors is normal and is in tune with business trends requirements.

7.9.4 Sundry Debtors as a percentage of total revenue is 10% as against 11% in the previous year, on a consolidated basis.

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

Amount in Rs. million

Period in days	March 31, 2010		March 31, 2009	
	Value	%	Value	%
Less than 180 days	446.84	93.25	622.31	100.00
More than 180 days	32.37	6.75	-	-
Total	479.21	100.00	622.31	100.00

The age profile on a standalone basis is as given below:

Amount in Rs. million

Period in days	March 31, 2010		March 31, 2009	
	Value	%	Value	%
Less than 180 days	1,241.01	99.12	1,110.08	100.00
More than 180 days	11.04	0.88	-	-
Total	1,252.05	100.00	1,110.08	100.00

7.9.6 The management believes that the overall composition and condition of sundry debtors is satisfactory. The provision for doubtful debts stands at Rs.105.98 Million (Previous Year: Rs.290.77 Million) on consolidated basis and Rs.92.09 Million (Previous Year: Rs.162.21 Million) on standalone basis.

7.10 Cash and Bank Balances

The bank balances in India includes both rupee accounts and foreign currency accounts. The fixed deposit of Rs.25.97 Million on consolidated basis and standalone basis is the margin money with the bankers for establishing bank guarantee/ issuing corporate credit cards.

7.11 Loans and Advances

7.11.1 Advances recoverable in cash, kind or value to be received are primarily towards pre-payments for value to be received. Advance income tax, net of provision for taxation, represents payments made towards tax liability pending assessment and refunds due.

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

7.11.3 Loans Due From Group Companies (Standalone Basis)

Amount in Rs. million

	2009-10	2008-09
Subex (UK) Limited	0.50	310.83
Subex (Asia Pacific) Pte Ltd	45.98	-
Subex Americas Inc	312.89	181.56
Subex Inc	(0.04)	114.40
Subex Technologies Ltd	168.46	166.94

7.12 Provisions

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

Provision also includes redemption premium accrued on Foreign Currency Convertible bonds – Rs.612.71 Million (Previous Year – Rs. 1361.92 Million), Provision for Other Long Term Employee Benefits Rs. 628.60 Million (Previous Year: Rs. Nil), and Differential Interest on Restructured FCCBs Rs. 203.05 Million (Previous Year: Rs. Nil).

7.13 Other Matters

7.13.1 Letters of Credit

The Company has an outstanding Letters of credit amounting to Rs.23.25 Million (Previous Year: Rs.32.95 Million) on a consolidated and standalone basis. These letters of credit are in the nature of procurement of capex.

7.13.2 Guarantees

On Standalone Basis

The Company has provided Corporate Guarantees to Banks for credit facilities availed by its wholly owned subsidiaries to the amount of Rs.500 Million (Previous Year: Rs.731.85 Million). The subsidiaries had utilized such facilities to the extent of Rs.155.26 Million.

7.14 Profit & Loss Account

7.14.1 Income

The Company derives its income from providing Software Development Services and licensing of Software Products.

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

Amount in Rs. million except percentages

Particulars	2009-10		2008-09	
	Value	%	Value	%
Software Products	3,829.43	82.70	4,384.81	78.51
Software Services	801.35	17.30	1,200.08	21.49
Total	4,630.78	100.00	5,584.89	100.00

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

7.15 Other Income

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

7.16 Expenditure

7.16.1 The staff cost decreased to Rs.2,968.34 Million (Previous year: Rs.3,866.80 Million) on consolidated basis and decreased to Rs.658.48 Million (Previous year: Rs.798.28 Million) on standalone basis.

7.16.2 The Company incurred administration and other expenses at 15.04% of its total Income during the year as compared to 18.74% during the previous year on consolidated basis and 48.14% of its total income during the year as compared to 53.90% during the previous year on a standalone basis.

7.17 Operating Profits

During the year, on consolidated basis, the Company earned an Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of Rs.947.23 Million being 19.95% of total income as against Rs.662.06 Million at 11.56% during the previous year. On a standalone basis, the Company earned Operating Profit/(Loss) before Interest, depreciation, tax and exceptional items of Rs.999.19 Million being 30.84% of total income as against Rs.559.16 Million at 18.48% during the previous year.

7.18 Interest & Bank Charges

The Company incurred an expenditure of Rs.474.16 Million (Previous year: Rs.434.81 Million) on consolidated basis and Rs.421.90 Million (Previous year: Rs.352.57 Million) on standalone basis. The interest paid is related to temporary overdrawls and securitized receivables. The interest on FCCBs provided alone amounted to Rs.156.31 Million(Previous Year: Rs.180.76 Million).

7.19 Depreciation

7.19.1 The provision for depreciation for the year amounted to Rs.148.23 Million (Previous year: Rs.212.88 Million) on consolidated basis and Rs.88.15 Million (Previous year: Rs.136.46 Million) on standalone basis.

7.19.2 The intangible assets i.e. IPRs and goodwill are being depreciated over 5 years in accordance with the Company's assessment of useful life thereof. Accordingly, an amount of Rs.50.85 Million (Previous year: Rs.82.23 Million) has been charged towards depreciation.

7.20 Provision for Tax

The Company has provided for its tax liability in India and overseas after considering the exemptions for income from software services and products under the various applicable tax enactments.

7.21 Net Profit

On consolidated basis, the net profit of the Company amounted to Rs.1,002.96 Million, as against a net loss of Rs.1,883.63 Million during the previous year. On standalone basis, the net profit of the Company amounted to Rs.1,368.61 Million as against a net loss of Rs. 1,782.11 Million during the previous year.

7.22 Earnings Per Share

Earnings/(Loss) per share computed on the basis of number of common stock outstanding, as on the Balance Sheet date was Rs.25.87 per share (Previous year: Rs.(54.05) per share) on consolidated basis and Rs.35.30 per share [Previous year: Rs.(51.14) per share] on standalone basis.

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

Subexians

Our greatest assets are our people - Subexians! As a products Company, our team becomes our biggest differentiator and how we define our capability requirements, training needs and retention strategies becomes crucial. The Subex work culture nurtures initiative and creativity, bringing out the best of every Subexian. Empowering people, offering greater challenges along with more development opportunities forms the essence of Subex. We know that when Subexians realize their full potential, we can achieve our broader business goals. The Subex population is spread across the globe in our multiple offices. The larger centers are our offices in Bangalore, London, Toronto and Denver. As of March 31, 2010, we had over 978 Subexians on our rolls.

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

Recruitment

During the year, the recruitment team had to execute a well thought out manpower planning and analysis exercise, adopt global recruitment best practices to fulfill the organization's talent requirements. The team created and implemented high quality, repeatable recruiting practices and procedures (like "Coffee with the Hiring Manager", "Post-offer feedback", "Mapping of potential talent" in the industry using Subexian referral program, partner feedback, interviewer feedback etc.) to help Subex to attract and hire the best talent in the industry in a cost effective and efficient manner.

The main sources for hires were referrals from Subexians (the best bring the best!), campus recruitments, placement consultants, website postings and walk-ins. Our selection criteria are stringent and we hire for strength in both technology as well as the telecom domain. The entire recruitment process is managed through an internally developed tool called "Poodle".

One of the key focus areas for the recruitment team was to attract high quality resources into Subex. For this, we had to create recognition of the Subex brand on campuses. Our theme was "Refuse to be Ordinary" - aligned to the spirit of Subex! Our rigorous campus interview and selection process (multiple rounds of assessment starting with technical tests (objective and programming), followed by three rounds of competency based technical interviews and a detailed HR round), reaffirmed our theme. On the hiring of laterals or experienced resources, the recruitment team experimented with new models like the Recruitment Process Outsourcing (RPO) model to manage the dynamic growth of the business and ramp up for anticipated growth.

Induction & Training

There is enough research that proves that the quality of induction that new hires go through determines how successful they are in the Company and has a huge impact on retention. Each new Subexian undergoes a mandatory induction program when they join Subex. The induction program is split into in three phases.

The First Day Induction is primarily a HR function and is aimed at completion of required paperwork as well as a familiarization with the Company, values, benefits and facilities. This is the followed by Phase 2 which comprises a Functional Induction wherein various department heads explain the activities within their departments. Phase 3 is the Management Induction which is organized within a month of joining. This provides the new hires with a platform for direct interaction with senior management of Subex and helps them understand the vision, culture, and current and future goals of the organization.

New or recent graduates must also attend additional training programs that are tailored to their area of technology. In addition, we also have training programs for all Subexians to improve their technical and behavioural skills. We launched a Sabbatical Policy intended to support continuing education of Subexians. We also sponsor special programs for Subexians at leading educational institutions.

Subex is also in the initial stages of launching Subex Academy - a global Learning and Development Platform (supporting instructor led training, on the job learning, as well as e-learning) that would enable a role based curriculum led approach to learning, while streamlining the training process as well as ensuring global reach and appropriateness of content. This automated platform would add significant value to training identification, design, delivery and evaluation.

Performance Management System

Subex continues to keep abreast of the latest developments in the HR arena. One such initiative has been to implement cascading Key Result Areas (KRAs) to drive alignment across the organization. Cascading KRAs help in aligning the individuals' KRAs to the corporate, functional and departmental KRAs. We have also introduced a new competency model which comprises four categories of competencies - F.E.L.T.

Foundation Competencies are the basic Values based competencies required by all in Subex. Excel competencies are those that are required to do your current job really well. Lead Competencies focus on the future needs and are the skills required to succeed in leadership roles. Technical Competencies take care of the core areas of the role - knowledge about our products, the various technologies and domains. These, along with the KRAs help build and reinforce the performance oriented culture at Subex.

Compensation

Compensation at Subex is multi-dimensional and consists of salary, benefits, stock options, health and disability insurance. The Company benchmarks its compensation package against industry data and strives to achieve a balanced position. The Company provides robust and comprehensive cash compensation and benefits as per industry trends. We also arrive at the salary bands for Subexians by doing comprehensive job matching, data validation and quality audits. Subex also introduced a new Rewards and Recognition program called STARs. STARs is an online reward and recognition platform that will simplify the process of rewarding Subexians globally and give Subexians the choice of selecting their rewards through redeemable vouchers of major stores selected globally.

financial review

subex limited (standalone)

AUDITORS' REPORT TO THE MEMBERS OF SUBEX LIMITED (formerly Subex Azure Limited)

1. We have audited the attached Balance Sheet of Subex Limited ("the Company"), as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report, we draw attention to Note II.1 of Schedule P. As more fully explained therein, the Company has in accordance with the Proposal approved by the Hon'ble High Court of Karnataka credited the surplus of Rs. 1,583,488,419 arising on account of the restructuring of the Foreign Currency Convertible Bonds to Capital Reserve Account and debited expenses and diminution in value of investments amounting to Rs. 6,499,792,468 to the Business Restructuring Reserve instead of recording the same in the Profit and Loss Account as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.
4. We draw attention to Note II.9.b of Schedule P regarding the excess managerial remuneration of earlier years in respect of which the Company's application is pending with the Central Government.
5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
6. Further to our comments in the Annexure referred to in paragraph 5 above, we report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

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

(d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, except to the extent indicated in paragraph 3 above for the reasons stated therein;

(e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon and our comments in paragraph 3 above, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;

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

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

7. On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
M. No. 203685

Place: Bangalore
Date: June 10, 2010

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

1. Having regard to the nature of the Company's business/activities/ result, clauses iii (b) to (d), iii (f), iii (g), viii, xii, xiii, xiv, xix and xx of CARO are not applicable.
2. In respect of its fixed assets:

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

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

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

3. In respect of its inventory:

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

(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

4. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

5. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the Company's transactions of (a) purchase of goods and services and (b) services rendered, are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

6. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transactions is in excess of Rs.5 lakhs in respect of any party, such transactions relate to preferential allotment of shares reported under paragraph 15 below.

7. According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.

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

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2010 on account of disputes are given below:

Statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount (Rs.)
Income Tax Act, 1961	Income Tax (Incl. Interest)	Commissioner of Income tax (appeals)	2001-02	5,859,380
Income Tax Act, 1961	Income Tax (Incl. Interest)	Deputy Commissioner of Income tax (appeals)	2002-03	1,467,549
Income Tax Act, 1961	Income Tax (Incl. Interest)	Deputy Commissioner of Income tax (appeals)	2003-04	5,557,745
Income Tax Act, 1961	Income Tax (Incl. Interest)	Income Tax Appellate Tribunal	2004-05	22,734,060
Income Tax Act, 1961	Income Tax (Incl. Interest)	Commissioner of Income Tax (Appeals)	2005-06	17,875,862

10. The Company did not have accumulated losses at March 31, 2010. The Company has not incurred cash losses during the year ended March 31, 2010. The Company incurred cash losses in the immediately preceding year.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the (re)payment of dues to banks and financial institutions.

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

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

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

15. According to the information and explanations given to us, the Company has made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prima facie not prejudicial to the interests of the Company.

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

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
M. No. 203685

Place: Bangalore
Date: June 10, 2010

BALANCE SHEET AS AT

Amount in Rs.

	Schedule	March 31, 2010		March 31, 2009	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS :					
Share Capital	**A**	579,831,390		348,470,890	
Employees Stock Options Outstanding account	**B**	57,121,999		46,306,062	
Reserves and Surplus	**C**	2,932,024,900	3,568,978,289	5,048,272,223	5,443,049,175
LOAN FUNDS :					
Secured Loans	**D**	1,433,624,881		479,161,493	
Unsecured Loans	**E**	4,750,420,000	6,184,044,881	9,908,570,246	10,387,731,739
TOTAL			**9,753,023,170**		**15,830,780,914**
APPLICATION OF FUNDS					
FIXED ASSETS & INTANGIBLES :	**F**				
Gross Block		708,830,172		764,230,507	
Less : Depreciation		611,296,782	97,533,390	600,888,201	163,342,306
Net Block					
INVESTMENTS :	**G**		9,263,443,608		14,263,443,608
DEFERRED TAX ASSET			12,175,962		24,176,009
CURRENT ASSETS, LOANS & ADVANCES :					
Sundry Debtors	**H**	1,252,057,185		1,110,083,973	
Cash & Bank balances	**I**	29,488,397		53,041,678	
Loans & Advances	**J**	919,470,100		1,193,050,991	
Unbilled Revenue		156,420,930		141,527,765	
		2,357,436,612		2,497,704,407	
Less: Current liabilities & Provisions	**K**				
Current liabilities		418,416,788		422,324,717	
Provisions		1,559,149,614		1,575,940,535	
		1,977,566,402		1,998,265,252	
Net Current Assets			379,870,210		499,439,155
PROFIT AND LOSS ACCOUNT		-		1,058,355,416	
Less : Transfer from General Reserve as per Contra		-	-	177,975,580	880,379,836
TOTAL			**9,753,023,170**		**15,830,780,914**
Significant Accounting Policies & Notes to the Accounts	**P**				

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

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

Bangalore
June 10, 2010

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V. Balaji Bhat
Independent Director & Chairman of Audit Committee

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

	Schedule		March 31, 2010		March 31, 2009
INCOME :					
Sales & Services			3,201,436,756		3,011,047,937
Other Income	**L**		38,065,026		14,585,436
Total			**3,239,501,782**		**3,025,633,373**
EXPENDITURE :					
Cost of Hardware, Software and Support Charges			22,293,397		37,469,453
Personnel Costs	**M**		658,478,298		798,276,040
Other Operating, Selling and Administrative Expenses	**N**		1,559,546,166		1,630,725,366
Financial Costs (Net)	**O**		421,898,565		352,574,093
Depreciation & Amortisation	**F**		88,153,818		136,458,814
Total			**2,750,370,244**		**2,955,503,766**
Profit/(Loss) Before Taxation and Exceptional Items			**489,131,538**		**70,129,607**
Exceptional Items					
Exchange Gain/(Loss) on Restatement of FCCBs			918,812,565		(1,929,600,000)
Exchange Gain/(Loss) on intra-group foreign currency loans and advances			(27,153,560)		109,633,809
			891,659,005		**(1,819,966,191)**
Profit/(Loss) Before Tax			**1,380,790,543**		**(1,749,836,584)**
Provision for taxation includes					
- Current tax (including Wealth Tax)		135,348		6,976,548	
- MAT Credit writen off		-		21,170,731	
- Fringe Benefit Tax		49,971		4,121,669	
- Deferred tax		12,000,000	12,185,319	-	32,268,948
Profit/(Loss) After Taxation			**1,368,605,224**		**(1,782,105,532)**
Balance brought forward from Previous year			**(1,058,355,416)**		**723,750,116**
Surplus/(Deficit) carried to Balance Sheet			**310,249,808**		**(1,058,355,416)**
Earnings/(Loss) Per Share (Face value of Rs.10/- each) (Refer Note II.8 of Schedule P)					
- Basic			35.30		(51.14)
- Diluted			8.44		(51.14)
Significant Accounting Policies & Notes to the Accounts	**P**				

The Schedules referred to above form an integral part of the Profit and Loss account

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

Bangalore
June 10, 2010

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V. Balaji Bhat
Independent Director & Chairman of Audit Committee

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

CASH FLOW STATEMENT FOR THE YEAR ENDED

Amount in Rs.

		March 31, 2010	March 31, 2009
Cash flow from operating activities			
Net Profit before Tax		1,380,790,543	(1,749,836,584)
Adjustments for :			
a) Depreciation and amortization		88,153,818	136,458,814
b) Interest income		(23,875,720)	(51,107,777)
c) Interest and bank charges		445,774,285	403,681,870
d) Profit on sale of assets (net)		(383,281)	(172,727)
e) Employee stock compensation expenses		4,568,733	(11,786,616)
f) Provision for doubtful debts written off/(back)		(33,465,038)	59,115,796
g) Unrealised exchange fluctuations		(928,819,161)	1,758,633,473
Operating Profit before Working Capital Changes		**932,744,179**	**544,986,249**
Adjustments for :			
a) Sundry Debtors		(722,793,281)	(261,678,543)
b) Loans and advances		(141,586,343)	94,130,420
c) Trade and other payables		(99,840,148)	96,619,094
Cash generated from/(used in) operations		**(31,475,593)**	**474,057,220**
a) Direct Taxes paid and Others (Refer Note II.14.3, Schedule P)		(87,697,872)	(34,765,054)
Net Cash provided by operating activities	**A**	**(119,173,465)**	**439,292,166**
Cash Flow from Investing activities			
a) Purchase of Fixed Assets		(23,874,819)	(38,328,461)
b) Sale / disposal of fixed assets		1,452,837	4,674,685
c) Interest received		22,287,191	1,696,744
d) Loans (given to)/repaid by Subsidiaries (Net)		245,760,917	370,693,961
Net Cash from Investing Activities	**B**	**245,626,126**	**338,736,929**
Cash Flow from Financing Activities			
a) Proceeds/(Utilisation) from issue of shares/warrants/options		320,240,524	-
b) Proceeds from/(repayment) of short term borrowings - Net		224,146,137	(421,248,627)
c) Proceeds from Long term borrowings		-	10,640,937
d) Repayment of Long term borrowings		(48,652,995)	(7,334,336)
e) Dividends & Dividend tax paid		(109,617)	(53,154)
f) Interest and bank charges paid		(492,223,952)	(402,301,382)
g) Expenditure incurred on restructuring of FCCBs		(153,484,275)	-
Net Cash from Financing Activities	**C**	**(150,084,178)**	**(820,296,562)**
Net increase in Cash or Cash equivalents [A + B + C]		(23,631,517)	(42,267,467)
Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents		78,236	2,434,586
Cash or Cash equivalents at the start of the year		53,041,678	92,874,559
Cash or Cash equivalents at the close of the year*		**29,488,397**	**53,041,678**
** Refer Note II.14.3, Schedule P*			
Significant Accounting policies & Notes to the accounts	**P**		

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

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

Bangalore
June 10, 2010

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V. Balaji Bhat
Independent Director & Chairman of Audit Committee

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

Amount in Rs.

	March 31, 2010		March 31, 2009	
SCHEDULE - A :				
SHARE CAPITAL :				
AUTHORISED :				
128,040,000 Equity Shares of Rs.10/- each				
(Previous Year: 48,040,000 Equity Shares of Rs.10/- each)		1,280,400,000		480,400,000
200,000 Redeemable Optionally Convertible Cumulative		19,600,000		19,600,000
Preference Shares (ROCCPS) of Rs.98/- each				
Total		**1,300,000,000**		**500,000,000**
ISSUED, SUBSCRIBED AND PAID UP:				
EQUITY :				
57,983,139 Equity Shares of Rs.10/- each		579,831,390		348,470,890
(Previous Year: 34,847,089 Equity Shares of Rs.10/-each)				
Of the above:				
a) 115,000 shares of Rs.10/- each were allotted for consideration other than for cash;				
b) 4,626,940 shares of Rs.10/- each are allotted as Bonus shares by capitalisation of General Reserve;				
c) 12,840 shares of Rs.10/- each are allotted in part settlement of cost of acquisition of subsidiary				
d) 10,878,784 shares of Rs.10/- each are allotted as Bonus shares by capitalisation of Securities premium;				
e) 11,728,728 shares (GDRs) of Rs.10/- each are allotted in full settlement of cost of acquisition of Azure Solutions Ltd				
Total		**579,831,390**		**348,470,890**
SCHEDULE - B :				
EMPLOYEES STOCK OPTIONS OUTSTANDING ACCOUNT :				
Employees Stock Options Outstanding		74,399,900		85,899,999
Less: Deferred Employees Compensation Expenses		17,277,901		39,593,937
Total		**57,121,999**		**46,306,062**
SCHEDULE - C :				
RESERVES AND SURPLUS :				
Capital Reserve				
Opening Balance	153,566,050		13,006,920	
Add : Forfeiture of amount received towards warrants [Refer Note II.4, Schedule P]	-		140,559,130	
Add : Additions due to restructuring of FCCBs net of expenses [Refer Note II. 1, Schedule P]	1,583,488,419		-	
Less : Transferred to Business Restructuring Reserve [Refer Note II. 1, Schedule P]	1,700,000,000	37,054,469	-	153,566,050
General Reserve				
Opening Balance	177,975,580		177,975,580	
Less: Transfer to Profit & Loss Account as per contra	-	177,975,580	177,975,580	-
Securities Premium Account				
Opening Balance	4,894,706,173		5,624,568,228	
Add: Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares	1,562,627,960		-	
Add : Write back from/(accrual for) redemption premium on FCCBs (Net) [Refer Note II. 3, Schedule P]	749,203,378		(729,862,055)	
Less: Transferred to Business Restructuring Reserve [Refer Note II. 1, Schedule P]	5,000,000,000	2,206,537,511	-	4,894,706,173
Business Restructuring Reserve [Refer Note II.1 Schedule P]				
Opening Balance	-		-	
Transferred from Securities Premium/Capital Reserve	6,700,000,000		-	
Less: Amounts utilised for Permitted Utilisations	6,499,792,468	200,207,532	-	-
Profit & Loss Account		310,249,808		-
Total		**2,932,024,900**		**5,048,272,223**

Amount in Rs.

	March 31, 2010	March 31, 2009
SCHEDULE - D :		
SECURED LOANS :		
Short Term:		
Working Capital Loans from Banks	706,953,065	453,695,887
(Secured by charge on Fixed Assets and Receivables)		
Long Term:		
Loans from Banks [Refer Note II. 14.6, Schedule P]	708,929,933	-
(Secured by second charge on Current Assets and Pledge of portion of shares of Promoters)		
[Amount repayable within one year: Rs. 708,929,933, Previous Year: Rs. Nil]		
Loans from Banks	17,741,883	25,465,606
(Secured by hypothecation of assets financed by these loans)		
[Amount repayable within one year: Rs. 6,946,089, Previous Year: Rs. 8,887,190]		
Total	**1,433,624,881**	**479,161,493**
SCHEDULE - E :		
UNSECURED LOANS :		
Short Term:		
Working Capital Loans from Banks	-	29,111,041
Long Term:		
Loans from Banks [Refer Note II. 14.6, Schedule P]	-	749,859,205
[Amount repayable within one year: Rs. Nil, Previous Year: Rs. 749,859,205]		
Foreign Currency Convertible Bonds (Refer Note II.3, Schedule P)	4,750,420,000	9,129,600,000
Total	**4,750,420,000**	**9,908,570,246**

SCHEDULE - F :

FIXED ASSETS AND INTANGIBLES :

Amount in Rs.

		Gross Block				Depreciation				Net Block	
Sl. No.	Particulars	As at April 1, 2009	Additions	Deletions	As at March 31, 2010	Upto March 31, 2009	For the year	Withdrawn On deletions	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
	Tangible Fixed Assets										
1	Computer Hardware and Software	275,110,391	21,277,548	68,477,568	227,910,371	226,177,763	23,337,235	68,477,568	181,037,430	46,872,941	48,932,628
2	Furniture & Fixtures	5,528,943	-	4,314	5,524,629	4,500,213	600,763	4,098	5,096,878	427,751	1,028,730
3	Vehicles	51,272,655	460,000	9,541,223	42,191,432	19,488,050	9,434,810	8,503,988	20,418,872	21,772,560	31,784,605
4	Office Equipments	21,156,491	1,676,910	791,688	22,041,713	8,900,319	3,929,454	759,583	12,070,190	9,971,523	12,256,172
	Intangibles										
1	Goodwill	13,766,918	-	-	13,766,918	10,229,684	2,134,966	-	12,364,650	1,402,268	3,537,234
2	Intellectual Property Rights	397,395,109	-	-	397,395,109	331,592,172	48,716,590	-	380,308,762	17,086,347	65,802,937
	TOTAL	**764,230,507**	**23,414,458**	**78,814,793**	**708,830,172**	**600,888,201**	**88,153,818**	**77,745,237**	**611,296,782**	**97,533,390**	**163,342,306**
	PREVIOUS YEAR	**742,708,202**	**38,328,461**	**16,806,156**	**764,230,507**	**476,733,586**	**136,458,814**	**12,304,199**	**600,888,201**	**163,342,306**	**265,974,616**

Amount in Rs.

	March 31, 2010		March 31, 2009	
SCHEDULE - G :				
INVESTMENTS :				
(Long term, trade, unquoted)				
In wholly owned subsidiaries				
Subex Technologies Ltd., India		39,999,940		39,999,940
[3,999,994 Equity shares fully paid up, at par value Rs.10/- each]				
Subex (UK) Ltd., UK (5,039,565,245 Equity shares fully paid, Par value of GBP 0.00001 each)		6,473,868,240		6,473,868,240
Subex Americas Inc, Canada	7,749,575,428		7,749,575,428	
(100 equity shares fully paid; No par value)				
Less: Provision for dimunition in the value of investment	5,000,000,000	2,749,575,428	-	7,749,575,428
[Refer Note II.1, Schedule P]				
Total		**9,263,443,608**		**14,263,443,608**
SCHEDULE - H :				
SUNDRY DEBTORS :				
(Unsecured)				
Outstanding for more than six months				
- Considered Good	11,043,444		-	
- Considered Doubtful	92,087,569		98,343,424	
		103,131,013		98,343,424
Others				
- Considered Good	1,241,013,741		1,110,083,973	
- Considered Doubtful	-		63,866,112	
		1,241,013,741		1,173,950,085
		1,344,144,754		1,272,293,509
Less: Provision for Doubtful Debts		92,087,569		162,209,536
Total (considered good)		**1,252,057,185**		**1,110,083,973**
SCHEDULE - I :				
CASH & BANK BALANCES :				
Cash on hand		1		8,028
Balance with Scheduled Banks				
- in Current Account in Indian Rupees		2,691,926		4,161,946
- in Deposit Account in Indian Rupees		25,969,391		31,907,441
- in Exchange Earner's Foreign Currency Account		225,503		328,727
Balance with Non Scheduled Banks				
- Deposit with Royal Bank of Canada		-		-
- in Current Account with Royal Bank of Canada, Canada (Maximum outstanding during the year Rs. 9,779, Previous Year : 2,495,032)		-		9,779
- in Checking Account with Wachovia Bank, New Jersey (Maximum outstanding during the year Rs. 91,359, Previous Year : 191,387,569)		55,282		91,359
- ABN Amro Bank - Dubai (Maximum outstanding during the year Rs. 2,528,236, Previous Year : 7,742,720)		-		1,465
- in Bank of China - RMB account - China (Maximum outstanding during the year Rs.378,053, Previous Year : 3,339,752)		-		378,053
- in HSBC Bank - Paris (Maximum outstanding during the year Rs.9,911,398 Previous Year : 9,911,398)		546,294		9,911,398
- HSBC Bank - Dubai (Maximum outstanding during the year Rs.1,173,575, Previous Year : 2,084,748)		-		1,173,575
- Societe Generale Bank - London (Maximum outstanding during the year Rs.5,069,907, Previous Year : 147,283,805)		-		5,069,907
Total		**29,488,397**		**53,041,678**

Amount in Rs.

	March 31, 2010		March 31, 2009	
SCHEDULE - J :				
LOANS & ADVANCES :				
(Unsecured, considered good)				
Loans and advances recoverable in cash or in kind or for value to be received		215,837,809		207,452,357
Loans and advances to wholly owned subsidiaries		527,796,478		773,557,395
Advance Income Tax including TDS		104,205,428		140,187,791
Other Deposits		71,630,385		71,853,448
Total		**919,470,100**		**1,193,050,991**
SCHEDULE - K :				
CURRENT LIABILITIES & PROVISIONS :				
Sundry Creditors				
- Due to Micro & Small Enterprises [Refer Note II.14.10 of Schedule P]	-		-	
- Due to Others	192,521,142		214,960,438	
Advance received from Customers	57,781,788		49,005,023	
Deferred Income	98,116,711		111,618,598	
Duties & Taxes	58,050,085		34,830,550	
Interest Accrued but not due	11,304,819		11,158,248	
Unclaimed Dividends	642,243	418,416,788	751,860	422,324,717
PROVISIONS :				
Taxation	75,852,939		75,788,235	
Employee Benefits	33,749,401		31,275,842	
Warranty	4,228,718		4,228,718	
Others (Note II.14.4, Schedule P)	1,445,318,556	1,559,149,614	1,464,647,740	1,575,940,535
Total		**1,977,566,402**		**1,998,265,252**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

		March 31, 2010		March 31, 2009
SCHEDULE - L :				
OTHER INCOME :				
Provision for Doubtful Debts written back		33,465,038		-
Other income		4,216,707		1,213,774
Profit on sale of Fixed Assets (Net)		383,281		172,727
Exchange Fluctuation gain (Net)		-		13,198,935
Total		**38,065,026**		**14,585,436**
SCHEDULE - M :				
PERSONNEL COSTS:				
Salaries, Wages & Allowances		615,536,309		746,809,285
Contribution to Provident Fund and Other Funds		29,166,874		29,153,941
Other staff related costs		13,775,115		22,312,814
Total		**658,478,298**		**798,276,040**
SCHEDULE - N :				
OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES:				
Software Purchases		6,058,801		4,377,670
Rent		95,344,518		94,686,746
Power, Fuel and Water Charges		22,358,081		19,423,524
Repairs & Maintenance		25,816,004		25,224,576
Insurance		11,630,388		5,870,080
Communication Costs		14,671,497		16,383,076
Printing & Stationery		3,254,113		4,246,913
Travelling & Conveyance		81,456,491		94,122,949
Rates & Taxes Including Filing Fees		8,493,171		4,330,783
Advertisement & Business Promotion (including Consultancy charges)		52,266,619		84,217,428
Marketing & Allied Service Charges		1,201,387,219		1,215,943,412
Provision for Doubtful Debts		-		59,115,796
Exchange Fluctuation Loss (Net)		36,347,099		-
Miscellaneous Expenses		457,165		2,762,413
Directors sitting fees		5,000		20,000
Total		**1,559,546,166**		**1,630,725,366**
SCHEDULE - O :				
FINANCIAL COSTS :				
Interest on FCCB and other term loans	244,165,609		268,359,550	
Other Interest & Bank Charges	201,608,676	445,774,285	135,322,320	403,681,870
Interest on deposit accounts from banks				
(Gross of TDS of Rs. 185,548, Previous Year Rs. 347,894)	(2,038,300)		(1,696,744)	
Interest on Inter Company loans	(21,837,420)	(23,875,720)	(49,411,033)	(51,107,777)
Total		**421,898,565**		**352,574,093**

SCHEDULE – P :

Significant Accounting Policies and Notes to Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

I.1. Basis for Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention on accrual basis except for certain financial and other assets and liabilities which are measured on historical cost basis as permitted by the Accounting Standards or as per the Proposal approved by the Honourable High Court of Karnataka.

I.2. Use of Estimates

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

I.3. Revenue Recognition

Revenue from Contracts for software product license includes fees for transfer of licenses, installation and commissioning. This revenue is recognized under the percentage completion method based on the extent of work determined to have been completed as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of additional software licences are recognized on transfer of such licenses.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Maintenance and service income is recognised on time proportion basis.

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

I.4. Fixed Assets and Intangibles

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and interest on borrowed money allocated to and utilised for fixed assets up to the date of capitalisation and other direct expenditure incurred on ongoing projects. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

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

I.5. Depreciation and Amortisation

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

The rates of depreciation/amortisation adopted are as under:

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

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

I.6. Employee Stock Option Plans

Employee Stock Options are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the exercise price is expensed as "Employees Compensation" over the period of vesting.

I.7. Employee Benefits

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

Liability for gratuity is funded with Life Insurance Corporation of India (LIC). Gratuity expense for the year has been accounted based on actuarial valuation determined under the projected credit unit method, carried out at the end of the financial year. Actuarial gains/losses are recognized in full in the profit and loss account. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reduction in future contributions to the scheme.

Liability for encashment of leave considered to be long term liability is accounted for on the basis of an actuarial valuation. Provision for outstanding leave credits considered as short term liability is as estimated by the management. Other short term employee benefits like medical, leave travel etc are accrued based on the terms of employment on a time proportion basis

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

I.8. Research and Development

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

I.9. Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are restated at the exchange rate on the date of the Balance Sheet. Non-monetary items denominated in foreign currencies are carried at cost. Exchange differences on settlement or restatement are adjusted in the Profit & Loss account. Premium or discount on forward contracts is amortized over the life of such contract and is recognized as income or expense, in the Profit and Loss account. Any profit or loss arising on cancellation or renewal or retirement of forward contract is recognized in profit and loss account.

Assets (other than fixed assets) and liabilities of the foreign branches are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet date. Fixed Assets of foreign branches are carried at the exchange rate prevailing on the date of transaction. Revenue and expenses are translated into Indian rupees at average/daily exchange rates prevailing during the year.

I.10. Investments

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

I.11. Income Taxes

Income Tax comprises the current tax provision under the tax payable method and the net change in the deferred tax asset or liability in the year. Deferred Tax Assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable/virtual certainty, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

I.12. Cash Flow Statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3, issued under the Companies (Accounting Standard) Rules 2006.

I.13. Preliminary and Share Issue Expenses

Expenses incurred during the Initial Public Offer, follow on offer and issue of Bonus Shares are amortised over 5 years. Other issue expenses are charged to the securities premium account.

I.14. Provisions and Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not provided for but disclosed in the notes to the financial statements.

I.15 Impairment of Fixed Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets and intangibles to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment losses recognized in prior years, if any, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

II. NOTES TO ACCOUNTS

II.1. Business Restructuring Reserve

The shareholders of the Company approved the Board's Proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities premium and Capital Reserves as on or arising after April 1, 2009 (upto March 31, 2012), to a Business Restructuring Reserve (BRR) to be utilized from or after April 1, 2009 for certain Permitted Utilizations as mentioned in the Proposal.

The Company's petition seeking the approval of the above Proposal from the Hon'ble High Court of Karnataka was filed with the Court on March 12, 2010. The Company has received the order of the Hon'ble High Court approving the Proposal on May 4, 2010 and has registered the same with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

In accordance with the Proposal, the Board of Directors of the Company have thus approved the following:

- transfer of amounts standing to the credit of Securities premium and Capital reserve (including the Profit of Rs.1,583,488,419 arising out of reduction in liability to the Foreign currency convertible bond holders pursuant to the Restructuring of the US$ 180 Million Foreign currency convertible bonds. Refer Note II.3.A below) to the extent of Rs. 6,700,000,000 to the BRR.
- Utilisation of the BRR for certain Permitted utilisations to the tune of Rs.6,499,792,468.

Consequently the Company carries a balance of Rs.200,207,532 in the BRR as at March 31, 2010 which shall be used for such Permitted utilizations in the future as the Board may deem fit. Had the Proposal not provided for (a) transferring Profits arising out of restructuring of US$ 180 Million FCCBs (refer Note II.3.A of Schedule P) into the BRR and (b) utilisation of the BRR for Permitted utilisations as defined in the Proposal, the effect of accounting under the Accounting Standards referred in to Section 211(3C) of the Companies Act, 1956 would have been as under:

In the Profit & Loss Account for year ended March 31, 2010	**Rs.**	**Rs.**
The Loss under Exceptional Items would have been higher as follows:		
- One time non recurring Long term Retention benefit plan	628,600,000	
- One time non recurring expenses including restructuring fees, advisory fees, specialised marketing expenses and unrealizable advances, etc	871,192,468	

- One time non recurring Profit on account of restructuring of FCCBs	(1,583,488,419)	
Diminution in carrying value of investments	5,000,000,000	
Profit after Tax would have been lower by		4,916,304,049
Basic and Diluted Earnings/(Loss) per share would have been		(91.50)

II.2. Contingent Liabilities

Receivables factored: Current Year - Rs.286,654,667, Previous year - Rs.401,044,585.

Claims against the Company not acknowledged as debt – Rs.69,065,359 (Previous year - Rs.54,272,325). These claims relate to Indian Income Tax demands which are being contested by the Company.

The Company has provided Corporate Guarantees to Banks for credit facilities availed by its wholly owned subsidiaries to the amount of Rs.500,000,000 (Previous Year- Rs.731,850,000) at the year end. These facilities were utilized to the extent of Rs.155,264,299 (Previous Year Rs.657,229,872) by the subsidiaries.

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

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

During the year 2009-10, the Company restructured the Old FCCBs by offering in exchange new FCCBs having a face value of US$ 126 Million. Pursuant to the offer, Old FCCBs with a face value of US$ 141 Million were exchanged for new FCCBs with a face value of US$ 98.7 Million. The remaining bondholders holding US$ 39 Million worth of Old FCCBs (out of the original bondholders holding US$ 180 Million) didn't chose the option for restructuring and are thus outstanding at March 31, 2010. Liability in respect of the US$ 39 Million FCCBs at March 31, 2010 amounts to Rs.1,751,100,000 (included in Long term Unsecured loans in Schedule E, under the head Foreign currency convertible bonds).

Consequent to the exchange of the bonds as referred above, the reduction in liability (net of issue expenses and incremental interest payable on the new FCCBs vis-à-vis the old FCCBs) of Rs.1,583,488,419 has been credited to the Capital reserve during the year ended March 31 2010. The said amount has been transferred to Business Restructuring Reserve, in accordance with the Proposal approved by the shareholders of the Company and confirmed by the Honourable Judge of High Court of Karnataka. [Refer Note II.1 above].

The terms and conditions governing the US$ 39 Million FCCBs outstanding at March 31, 2010 are as follows:

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after April 18, 2007

b) Conversion Price – Rs.656.20 per share

c) Exchange Rate for purpose of conversion - 1 US$ = Rs.44.08

d) Interest of 2% per annum payable semi-annually in arrears

e) Redemption with yield to maturity guaranteed return of 8% per annum, calculated on semi-annual basis

f) The Company can exercise an option to redeem the bonds in whole or in part on or any time after March 9, 2010, but prior to January 29, 2012, subject to appropriate approvals at a price determined on the terms defined in the offer document.

g) Listing on the Professional Securities Market of London Stock Exchange

The difference between the yield to maturity guaranteed rate of return of 8% and the coupon rate of 2% represents the premium payable on redemption and is charged to Securities Premium over the life of the bonds.

B. New Foreign Currency Convertible Bonds (New FCCBs)

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

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

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after November 2, 2009.

b) Conversion Price – Rs.80.31 per share.

c) Exchange Rate for purpose of conversion - 1 US$ = Rs.48.17.

d) Compensating the bond holders for the reduction in principal amount by providing an increased interest element in the New FCCBs of 5% per annum payable semi-annually in arrears.

e) Redemption with yield to maturity guaranteed return of 20% per annum, calculated on semi-annual basis.

f) The Company can exercise an option to redeem the bonds in whole or in part on or any time after March 9, 2010, but prior to January 29, 2012, subject to appropriate approvals at a price determined on the terms defined in the offer document.

g) Listing on the Singapore Exchange Securities Trading Limited.

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

Out of the US$ 98.7 Million new FCCBs, bonds having a face value of US$ 31.9 Million have been converted into equity shares as of March 31, 2010. Consequently new FCCBs outstanding at March 31, 2010 amount to US$ 66.8 Million (Rs.2,999,320,000 and is included in Long term Unsecured loans in Schedule E, under the head Foreign currency convertible bonds).

II.4. Monies Received Pending Allotment

During financial year 2007-08, the Company allotted 2,230,000 warrants to promoters/ promoters group, entitling each holder to obtain allotment of one equity share against each such warrant on a preferential basis at a price of Rs.630.31. Under the terms of issue, the Company has received 10% of the total consideration amounting to Rs.140,559,130. To obtain the underlying equity shares, the balance 90% was to be paid within 18 months from the date of allotment of the warrants in one or more tranches.

During financial year 2008-09, the warrants issued, lapsed and were forfeited and the money was transferred to Capital Reserve. The money received by the Company has been utilized for long term working capital requirements.

II.5. Operating Leases

The Company has entered into operating lease arrangements for its office facilities. These leases are for periods ranging from 1 to 5 years with an option to the Company for renewing at the end of the initial term. Rental expenses for operating leases included in the Profit and Loss account for the year is Rs.95,344,518 (Previous year Rs.94,686,746)

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

Amount in Rs.

	March 31, 2010	March 31, 2009
Within one year	90,728,870	86,881,548
Due in a period between one year and five years	159,254,801	253,011,623
Due after five years	-	-

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

II.6. Employees Stock Option Plan (ESOP)

ESOP – II

During 1999-2000, the Company established the Employee Stock Option Scheme 2000 ("ESOP 2000") under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing upto a maximum of 883,750 shares to be allotted pursuant to exercise of options granted under the scheme. Each option comprises one underlying equity share of Rs.10/- each and carries an entitlement of bonus shares if and when declared. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

During 2008-09, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 156,211 options were surrendered by 122 employees during 2008-09. Due to this, Rs.6,611,773, being the previously recognized ESOP compensation cost on these options, was reversed and credited to personnel costs in 2008-09.

During the year, the Company has allotted 1,210 equity shares under its ESOP 2000 scheme to the option holders upon exercise of stock options.

Under this scheme 669,188 (net) options have been granted to 624 employees as at March 31, 2010. Out of the above 161,663 options are vested and exercisable. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a charge of Rs.2,118,869 (Previous Year: Rs.1,759,270) to the Profit & Loss Account during the year.

ESOP – III

During 2005-2006, the Company established the Employee Stock Option Scheme 2005 ("ESOP 2005") under which 500,000 options have been allocated for grant to the employees. Subsequently, during the year 2006-2007, the number of options allocated for grant to the employees was increased to 2,000,000 options. The Company has obtained in-principle approval for listing upto a maximum of 2,000,000 shares pursuant to exercise of options granted under the scheme. Each option comprises one underlying equity share of Rs.10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the traded volume is the highest for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

During 2008-09, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 1,069,407 options were surrendered by 538 employees during 2008-09. Due to this, Rs.41,876,574, being the previously recognized ESOP compensation cost on these options, was reversed and credited to personnel costs in 2008-09.

During the year, the Company has allotted 1,203 equity shares under its ESOP 2005 scheme to the option holders upon exercise of stock options.

Under this scheme 1,590,558 (net) options have been granted to 1,618 employees as at March 31, 2010. Out of the above 468,088 options are vested and exercisable. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a charge of Rs.8,238,058 (Previous Year: credit of Rs.25,098,927) to the Profit & Loss Account during the year.

ESOP – IV

During 2008-2009, the Company established the Employee Stock Option Scheme 2008 ("ESOP 2008") under which 2,000,000 options have been allocated for grant to the employees. The Company has obtained in-principle approval for listing upto a maximum of 2,000,000 shares pursuant to exercise of options granted under the scheme. Each option comprises one underlying equity share of Rs.10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the traded volume is the highest for the 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years can be exercised over a maximum period of 3 years from the date of vesting.

Under this scheme 598,954 (net) options have been granted to 272 employees as at March 31, 2010. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a credit of Rs.537,915 (Previous Year : Nil) to the Profit & Loss Account during the year.

Method Used for Accounting for Share Based Payment Plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

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

	2009-10		2008-09	
Particulars	**Options (Nos)**	**Weighted average exercise price per stock options (Rs.)**	**Options (Nos)**	**Weighted average exercise price per stock options (Rs.)**
Options outstanding at the beginning of the year				
ESOP – II	358,117	75.47	214,038	427.48
ESOP – III	1,794,382	127.49	1,718,245	366.67
ESOP – IV	-	-	-	-
Granted during the year				
ESOP – II	-	-	362,072	66.75
ESOP – III	131,300	48.45	1,764,397	74.80
ESOP – IV	598,954	53.34	-	-
Exercised during the year				
ESOP – II	1,210	-	-	-
ESOP – III	1,203	-	-	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered & Lapsed during the year				
ESOP – II	56,059	-	217,993	-
ESOP – III	341,991	-	1,688,260	-
ESOP – IV	-	-	-	-
Options outstanding at the end of the year				
ESOP – II	300,848	74.04	358,117	75.47
ESOP – III	1,582,488	113.72	1,794,382	127.49
ESOP – IV	598,954	53.34	-	-
Options exercisable at the end of the year				
ESOP – II	161,663	-	9,930	-
ESOP – III	468,088	-	62,100	-
ESOP – IV	N.A	-	-	-

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

ESOP – II	At March 31 2009 : 4.05 Years	ESOP – III	At March 31, 2009 : 4.48 Years	ESOP – IV	At March 31, 2009 : N. A.
	At March 31 2010 : 3.02 Years		At March 31, 2010 : 3.53 Years		At March 31, 2010 : 5.79 Years

Fair Value Methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is: risk-free interest rate of 8%, expected life: 3 years, expected volatility of share: 34.267% and expected dividend yield: 0.71%. The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

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

Amount in Rs.

Particulars	March 31, 2010	March 31, 2009
Net Profit/(loss) for the year (as reported)	1,368,605,224	(1,782,105,532)
Add : Stock-based employee compensation relating to grants after April 1, 2006	4,568,733	(11,786,616)
Less : Stock-based compensation expenses determined under fair value based method for the above grants	30,070,748	110,032,092
Net Profit/(Loss) (proforma)	1,343,103,209	(1,903,924,240)
Basic earnings per share (as reported)	35.30	(51.14)
Basic earning per share (proforma)	34.64	(54.64)
Diluted earning per share (as reported)	8.44	(51.14)
Diluted earnings per share (proforma)	8.08	(54.64)

II.7. Related Party Information

A) Related Parties

Wholly Owned Subsidiaries

Subex Americas Inc

Subex (UK) Limited

Subex Technologies Limited

Syndesis Development India Private Limited

Subex Azure Holdings Inc

Subex (Asia Pacific) Pte Ltd

Subex Inc

Subex Technologies Inc

Enterprises Over Which Some of the Directors Exercise Significant Influence

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

Key Management Personnel

Subash Menon, Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath, Chief Operating Officer & Wholetime Director

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

B) Details of the Transactions With the Related Parties:

Amount in Rs.

Particulars	Subsidiaries		Enterprises Over Which Some of the Directors Exercise Significant Infulence		Key Management Personnel	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
a) Marketing and allied Service Charges and reimbursement :						
i) Subex (UK) Ltd	705,188,610	567,342,865	-	-	-	-
ii) Subex Inc	590,642,394	511,488,177	-	-	-	-
iii) Subex Americas Inc	560,818,089	18,692,414	-	-	-	-
iv) Subex (Asia Pacific) Pte Ltd	81,710,231	131,982,385	-	-	-	-
b) Income from Software Development and Services:						
i) Subex (UK) Ltd	540,625,886	568,786,957	-	-	-	-
ii) Subex Inc.,	572,403,327	385,143,872	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	188,352,987	161,183,829	-	-	-	-
iv) Subex Americas Inc	567,713,849	577,084,741	-	-	-	-
c) Reimbursement of expenses incurred on behalf of						
i) Subex Technologies Inc	16,710,645	-	-	-	-	-
d) Salary, Perquisites & Commission (Refer Note: II.9, Schedule P)	-	-	-	-	47,926,890	39,750,760
e) Amount due as at year end from/(to)						
i) Subex UK Ltd	(157,574,380)	71,513,704	-	-	-	-
ii) Subex Inc	688,575,595	166,569,999	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	253,163,346	42,978,002	-	-	-	-
iv) Subex Americas Inc,	149,041,823	829,022,267	-	-	-	-
f) Loans outstanding as at year end from/(to)						
i) Subex UK Limited	503,829	310,839,094	-	-	-	-
ii) Subex (Asia Pacific) Pte Ltd	45,981,735	-	-	-	-	-
iii) Subex Americas Inc	312,891,373	181,563,344	-	-	-	-
iv) Subex Inc	(44,900)	114,402,069	-	-	-	-
v) Subex Technologies Ltd	168,464,441	166,944,566	-	-	-	-
vi) Key Management Personnel (Refer Note: II.9, Schedule P)	-	-	-	-	57,684,666	57,684,666
g) Interest received on Inter Company Loans						
i) Subex UK Limited	565,981	29,590,381	-	-	-	-
ii) Subex Americas Inc	18,196,980	10,515,559	-	-	-	-
iii) Subex Inc	1,136,494	9,305,093	-	-	-	-
iv) Subex (Asia Pacific) Pte Ltd	1,937,965	-	-	-	-	-
h) Expenses allocated to/(from):						
i) Subex (UK) Ltd	2,621,342	(3,436,959)	-	-	-	-
ii) Subex, Inc	1,097,204	3,818,853	-	-	-	-
iii) Subex (Asia Pacific) Pte Ltd	269,073	8,382,513	-	-	-	-
iv) Subex Americas Inc	2,338,490	2,788,635	-	-	-	-
i) Corporate Guarantee provided by Company to financial institutions in respect of finances availed by Subsidiaries	155,264,299	731,850,000	-	-	-	-
j) Preferential allotment to M/s Woodbridge Consultants (Subsidiary of Kivar Holdings) (4,000,000 shares at a premium of Rs.70 per share)	-	-	320,000,000	-	-	-

II.8. Earnings/(Loss) Per Share (EPS):

Amount in Rs.

	2009-10	2008-09
Profit/(Loss) after Tax attributable to shareholders (A)	1,368,605,224	(1,782,105,532)
Add : FCCB Interest	155,878,882	#-
Less : Exchange Fluctuation on FCCB	918,812,565	#-
Adjusted Profits after Tax for Diluted EPS (B)	605,671,541	(1,782,105,532)
Weighted Average Number of Shares for Basic EPS (C)	38,771,899	34,847,089
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs)	32,993,593	-
Weighted Average Number of Shares for Diluted EPS (D)	71,765,492	34,847,089
Earning per Share – Basic [(A)/(C)]	**35.30**	**(51.14)**
Earning per Share - Diluted [(B)/(D)]	**8.44**	**(51.14)**

Face value of shares : Rs.10 each

FCCBs and ESOPs are anti-dilutive for FY 2008-09. Hence, the reconciliation between (i) A and B and (ii) C and D in the above table hasn't been given.

II.9. a) Managerial Remuneration to Managing Director and Whole-time Director

Amount in Rs.

		2009-10	2008-09
A.	Remuneration to Whole-time directors		
	Salary and allowances (including perqusites)	45,346,890	37,170,760
	Contribution to Provident Fund	2,580,000	2,580,000
	Total (A)	**47,926,890**	**39,750,760**
B.	Remuneration to Non-Executive directors		
	Sitting fees paid to Non-executive directors	5,000	20,000
	Commision paid to Non-executive directors	-	-
	Total (A+B)	**47,931,890**	**39,770,760**

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

b) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 as per legal advice received by the Company

Amount in Rs.

Particulars	2009-10	2008-09
Profit/(Loss) before tax as per the Profit & Loss Account	1,380,790,543	(1,749,836,584)
Remuneration to Directors (Including Commission & Sitting Fees) charged to Profit & Loss Account	47,931,890	12,200,000
Exchange Fluctuation on FCCB	(918,812,565)	1,929,600,000
(Surplus)/Loss on sale of Fixed Assets (Net)	(383,281)	(172,727)
Net Profit/(Loss) U/s 349 of the Companies Act, 1956	509,526,587	191,790,689
Maximum Remuneration of Whole-time Directors under provisions of the Companies Act.*	50,952,659	19,179,069
Remuneration paid to Whole-time Directors (including Commission Rs. Nil, Previous Year : Nil)	47,926,890	39,750,760
Maximum Commission to Non-Executive Directors under the Companies Act, 1956	5,095,266	1,917,907
Commission Paid	Nil	Nil

*The Company's application for approving the excess remuneration paid to the directors in 2007-08 and 2008-09 respectively is pending with the Central Government. Pending the Central government's approval, such excess is treated as monies due from the directors being held by them in trust for the Company and is included under Loans and advances (Schedule: J to the financial statements). Accordingly, the director's remuneration (including sitting fees) charged to Profit and Loss account for the year ended March 31, 2009 is Rs.12,200,000.

II.10. Auditors Remuneration

Amount in Rs.

	2009-10	2008-09
Audit Fees (including fees for audit of certain subsidiaries consolidated accounts & issuance of report on the corporate governance and tax audit) – excluding service tax as applicable	6,500,000	5,500,000
For Tax Matters (excluding service tax as applicable)	150,000	150,000
Other Matters (excluding service tax as applicable)	1,000,000	300,000
Reimbursement of expenses (excluding service Tax as applicable)	178,435	121,897

II.11. Details of Warranty

Amount in Rs.

Year	Opening Balance	Additions during the year	Utilisation/(reversal) during the year	Closing Balance
2009-10	4,228,718	-	-	4,228,718

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

II.12. Other Information Pursuant to Schedule VI of the Companies Act, 1956.

Amount in Rs.

	Year Ended March 31, 2010	Year Ended March 31, 2009
CIF Value of Imports:		
Import of systems and solutions	5,629,681	27,950,455
Capital goods	14,449,388	9,692,680
Expenditure in foreign currency (on payment basis)		
Traveling expenses	50,412,543	37,602,115
Interest expense	178,530,111	173,150,299
Product marketing expense and other expenditure incurred overseas for software development	19,154,500	85,208,551
Earnings in foreign exchange (on accrual basis)		
Income from software development services and product.	2,910,886,850	2,975,368,356

II.13. Deferred Tax

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

Particulars	As at March 31, 2010	As at March 31, 2009
Depreciation & other items (Claimable in Indian Tax Jurisdiction)	12,175,962	24,176,009

II.14. Others

1. Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs.6,048,373 (Previous year: Rs.981,108)
2. Unclaimed dividend of Rs. 642,243 as at March 31, 2010 (Previous Year: Rs.751,860) represent dividends not claimed for the period from 2002-2008. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred Rs.105,835 (Previous Year: Rs.52,514) to Investor Protection Fund.
3. Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs.642,243 (Previous Year: Rs.751,860), fixed deposit of Rs.25,969,391 (Previous Year: Rs.31,907,440) which are not available for use by the Company. The breakup of Cash and Cash Equivalents are given in Schedule I of financial statements.

   Direct taxes paid and Others in the Cash Flow Statement includes outflows on account of permitted utilisations from the BRR of Rs.43,559,667 (Previous Year: Nil) and Direct Taxes of Rs.44,138,205 (Previous Year: Rs.34,765,054).
4. Other Provisions comprise of -

Redemption Reserve on FCCB	-	Rs.612,713,322 (Previous Year: Rs.1,361,916,700)
Provision for Other Long Term Employee Benefits	-	Rs.628,600,000 (Previous Year: Rs. Nil)
Differential Interest on Restructured FCCBs	-	Rs.203,050,568 (Previous Year: Rs. Nil)
MTM Losses on Option Contracts	-	Rs.954,666 (Previous Year: Rs.102,731,040)

5. Personnel Cost for the year includes expenditure on Research and Development of Rs.85,139,573 (Previous year: Rs.70,461,643). This is as certified by the management and relied upon by the auditors.
6. A director of the Company has provided a personal guarantee in respect of long term loans from Banks included in Schedule D (For Current Year) and Schedule E (For Previous Year) of the financial statements. Further, portion of promoters' shares have also been pledged towards portion of these loans.
7. As per the guidelines on accounting for Derivatives issued by the Institute of Chartered Accountants of India, the Company has provided for Mark to Market losses of Rs.954,666 (Previous Year: Rs.102,731,040) on outstanding option contracts.
8. The Company has entered into the following derivative instruments for the purposes of hedging the risks associated with foreign exchange exposures:

(a) Forward contracts to hedge foreign currency risk on export receivables:

	March 31, 2010			March 31, 2009		
Particulars	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**
Forward contracts						
- USD contracts	$ 25,400,075	Sell	1,231,492,119	$ 7,300,000	Sell	363,846,250
- GBP contracts	£ 4,000,000	Sell	318,400,000	-	-	-

(b) Option contracts outstanding:

	March 31, 2010			March 31, 2009		
Particulars	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**
Option contracts	$ 200,000	Sell	8,540,000	$ 4,600,000	Sell	192,040,000

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

	March 31, 2010		March 31, 2009	
Particulars	**Rs.**	**Foreign currency**	**Rs.**	**Foreign currency**
Receivable towards Export of Goods & Services (including Receivable from wholly owned subsidiaries - net)	1,896,703,905 473,114,548 211,610,922 20,374,303 34,781,163 15,736,659 5,290,624 3,645,025 12,586 208,490	USD 44,265,487 GBP 7,647,632 SGD 6,596,855 AUD 494,972 EUR 575,982 AED 1,287,257 CHF 125,000 CAD 82,504 MYR 914 CNY 31,646	468,324,252 85,144,228 27,422,308 14,376,508 3,911,696	USD 9,109,647 GBP 1,174,565 SGD 822,257 AUD 410,433 Other Currencies
Loans to wholly owned subsidiaries	503,829 42,732,252 45,981,735 270,114,221	AED 41,213 CAD 967,231 SGD 1,433,456 USD 6,015,901	505,124 39,197,447 62,516,082 504,394,176	AED 36,577 CAD 967,231 GBP 862,410 USD 9,943,681

Other amounts payable in foreign currency on account of:

	March 31, 2010		March 31, 2009	
Particulars	**Rs.**	**Foreign currency**	**Rs.**	**Foreign currency**
Import of Goods & Services	47,924,359 2,357,648 64,953 1,091,132	USD 1,067,358 EUR 39,000 THB 46,812 GBP 16,057	3,683,500 2,630,160	USD 72,624 EUR 39,000
Capital imports [including intangibles]	460,361	GBP 6,774	-	-
Towards Interest on Foreign Currency Convertible Bonds	11,304,819	USD 251,778	11,158,248	USD 219,997
Differential Interest on restructured FCCBs	203,050,568	USD 4,522,273	-	-
Towards Foreign Currency Convertible Bonds	4,750,420,000	USD 105,800,000	9,129,600,000	USD 180,000,000
Redemption Premium accrued on FCCBs	612,713,322	USD 13,646,176	1,361,916,700	USD 26,851,670
Marketing and allied service charges payable to wholly owned subsidiaries (net)	877,712 2,370,396 4,553,323 208,490 119,195 953,198,885 12,586 87,835,047 1,746,410,703	AED 71,798 AUD 57,586 CAD 103,063 CNY 31,646 EUR 1,972 GBP 14,026,919 MYR 914 SGD 2,738,210 USD 38,895,524		

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

Amount in Rs.

		Gratuity	
		March 31, 2010	**March 31, 2009**
I	**Components of employer expense**		
1	Current Service cost	5,355,140	4,662,610
2	Interest cost	1,167,950	856,520
3	Expected return on plan assets	(283,770)	(110,440)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	(1,068,580)	381,560
8	Total expense recognized in the Statement of Profit & Loss Account	5,170,740	5,790,250
II	**Actual Contribution and Benefit Payments for year ended March 31, 2010**		
1	Actual benefit payments	1,458,320	899,960
2	Actual Contributions	4,755,310	1,168,390
III	**Net asset/(liability) recognized in Balance Sheet as at March 31, 2010**		
1	Present value of Defined Benefit Obligation (DBO)	19,323,820	15,328,540
2	Fair value of plan assets	5,084,380	1,504,530
3	Funded status [Surplus/(Deficit)]	(14,239,440)	(13,824,010)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(14,239,440)	(13,824,010)
IV	**Change in Defined Benefit Obligations during the year ended March 31, 2010**		
1	Present Value of DBO at beginning of year	15,328,540	10,295,070
2	Current Service cost	5,355,140	4,662,610
3	Interest cost	1,167,950	856,520
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	(1,069,490)	414,300
9	Benefits paid	(1,458,320)	(899,960)
10	Present Value of DBO at the end of year	19,323,820	15,328,540
V	**Change in Fair Value of Assets during the year ended March 31, 2010**		
1	Plan assets at beginning of year	1,504,530	1,092,920
2	Acquisition Adjustment	-	-
3	Actual return on plan assets(estimated)	283,770	110,440
4	Actuarial Gain/(Loss)	(910)	32,740
5	Actual Company contributions(less risk premium, ST)	4,755,310	1,168,390
6	Benefits paid	(1,458,320)	(899,960)
7	Plan assets at the end of period	5,084,380	1,504,530
VI	**Actuarial Assumptions**		
1	Discount Rate	8.30%	8.00%
2	Expected Return on plan assets	8.60%	9.00%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	5.00%	5.00%

- The composition of the plan assets held under the funds managed by the Insurer is not provided, since the information is not available.
- Payments to Provident fund, a defined contribution plan Rs.26,147,258 (Previous Year Rs.25,332,138)

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

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

12. Revenue is net of Rs.23,872,350/- (Previous Year: Rs.46,562,941) being reversal of Unbilled Revenues written-off or provided.

13. The Company purchases hardware and software to fulfill its obligations under contracts for sale of its Products. There were no inventory of such hardware/software at the beginning and end of the year. No quantitative information of purchases of hardware/software items have been disclosed since none of the individual items of such purchases constitute more than 10% of the total value of Purchases of hardware and / software.

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

15. Current Taxes include Foreign Taxes of Rs. Nil (Previous Year: Rs.6,976,548)

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

COMPANY: SUBEX LIMITED **YEAR : 2009-2010**

I. Registration Details

Registration No.	16663	State code	08
Balance sheet date	31-03-2010		

II. Capital Raised During the Year (Rupees in Thousands)

Public issue	-	Rights issues	-
Bonus issue	-	Private placements	000400000
Preferential offer of shares under Employee Stock Option Plan* - Equity			00024.13

III. Position of the Mobilisation and Deployment of Funds (Rupees in Thousands)

Total liabilities	09753023	Total assets	09753023

Source of Funds

Paid up capital	00579831	Unsecured loans	4750420
Secured loans	01433625	Deferred tax liability	-
Advance for share capital	-	Reserves & surplus	02989147

Application of Funds

Net fixed assets	097533	Investments	09263444
Net current assets	00379870	Deferred tax assets	00012176
Miscellaneous expenditure	-	Accumulated lossess	-

IV. Performance of Company (Rupees in Thousands)

Turnover	03201437	Total expenditure	01858711
Profit before tax	01380791	Profit after tax	01368605
Earning per share from ordinary activities (basic) (Rs.)	00035.30	Earning per share from ordinary activities (diluted) (Rs.)	00008.44

V. Generic Name of Three Principal Products/ services of the Company (as per Monetary Terms)

ITC code no.	85/24	Product Description	COMPUTER SOFTWARE

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

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V. Balaji Bhat
Independent Director & Chairman of Audit Committee

Bangalore
June 10, 2010

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

financial review

subex limited (consolidated)

AUDITORS' REPORT TO THE BOARD DIRECTORS OF SUBEX LIMITED

1. We have audited the attached Consolidated Balance Sheet of Subex Limited ("the Company"), its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2010 the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

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

3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.151,100,796 as at 31st March, 2010, total revenues of Rs.803,785,156 and net cash outflows amounting to Rs.56,367,535 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.

4. Without qualifying our report, we draw attention to Note II.1 of Schedule O. As more fully explained therein, the Company has in accordance with the Proposal approved by the Hon'ble High Court of Karnataka credited the surplus of Rs.1,583,488,419 arising on account of the restructuring of the Foreign Currency Convertible Bonds to Capital Reserve Account and debited expenses and diminution in value of Goodwill amounting to Rs.6,499,792,468 to the Business Restructuring Reserve instead of recording the same in the Profit and Loss Account as required by Accounting Standard 5 'Net Profit or Loss for the Period, Prior Period Items'.

5. We draw attention to Note II.11.6 of Schedule O regarding the excess managerial remuneration of earlier years in respect of which the Company's application is pending with the Central Government.

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

7. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries, to the best of our information and according to the explanations given to us and read with our comments in paragraph 4 above, in our opinion, the Consolidated Financial Statements, read with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;

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

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

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

V. Balaji
Partner
M. No. 203685

Place : Bangalore
Date : June 10, 2010

CONSOLIDATED BALANCE SHEET AS AT

Amount in Rs.

	Schedule	March 31, 2010		March 31, 2009	
SOURCES OF FUNDS :					
SHAREHOLDERS' FUNDS					
Share Capital	**A**	579,831,390		348,470,890	
Employees Stock Options Outstanding account	**B**	57,121,999		46,306,062	
Reserves and Surplus	**C**	2,238,462,522	2,875,415,911	4,612,714,441	5,007,491,393
LOAN FUNDS					
Secured Loans	**D**	1,588,884,707		980,044,543	
Unsecured Loans	**E**	4,752,665,000	6,341,549,707	9,913,642,246	10,893,686,789
DEFERRED TAX LIABILITY			999,872		1,268,432
TOTAL			**9,217,965,490**		**15,902,446,614**
APPLICATION OF FUNDS :					
FIXED ASSETS & INTANGIBLES :	**F**				
Gross Block		1,605,110,910		1,723,966,193	
Less: Depreciation		1,409,356,712		1,439,683,959	
Net Block		195,754,198		284,282,234	
Capital work in progress		-	195,754,198	22,363,560	306,645,794
GOODWILL ON CONSOLIDATION			10,366,358,775		15,366,358,775
DEFERRED TAX ASSET			12,175,812		42,545,532
CURRENT ASSETS, LOANS & ADVANCES					
Sundry Debtors	**G**	479,214,046		622,310,844	
Cash & Bank balances	**H**	72,389,980		187,410,632	
Loans & Advances	**I**	538,950,340		604,637,455	
Unbilled Revenue		438,065,920		683,206,791	
		1,528,620,286		2,097,565,722	
Less: Current liabilities & Provisions	**J**				
Current liabilities		1,334,487,151		1,307,609,931	
Provisions		1,695,868,676		1,766,041,861	
		3,030,355,827		3,073,651,792	
Net Current Assets			(1,501,735,541)		(976,086,070)
Miscellaneous expenditure			-		14,606,462
(To the extent not written off or adjusted)					
(Refer Note II.11.10, Schedule O)					
PROFIT AND LOSS ACCOUNT		323,387,826		1,326,351,701	
Less : Transfer from General Reserve as per Contra		177,975,580	145,412,246	177,975,580	1,148,376,121
TOTAL			**9,217,965,490**		**15,902,446,614**
Significant Accounting Policies & Notes to the Accounts	**O**				

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

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

Bangalore
June 10, 2010

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V. Balaji Bhat
Independent Director & Chairman of Audit Committee

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Amount in Rs.

	Schedule	March 31, 2010		March 31, 2009	
INCOME :					
Sales & Services			4,630,779,130		5,584,894,844
Other Income	K		117,029,534		140,662,164
Total			**4,747,808,664**		**5,725,557,008**
EXPENDITURE :					
Cost of Hardware, Software and Support Charges			118,063,478		123,896,305
Personnel Costs	L		2,968,335,402		3,866,803,529
Other Operating, Selling and Administrative Expenses	M		714,180,191		1,072,790,888
Financial Costs (Net)	N		474,156,210		434,812,830
Miscellaneous Expenses amortised			15,353,671		15,944,201
Depreciation & Amortisation	F		148,226,752		212,882,602
Total			**4,438,315,704**		**5,727,130,355**
Profit/(Loss) Before Taxation and Exceptional Items			**309,492,960**		**(1,573,347)**
Exceptional Items					
Exchange Gain/(Loss) on Restatement of FCCBs			918,812,565		(1,929,600,000)
Exchange Gain/(Loss) on intra group foreign currency loans and advances			(124,091,356)		212,006,989
			794,721,209		**(1,717,593,011)**
Profit/(Loss) Before Tax			**1,104,214,169**		**(1,719,166,358)**
Provision for taxation					
- Current tax (including Wealth Tax)		69,891,085		60,037,612	
- MAT Credit writen off		-		21,170,731	
- Fringe Benefit Tax		49,971		4,121,669	
- Deferred tax		31,309,238	101,250,294	79,130,000	164,460,012
Profit/(Loss) After Taxation			**1,002,963,875**		**(1,883,626,370)**
Add: Balance brought forward from Previous year			(1,326,351,701)		557,274,669
Surplus/(Deficit) carried to Balance Sheet			**(323,387,826)**		**(1,326,351,701)**
Earnings/(Loss) Per Share (Face value of Rs.10/- each) (Refer Note II.9, Schedule O)					
- Basic			25.87		(54.05)
- Diluted			3.34		(54.05)
Significant Accounting Policies & Notes to the Accounts	O				

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

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

Bangalore
June 10, 2010

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

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Independent Director & Chairman of Audit Committee

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

Amount in Rs.

		March 31, 2010	March 31, 2009
Cash flow from operating activities			
Net Profit/(Loss) before Tax		1,104,214,169	(1,719,166,358)
Adjustments for :			
a) Depreciation and amortization		162,833,214	228,826,803
b) Interest / Dividend Income		(2,205,361)	(3,950,282)
c) Interest and bank charges		476,361,571	438,763,112
d) Profit on sale of assets		(383,281)	(536,706)
e) Employee stock compensation expenses		10,815,937	(23,339,657)
f) Provision for doubtful debts written off/(back)		(107,195,967)	195,931,919
g) Unrealised exchange fluctuations		(752,538,905)	1,968,866,010
Operating Profit before Working Capital Changes		**891,901,377**	**1,085,394,841**
Adjustments for :			
a) Sundry Debtors		191,352,100	562,191,565
b) Loans and advances		46,544,415	(656,399,678)
c) Trade and other payables		10,088,859	(61,991,228)
Cash generated from operations		**1,139,886,751**	**929,195,500**
a) Direct Taxes paid and Others [Refer Note II.11.3 Schedule O]		(683,359,873)	(106,137,912)
Net Cash provided by operating activities	**A**	**456,526,878**	**823,057,588**
Cash Flow from Investing activities			
a) Purchase of Fixed Assets		(49,469,362)	(127,462,604)
b) Sale / disposal of fixed assets		1,452,837	8,725,885
c) Interest received		616,832	3,950,282
Net Cash from Investing Activities	**B**	**(47,399,693)**	**(114,786,437)**
Cash Flow from Financing Activities			
a) Proceeds from issue of Share Capital/Options/Warrants		320,240,524	-
b) Proceeds from/(repayment) of short term borrowings - Net		(90,153,351)	(331,831,098)
c) Proceeds from Long term borrowings		-	10,240,330
d) Repayment of Long term borrowings		(51,040,230)	(9,339,136)
e) Dividends & Dividend tax paid		(109,617)	(53,154)
f) Interest and bank charges		(522,811,238)	(437,382,624)
g) Expenditure incurred on restructuring of FCCBs		(153,484,275)	-
Net Cash from Financing Activities	**C**	**(497,358,187)**	**(768,365,682)**
Net increase in Cash or Cash equivalents [A + B + C]		(88,231,002)	(60,094,531)
Effect of Exchange Differences on restatement of foreign currency cash and cash equivalents		(26,789,650)	16,319,817
Cash or Cash equivalents at the start of the year		187,410,632	231,185,346
Cash or Cash equivalents at the close of the year *		**72,389,980**	**187,410,632**
** Refer Note II.11.3, Schedule O*			
Significant Accounting policies & Notes to the accounts	**O**		
The Schedule referred to above forms an integral part of the Cash flow statement			

In terms of our report of even date

for Deloitte Haskins & Sells
Chartered Accountants

V. Balaji
Partner

Bangalore
June 10, 2010

For and on behalf of the Board

Subash Menon
Founder Chairman, Managing Director & CEO

Sudeesh Yezhuvath
Chief Operating Officer & Wholetime Director

V. Balaji Bhat
Independent Director & Chairman of Audit Committee

Raj Kumar C
Vice President-Legal & Company Secretary

Ramanathan J
Vice President-Finance

Amount in Rs.

	March 31, 2010		March 31, 2009	
SCHEDULE - A :				
SHARE CAPITAL :				
AUTHORISED :				
128,040,000 Equity Shares of Rs. 10/- each (Previous Year: 48,040,000 Equity Shares of Rs. 10/- each)		1,280,400,000		480,400,000
200,000 Redeemable Optionally Convertible Cumulative Preference Shares (ROCCPS) of Rs.98/- each		19,600,000		19,600,000
Total		**1,300,000,000**		**500,000,000**
ISSUED, SUBSCRIBED AND PAID UP:				
EQUITY :				
57,983,139 Equity Shares of Rs. 10/- each (Previous Year: 34,847,089 Equity Shares of Rs.10/- each)		579,831,390		348,470,890
Of the above:				
a) 115,000 shares of Rs.10/- each were allotted for consideration other than for cash;				
b) 4,626,940 shares of Rs.10/- each are allotted as Bonus shares by capitalisation of General Reserve;				
c) 12,840 shares of Rs.10/- each are allotted in part settlement of cost of acquisition of Subsidiary				
d) 10,878,784 (PY: Nil) shares of Rs.10/- each are allotted as Bonus shares by capitalisation of Securities premium;				
e) 11,728,728 shares (GDRs) of Rs.10/- each are allotted in full settlement of cost of acquisition of Azure Solutions Ltd.				
Total		**579,831,390**		**348,470,890**
SCHEDULE - B :				
Employees Stock Options Outstanding		74,399,900		85,899,999
Less: Deferred Employees Compensation Expenses		17,277,901		39,593,937
Total		**57,121,999**		**46,306,062**
SCHEDULE - C :				
RESERVES AND SURPLUS :				
Capital Reserve				
Opening Balance	153,566,050		13,006,920	
Add : Forfeiture of amount received towards warrants [Refer Note II.5, Schedule O]	-		140,559,130	
Add : Additions due to restructuring of FCCBs net of expenses [Refer Note II.1, Schedule O]	1,583,488,419		-	
Less : Transferred to Business Restructuring Reserve [Refer Note II.1, Schedule O]	1,700,000,000	37,054,469	-	153,566,050
General Reserve				
Opening Balance	177,975,580		177,975,580	
Less : Transfer from Profit & Loss Account as per contra	177,975,580	-	177,975,580	-
Securities Premium Account				
Opening Balance	4,894,706,184		5,624,568,228	
Add : Additions due to conversion of FCCBs, ESOP and preferential placement of equity shares	1,562,627,960		-	
Add : Write back from/(accrual for) redemption premium on FCCBs (Net) [Refer Note II.4, Schedule O]	749,203,378		(729,862,044)	
Less: Transferred to Business Restructuring Reserve [Refer Note II.1, Schedule O]	5,000,000,000	2,206,537,522	-	4,894,706,184
Business Restructuring Reserve [Refer Note II.1, Schedule O]				
Opening Balance	-		-	
Transferred from Securities Premium/Capital Reserve	6,700,000,000		-	
Less : Amounts utilised for Permitted Utilisations	6,499,792,468	200,207,532	-	-
Exchange Reserve on Consolidation		(205,337,001)		(435,557,793)
Total		**2,238,462,522**		**4,612,714,441**

Amount in Rs.

	March 31, 2010	March 31, 2009
SCHEDULE - D :		
SECURED LOANS :		
Short Term:		
Working Capital Loans from Banks (Secured by charge on Receivables and fixed assets)	862,212,891	954,578,937
Long Term:		
Loans from Banks [Refer Note II.11.14, Schedule O] (Secured by second charge on current assets and pledge of portion of share of promoters) *[Amount repayable within one year: Rs. 708,929,333, Previous Year: Rs. Nil]*	708,929,933	-
Loans from Banks (Secured by Hypothecation of Assets financed by these loans) *[Amount repayable within one year: Rs. 6,946,089, Previous Year: Rs. 8,887,190]*	17,741,883	25,465,606
Total	**1,588,884,707**	**980,044,543**
SCHEDULE - E :		
UNSECURED LOANS :		
Short Term:		
Working Capital Loans from Banks	-	29,111,041
Long Term:		
Loans from Banks [Refer Note II.11.14, Schedule O] *[Amount repayable within one year: Rs. 2,245,000, Previous Year: Rs. 752,395,205]*	2,245,000	754,931,205
Foreign Currency Convertible Bonds [Refer Note II.4, Schedule O]	4,750,420,000	9,129,600,000
Total	**4,752,665,000**	**9,913,642,246**

SCHEDULE - F :

FIXED ASSETS AND INTANGIBLES :

Amount in Rs.

		GROSS BLOCK					DEPRECIATION					NET BLOCK	
Sl. No.	Particulars	As at April 1, 2009	Adjustments	Additions	Deletions	As at March 31, 2010	Upto March 31, 2009	Adjustments	For the Year	Withdrawn on Deletions	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
	Tangible Fixed Assets												
1	Computer Hardware and Software	1,023,507,309	(78,814,056)	62,063,316	74,225,693	932,530,876	866,709,625	(73,150,411)	75,018,946	74,225,693	794,352,467	138,178,409	156,797,684
2	Furniture & Fixtures	89,472,878	(9,309,002)	63,767	4,314	80,223,329	83,674,292	(9,054,047)	2,102,423	4,098	76,718,570	3,504,759	5,798,586
3	Vehicles	51,272,655	-	460,000	9,541,223	42,191,432	19,488,049	-	9,434,810	8,503,987	20,418,872	21,772,560	31,784,606
4	Office Equipments	85,548,201	(6,323,653)	4,009,010	791,688	82,441,870	71,163,110	(6,230,932)	5,103,982	759,583	69,276,577	13,165,293	14,385,091
5	Lease Hold Improvements	63,003,123	(6,441,747)	-	-	56,561,376	56,827,027	(6,625,248)	5,715,035	-	55,916,814	644,562	6,176,096
	Intangibles												
1	Goodwill	13,766,918	-	-	-	13,766,918	10,229,684	-	2,134,966	-	12,364,650	1,402,268	3,537,234
2	Intellectual Property Rights	397,395,109	-	-	-	397,395,109	331,592,172	-	48,716,590	-	380,308,762	17,086,347	65,802,937
	TOTAL	**1,723,966,193**	**(100,888,458)**	**66,596,093**	**84,562,918**	**1,605,110,910**	**1,439,683,959**	**(95,060,638)**	**148,226,752**	**83,493,361**	**1,409,356,712**	**195,754,198**	**284,282,234**
	PREVIOUS YEAR	**1,505,824,566**	**147,021,551**	**106,781,290**	**35,661,214**	**1,723,966,193**	**1,118,734,067**	**135,539,327**	**212,882,602**	**27,472,037**	**1,439,683,959**	**284,282,234**	**387,090,499**

Amount in Rs.

	March 31, 2010		March 31, 2009	
SCHEDULE - G :				
SUNDRY DEBTORS :				
(Unsecured)				
Outstanding for more than six months				
- Considered Good	32,367,773		-	
- Considered Doubtful	105,985,338		226,905,108	
		138,353,111		226,905,108
Others				
- Considered Good	446,846,268		622,310,844	
- Considered Doubtful	-		63,866,112	
		446,846,268		686,176,956
		585,199,379		913,082,064
Less: Provision for Doubtful Debts		105,985,333		290,771,220
Total (considered good)		**479,214,046**		**622,310,844**
SCHEDULE - H :				
CASH & BANK BALANCES :				
Cash on hand		62,661		66,738
Balance with Scheduled Banks				
- in Current Account in Indian Rupees		2,781,093		4,543,475
- in Deposit Account in Indian Rupees		37,459,445		32,735,679
- in Exchange Earner's Foreign Currency account		225,503		328,727
Balance with Non Scheduled Banks		31,861,278		149,736,013
Total		**72,389,980**		**187,410,632**
SCHEDULE - I :				
LOANS & ADVANCES :				
(Unsecured, considered good)				
Loans and advances recoverable in cash or in kind or for value to be received		266,430,373		276,833,622
Advance Income Tax including TDS		192,754,042		237,047,277
Other Deposits		79,765,925		90,756,556
Total		**538,950,340**		**604,637,455**
SCHEDULE - J :				
CURRENT LIABILITIES & PROVISIONS :				
SUNDRY CREDITORS :				
Sundry Creditors				
- Due to Micro & Small Enterprises [Refer Note II.11.11 of Schedule O]	-		-	
- Due to Others	694,057,089		722,818,031	
Advance received from Customers	203,777,220		61,194,713	
Deferred Income	287,194,956		408,442,681	
Duties & Taxes	137,510,824		103,244,398	
Interest Accrued but not due	11,304,819		11,158,248	
Unclaimed Dividends	642,243	1,334,487,151	751,860	1,307,609,931
PROVISIONS :				
Taxation	136,701,373		155,481,618	
Employee Benefits	109,620,029		141,683,786	
Warranty	4,228,718		4,228,718	
Others [Refer Note II.11.4, Schedule O]	1,445,318,556	1,695,868,676	1,464,647,739	1,766,041,861
Total		**3,030,355,827**		**3,073,651,792**

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED

Amount in Rs.

		March 31, 2010		March 31, 2009
SCHEDULE - K :				
OTHER INCOME :				
Provision for Doubtful Debts written back		107,195,967		-
Other income		9,450,286		2,546,032
Profit on sale of Fixed Assets (Net)		383,281		536,706
Exchange Fluctuation gain (Net)		-		137,579,426
Total		**117,029,534**		**140,662,164**
SCHEDULE - L :				
PERSONNEL COSTS :				
Salaries, Wages & Allowances		2,544,815,837		3,326,685,814
Contribution to Provident Fund and Other Funds		104,693,561		157,847,594
Other staff related costs		128,600,935		121,354,630
Sub Contract Charges		190,225,069		260,915,491
Total		**2,968,335,402**		**3,866,803,529**
SCHEDULE - M :				
OTHER OPERATING, SELLING AND ADMINISTRATIVE EXPENSES :				
Software Purchases		13,055,162		17,845,672
Rent		192,094,519		199,641,694
Power, Fuel and Water Charges		37,145,027		31,119,962
Repairs & Maintenance		81,782,945		85,786,037
Insurance		17,844,743		11,226,273
Communication Costs		71,127,466		79,766,835
Printing & Stationery		7,039,654		9,130,054
Travelling & Conveyance		215,902,627		249,071,892
Directors sitting fees		5,000		20,000
Rates & Taxes Including Filing Fees		14,740,405		10,218,303
Advertisement & Business Promotion (including Consultancy charges)		5,195,997		167,209,604
Bad Debts Written Off		-		110,250
Provision for Doubtful Debts		-		195,821,669
Commission on Sales		18,751,861		9,368,199
Exchange Fluctuation Loss (Net)		29,664,691		-
Miscellaneous Expenses		9,830,094		6,454,444
Total		**714,180,191**		**1,072,790,888**
SCHEDULE - N :				
FINANCIAL COSTS :				
Interest on FCCBs and other term loans	247,027,007		268,359,550	
Interest & Bank Charges	229,334,564	476,361,571	170,403,562	438,763,112
Less : Interest Income		(2,205,361)		(3,950,282)
Total		**474,156,210**		**434,812,830**

SCHEDULE – O :

Significant Accounting Policies and Notes to Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

I.1. Basis for Preparation of Consolidated Financial Statements

The financial statements have been prepared under the historical cost convention on accrual basis except for certain financial and other assets and liabilities which are measured on historical cost basis as permitted by the Accounting Standards or as per the Proposal approved by the Honourable High Court of Karnataka.

I.2. Use of Estimates

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

I.3. Principles of Consolidation

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

The excess of cost to the Company of its investments in the subsidiary over it's share of the equity of the subsidiary, at the date on which the investments in the subsidiary Company was made, is recognized as 'goodwill' being an asset in the consolidated financial statements.

The following entities are considered in the consolidated financial statements.

Sl. no.	Name of entity	Country of incorporation	% of ownership held at March 31, 2010	% of ownership held at March 31, 2009
1	Subex Technologies Inc. (Wholly owned subsidiary of Subex Technologies Ltd., India)	United States of America	100	100
2	Subex Technologies Ltd India	India	100	100
3	Subex (UK) Limited	United Kingdom	100	100
4	Subex Inc. (wholly owned subsidiary of Subex (UK) Ltd.)	United States of America	100	100
5	Subex (Asia Pacific) Pte. Ltd, (wholly owned subsidiary of Subex (UK) Ltd.)	Singapore	100	100
6	Subex Americas Inc	Canada	100	100
7	Subex Azure Holdings Inc (wholly owned subsidiary of Subex Americas Inc)	United States of America	100	100
8	Syndesis Development India Private Ltd (wholly owned subsidiary of Subex Americas Inc)	India	100	100
9	Subex Azure (US) Inc #	United States of America	-	100
10	Subex Azure (Delawere) Inc #	United States of America	-	100
11	2101874 Ontario Inc*	United States of America	-	100
12	Subex Azure (GB) Ltd*	United Kingdom	-	100
13	Subex Azure (Ireland) Ltd*	Ireland	-	100

The financial statements of the Company and its subsidiaries are prepared under uniform accounting policies in accordance with the generally accepted accounting principles in India.

Merged with Subex Azure Holdings Inc
* Closed during FY 2009-10

I.4. Revenue Recognition

Revenue from Contracts for software product licences includes fees for transfer of licences, installation and commissioning. This revenue is recognized under the percentage completion method based on the extent of work determined to have been completed as compared to the work involved in the overall scope of the contract. In the event of any expected losses on a contract, the entire amount is provided for in the accounting period in which such losses are first anticipated.

Revenue from sale of additional software licences are recognized on transfer of such licenses.

Revenue from Software development is recognized on the basis of chargeable time or achievement of prescribed milestones as relevant to each contract.

Sale of hardware under reseller arrangements are recognized on dispatch of goods to customers and are recorded net of discounts, rebates for price adjustment, projections, shortage in transit, taxes and duties.

Maintenance and service income is recognised on accrual basis.

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

I.5. Fixed Assets and Intangibles

Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and interest on borrowed money allocated to and utilised for fixed assets up to the date of capitalisation and other direct expenditure incurred on ongoing projects. Assets acquired on hire purchase are capitalised at gross value and interest thereon is charged to revenue.

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

I.6. Depreciation

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

The rates of depreciation/amortisation adopted are as under ;

Particulars	Depreciation/Amortisation Rates %
Leasehold improvements	Over the lease term
Computers (including Software)	25
Furniture & Fixtures	20
Vehicles	20
Office equipments	20
Intellectual Property Rights	20
Goodwill	20

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

I.7. Employee Stock Option

Employee Stock Options are accounted in accordance with the guidelines stipulated by SEBI. The difference between the market price of the shares underlying the options granted on the date of grant of option and the option price is expensed as "Employees Compensation" over the period of vesting.

I.8. Employee Benefits

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

Gratuity expense for the year has been accounted based on actuarial valuation carried out at the end of the financial year. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reduction in future contributions to the scheme.

Liability for encashment of leave considered to be long term liability is accounted for on the basis of an actuarial valuation. Provision for outstanding leave credits considered are short term liability is as estimated by the management and accrued for based on last month's salary. Other short term employee benefits like medical, leave travel etc are accrued based on the terms of employment on a time proportion basis.

Other companies in the group run defined contribution schemes, the cost of which is fully provided for and charged to expenditure. Accrued leave is accounted for fully and charged to the profit & loss account.

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

I.9. Research and Development

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

I.10. Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items denominated in foreign currencies at year end are translated at the exchange rate on the date of the Balance Sheet. Non-monetary items denominated in foreign currencies are carried at cost. Exchange differences on settlement or restatement are adjusted in the profit & loss account. Premium or discount on forward contracts is amortized over the life of such contract and is recognized as income or expense to the Profit and Loss account. Any profit or loss arising on cancellation or renewal or retirement of forward contract is recognized in profit and loss account as appropriate.

On Consolidation,

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

I.11. Income Taxes

Income tax comprises the current tax provision under the tax payable method and the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable / virtual certainty, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

I.12. Cash Flow Statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3, issued under the Companies (Accounting Standard) Rules 2006.

I.13. Preliminary and Share Issue Expenses

Expenses incurred during the Initial Public Offer, follow on offer and issue of Bonus Shares are amortised over 5 years. Other issue expenses are charged to the securities premium account.

I.14. Provisions & Contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not provided for, but disclosed in the notes to the financial statements.

I.15 Impairment of Fixed Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets and intangibles to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment losses recognized in prior years, if any, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

II. NOTES TO ACCOUNTS

II.1. Business Restructuring Reserve

The shareholders of the Company approved the Board's Proposal (hereinafter referred to as 'the Proposal') for transferring amounts from the Securities premium and Capital Reserves as on or arising after April 1, 2009 (upto March 31, 2012), to a Business Restructuring Reserve (BRR) to be utilized from or after April 1, 2009 for certain Permitted Utilizations as mentioned in the Proposal.

The Company's petition seeking the approval of the above Proposal from the Hon'ble High Court of Karnataka was filed with the Court on March 12, 2010. The Company has received the order of the Hon'ble High Court approving the Proposal on May 4, 2010 and has registered the same with the Registrar of Companies on May 11, 2010, thereby completing all the requirements for the order to be effective.

In accordance with the Proposal, the Board of Directors of the Company have thus approved the following:

- transfer of amounts standing to the credit of Securities premium and Capital reserve (including the Profit of Rs.1,583,488,419 arising out of reduction in liability to the Foreign currency convertible bond holders pursuant to the Restructuring of the US$ 180 Million Foreign currency convertible bonds. Refer Note II.4.A below) to the extent of Rs.6,700,000,000 to the BRR.
- Utilisation of the BRR for certain Permitted utilisations to the tune of Rs.6,499,792,468.

Consequently the Company carries a balance of Rs.200,207,532 in the BRR as at March 31, 2010 which shall be used for such Permitted utilizations in the future as the Board may deem fit. Had the Proposal not provided for (a) transferring Profits arising out of restructuring of US$ 180 Million FCCBs (refer Note II.4.A of Schedule O) into the BRR and (b) utilisation of the BRR for Permitted utilisations as defined in the Proposal, the effect of accounting under the Accounting Standards referred in to Section 211(3C) of the Companies Act, 1956 would have been as under:

In the Profit & Loss Account for year ended March 31, 2010	**Rs.**	**Rs.**
The Loss under Exceptional Items would have been higher as follows:		
- One time non recurring Long term Retention benefit plan	628,600,000	
- One time non recurring expenses including restructuring fees, advisory fees, specialised marketing expenses and unrealizable advances, etc	871,192,468	
- One time non recurring Profit on account of restructuring of FCCBs	(1,583,488,419)	
Diminution in carrying value of Goodwill	5,000,000,000	
Profit after Tax would have been lower by		4,916,304,049
Basic and diluted Earnings/(Loss) per share would have been		(100.93)

II.2. Deferred Income Taxes

a) The deferred tax asset/(liability) as at March 31, 2010 comprises the tax impact arising from timing differences on account of:

Amount in Rs.

Particulars	**As at March 31, 2010**	**As at March 31, 2009**
- Depreciation	12,175,812*	24,176,006*
- Business loss	-	18,369,526#
Deferred Tax Asset	**12,175,812**	**42,545,532**
Deferred tax liability on depreciation	**(999,872)**	**(1,268,432)**

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

Deferred tax assets recognized on unabsorbed tax losses at March 31, 2009, pertain to the Company's subsidiary, Subex (UK) Ltd. The recognition is restricted to the extent that there is virtual certainty of future taxable incomes arising and is supported by the business achieved subsequent to the year end and on the basis of confirmed orders on hand in the subsidiary.

II.3. Contingent Liabilities

Receivables factored – Rs.957,872,591 (Previous year: Rs.582,810,763)

Claims against the Company not acknowledged as debts:

a) Rs.69,065,359 (Previous year: Rs.54,272,325). These claims relate to Indian income Tax demands which are being contested by the Company.

b) Claim made by a vendor of a subsidiary of an acquired entity Rs. Nil (Previous Year: Rs.121,728,000)

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

II.4. A. Foreign Currency Convertible Bonds (FCCBs)

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

During the year 2009-10, the Company restructured the Old FCCBs by offering in exchange new FCCBs having a face value of US$ 126 Million. Pursuant to the offer, Old FCCBs with a face value of US$ 141 Million were exchanged for new FCCBs with a face value of US$ 98.7 Million. The remaining bondholders holding US$ 39 Million worth of Old FCCBs (out of the original bondholders holding US$ 180 Million) didn't chose the option for restructuring and are thus outstanding at March 31, 2010. Liability in respect of the US$ 39 Million FCCBs at March 31, 2010 amounts to Rs.1,751,100,000 (included in Long term Unsecured loans in Schedule E, under the head Foreign currency convertible bonds).

Consequent to the exchange of the bonds as referred above, the reduction in liability (net of issue expenses and incremental interest payable on the new FCCBs vis-à-vis the old FCCBs) of Rs.1,583,488,419 has been credited to the Capital reserve during the year ended March 31 2010. The said amount has been transferred to Business Restructuring Reserve, in accordance with the Proposal approved by the shareholders of the Company and confirmed by the Honourable Judge of High Court of Karnataka. [Refer Note II.1 above].

The terms and conditions governing the US$ 39 Million FCCBs outstanding at March 31, 2010 are as follows:

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after April 18, 2007.

b) Conversion Price – Rs.656.20 per share.

c) Exchange Rate for purpose of conversion - 1 US$ = Rs.44.08.

d) Interest of 2% per annum payable semi-annually in arrears.

e) Redemption with yield to maturity guaranteed return of 8% per annum, calculated on semi-annual basis.

f) The Company can exercise an option to redeem the bonds in whole or in part on or any time after March 9, 2010, but prior to January 29, 2012, subject to appropriate approvals at a price determined on the terms defined in the offer document.

g) Listing on the Professional Securities Market of London Stock Exchange.

The difference between the yield to maturity guaranteed rate of return of 8% and the coupon rate of 2% represents the premium payable on redemption and is charged to Securities Premium over the life of the bonds.

B. New Foreign Currency Convertible Bonds (New FCCBs)

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

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

a) Conversion of the bonds into equity shares at the option of the bond holders at any time after November 2, 2009.

b) Conversion Price – Rs.80.31per share.

c) Exchange Rate for purpose of conversion - 1 US$ = Rs.48.17.

d) Compensating the bond holders for the reduction in principal amount by providing an increased interest element in the New FCCBs of 5% per annum payable semi-annually in arrears.

e) Redemption with yield to maturity guaranteed return of 20% per annum, calculated on semi-annual basis.

f) The Company can exercise an option to redeem the bonds in whole or in part on or any time after March 9, 2010, but prior to January 29, 2012, subject to appropriate approvals at a price determined on the terms defined in the offer document.

g) Listing on the Singapore Exchange Securities Trading Limited.

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

Out of the US$ 98.7 Million new FCCBs, bonds having a face value of US$ 31.9 Million have been converted into equity shares as of March 31, 2010. Consequently new FCCBs outstanding at March 31, 2010 amount to US$ 66.8 Million (Rs.2,999,320,000 and is included in Long term Unsecured loans in Schedule E, under the head Foreign currency convertible bonds).

II.5 Monies Received Pending Allotment

During financial year 2007-08, the Company allotted 2,230,000 warrants to promoters/ promoters group, entitling each holder to obtain allotment of one equity share against each such warrant on a preferential basis at a price of Rs.630.31. Under the terms of issue, the Company has received 10% of the total consideration amounting to Rs.140,559,130. To obtain the underlying equity shares, the balance 90% was to be paid within 18 months from the date of allotment of the warrants in one or more tranches.

During financial year 2008-09, the warrants issued, lapsed and were forfeited and the money was transferred to Capital Reserve. The money received by the Company has been utilized for long term working capital requirements

II.6. Operating Leases

The Group has entered into operating lease arrangements for its office facilities. These leases are for periods ranging from 1 to 5 years with an option to the Group for renewing at the end of the initial term. Rental expenses for operating leases included in the Profit and Loss account for the year is Rs.192,094,519 (Previous year, Rs.199,641,694).

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

Amount In Rs.

Particulars	March 31, 2010	March 31, 2009
Within one year	141,938,102	163,972,720
Due in a period between one year and five years	286,649,419	345,290,473
Due after five years	-	-

II.7. Employee Stock Option Plan (ESOP)

ESOP – II

During 1999-2000, the Company established the Employee Stock Option Scheme 2000 ("ESOP 2000") under which options have been allocated for grant to the employees of the Company and its subsidiaries. The Company has obtained in-principle approval for listing upto a maximum of 883,750 shares to be allotted pursuant to exercise of options granted under the scheme. Each option comprises one underlying equity share of Rs.10/- each and carries an entitlement of bonus shares if and when declared. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the highest volume of shares are traded for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

During 2008-09, the Company amended the ESOP 2000 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 156,211 options were surrendered by 122 employees during 2008-09. Due to this, Rs.6,611,773, being the previously recognized ESOP compensation cost on these options, was reversed and credited to personnel costs in 2008-09.

During the year, the Company has allotted 1,210 equity shares under its ESOP 2000 scheme to the option holders upon exercise of stock options.

Under this scheme 669,188 (net) options have been granted to 624 employees as at March 31, 2010. Out of the above 161,663 options are vested and exercisable. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a charge of Rs.2,118,869 (Previous Year: Rs.1,759,270) to the Profit & Loss Account during the year.

ESOP – III

During 2005-2006, the Company established the Employee Stock Option Scheme 2005 ("ESOP 2005") under which 500,000 options have been allocated for grant to the employees. Subsequently, during the year 2006-2007, the number of options allocated for grant to the employees was increased to 2,000,000 options. The Company has obtained in-principle approval for listing upto a maximum of 2,000,000 shares pursuant to exercise of options granted under the scheme. Each option comprises one underlying equity share of Rs.10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the traded volume is the highest for 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years and can be exercised over a maximum period of 3 years from the date of vesting.

During 2008-09, the Company amended the ESOP 2005 scheme by inclusion of provisions allowing employees to voluntarily surrender their vested/unvested options at any time during their employment with the Company. Pursuant to this, 1,069,407 options were surrendered by 538 employees during 2008-09. Due to this, Rs. 41,876,574, being the previously recognized ESOP compensation cost on these options, was reversed and credited to personnel costs in 2008-09.

During the year, the Company has allotted 1,203 equity shares under its ESOP 2005 scheme to the option holders upon exercise of stock options

Under this scheme 1,590,558 (net) options have been granted to 1,618 employees as at March 31, 2010. Out of the above 468,088 options are vested and exercisable. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a credit of Rs. 8,238,058 (Previous Year: charge of Rs. 25,098,927) to the Profit & Loss Account during the year.

ESOP – IV

During 2008-2009, the Company established the Employee Stock Option Scheme 2008 ("ESOP 2008") under which 2,000,000 options have been allocated for grant to the employees.. The Company has obtained in-principle approval for listing upto a maximum of 2,000,000 shares pursuant to exercise of options granted under the scheme. Each option comprises one underlying equity share of Rs.10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the scheme, the Compensation Committee grants the options to the employees deemed eligible by the Advisory Board constituted for the purpose. The options are granted at a price, which is not less than 85% of the average market price of the underlying shares based on the quotation on the Stock Exchange where the traded volume is the highest for the 15 days prior to the date of grant. The shares granted vest over a period of 1 to 4 years can be exercised over a maximum period of 3 years from the date of vesting.

Under this scheme 598,954 (net) options have been granted to 272 employees as at March 31, 2010. The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option are expensed over the vesting period as per the SEBI guidelines. The net impact of the movement in option grants during the period resulted in a credit of Rs.537,915 (Previous Year : Nil) to the Profit & Loss Account during the year.

Method used for accounting for share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock option to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

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

	2009-10		2008-09	
Particulars	**Options (Nos)**	**Weighted average exercise price per stock options (Rs.)**	**Options (Nos)**	**Weighted average exercise price per stock options (Rs.)**
Options outstanding at the beginning of the year				
ESOP – II	358,117	75.47	214,038	427.48
ESOP – III	1,794,382	127.49	1,718,245	366.67
ESOP – IV	-	-	-	-
Granted during the year				
ESOP – II	-	-	362,072	66.75
ESOP – III	131,300	48.45	1,764,397	74.80
ESOP – IV	598,954	53.34	-	-
Exercised during the year				
ESOP – II	1,210	-	-	-
ESOP – III	1,203	-	-	-
ESOP – IV	-	-	-	-
Cancelled, Surrendered & Lapsed during the year				
ESOP – II	56,059	-	217,993	-
ESOP – III	341,991	-	1,688,260	-
ESOP – IV	-	-	-	-
Options outstanding at the end of the year				
ESOP – II	300,848	74.04	358,117	75.47
ESOP – III	1,582,488	113.72	1,794,382	127.49
ESOP – IV	598,954	53.34	-	-
Options exercisable at the end of the year				
ESOP – II	161,663	-	9,930	-
ESOP – III	468,088	-	62,100	-
ESOP – IV	N.A	-	-	-

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

ESOP – II	At March 31 2009 : 4.05 Years	ESOP – III	At March 31, 2009 : 4.48 Years	ESOP – IV	At March 31, 2009 : N. A.
	At March 31 2010 : 3.02 Years		At March 31, 2010 : 3.53 Years		At March 31, 2010 : 5.79 Years

Fair Value Methodology

The fair value of options used to compute pro forma net income and earnings per equity share have been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value is: risk-free interest rate of 8%, expected life: 3 years, expected volatility of share: 34.267% and expected dividend yield: 0.71%. The variables detailed herein represent the average of the assumptions during the pendency of the grant dates.

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

Amounts in Rs.

Particulars	March 31, 2010	March 31, 2009
Net Profit/(Loss) [as reported]	1,002,963,875	(1,883,626,370)
Add : Stock-based employee compensation relating to grants after 1st April, 2008	10,894,842	(23,339,657)
Less : Stock-based compensation expenses determined under fair value based method for the above grants	30,070,748	110,032,092
Net Profit (proforma)	983,787,969	(2,016,998,119)
Basic earnings/(loss) per share (as reported)	25.87	(54.05)
Basic earning/(loss) per share (proforma)	25.37	(57.88)
Diluted earning/(loss) per share (as reported)	3.34	(54.05)
Diluted Earning/(loss) per share (proforma)	3.08	(57.88)

II.8. Related Party Information

A) Related Parties

Enterprises Over Which Some of the Directors Exercise Significant Influence

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

Key Management Personnel

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

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

B) Details of the Transactions with the Related Parties are as under:

Amounts in Rs.

Particulars	Enterprises Over Which Some of the Directors Exercise Significant Influence		Key Management Personnel	
	2009-10	2008-09	2009-10	2008-09
a) Salary, Perquisites & Commission	-	-	47,926,890	39,750,760
b) Loans outstanding as at year end from Key Management Personnel (Refer Note: II.11.6, Schedule O)	-	-	57,684,666	57,684,666
c) Preferential allotment to M/s Woodbridge Consultants (Subsidiary of Kivar Holdings) (4,000,000 shares at a premium of Rs.70 per share)	320,000,000	-	-	-

II.9. Earnings Per Share (EPS)

Amount in Rs.

	2009-10	2008-09
Profit/(Loss) after Tax attributable to shareholders (A)	1,002,963,875	(1,883,626,370)
Add : FCCB Interest	155,878,882	#-
Less : Exchange Fluctuation on FCCB	918,812,565	#-
Adjusted Profits after Tax for Diluted EPS (B)	240,030,192	(1,883,626,370)
Weighted Average Number of Shares for Basic EPS (C)	38,771,899	34,847,089
Effect of Existence of Dilutive Instruments (FCCBs and ESOPs)	32,993,593	-
Weighted Average Number of Shares for Diluted EPS (D)	71,765,492	34,847,089
Earnings/loss per Share – Basic [(A)/(C)]	25.87	(54.05)
Earnings/loss per Share - Diluted [(B)/(D)]	3.34	(54.05)

Face value of shares : Rs. 10 each

FCCBs and ESOPs are anti-dilutive for FY 2008-09. Hence, the reconciliation between (i) A and B and (ii) C and D in the above table hasn't been given.

II.10. Segmental Reporting

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

Information About Primary Business Segment:

Amounts in Rs.

Particulars	Products		Services		Consolidated	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Revenues	3,829,433,136	4,384,810,798	801,345,994	1,200,084,046	4,630,779,130	5,584,894,844
Segment results before interest & taxes	780,196,089	311,255,969	3,453,080	121,983,514	783,649,169	433,239,483
Unallocable Income, net of unallocable expense					794,721,210	(1,717,593,011)
Interest expense					(474,156,210)	(434,812,830)
Profit/(Loss) before tax					**1,104,214,169**	**(1,719,166,358)**
Provision for taxation:						
Current					69,891,085	60,037,612
MAT credit written off/ carried forward					-	21,170,731
Fringe benefit tax					49,971	4,121,669
Deferred					31,309,238	79,130,000
Profit/(Loss) After Tax					**1,002,963,875**	**(1,883,626,370)**

Particulars of Segment Assets & Liabilities:

Amounts in Rs.

Particulars	Products		Services		Consolidated	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Segment Assets	11,551,369,143	17,136,599,207	346,610,074	396,923,807	11,897,979,217	17,533,523,014
Segment Liabilities	2,019,233,324	1,476,446,676	46,710,178	67,896,690	2,065,943,502	1,544,343,366
Unallocable Assets exclude						
Advance Income Taxes					192,754,042	237,047,277
Deferred tax asset (Net)					11,175,939	41,277,100
Miscellaneous Expenditure					-	14,606,462
Total					**203,929,981**	**292,930,839**
Unallocable Liabilities exclude						
Loans					6,341,549,707	10,893,686,789
Provisions for tax					136,701,373	155,481,618
Others					827,710,952	1,373,826,808
Total					**7,305,962,032**	**12,422,995,215**

Additions to Assets:

Amount in Rs.

Region	2009-10		2008-09	
	Product	Services	Product	Services
Americas	30,466,424	139,595	32,017,171	141,828
EMEA	12,575,616	-	35,601,651	-
APAC	23,414,458	-	39,020,640	-

Information About Secondary Business Segment

Revenue attributable to location of customers is:

Amount in Rs.

	Products		Services		Consolidated	
	2009-10	**2008-09**	**2009-10**	**2008-09**	**2009-10**	**2008-09**
AMERICAS	1,521,860,102	1,853,064,486	801,345,994	1,200,084,046	2,323,206,096	3,053,148,532
EMEA	797,297,213	1,045,398,866			797,297,213	1,045,398,866
APAC, Etc	1,510,275,821	1,486,347,446			1,510,275,821	1,486,347,446
Total	3,829,433,136	4,384,810,798	801,345,994	1,200,084,046	4,630,779,130	5,584,894,844

Segment Assets Based on Their Location

Amount in Rs.

	2009-10	2008-09
AMERICAS	4,051,331,483	9,704,385,598
EMEA	6,861,893,442	7,135,658,717
APAC, etc	984,754,292	693,478,699
Total	11,897,979,217	17,533,523,014

II.11. Others

1. Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advances paid) Rs. 6,048,373 (Previous year: Rs 981,108).
2. Unclaimed dividend of Rs. 642,243 as at March 31, 2010 (Previous Year: Rs. 751,860) represent dividends not claimed for the period from 2002-2008. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they become due for payment requiring a transfer to the 'Investor Education and Protection Fund'. During the current year, the Company has transferred Rs 105,835 (Previous Year: Rs. 52,514) to Investor Protection Fund.
3. Cash & Cash Equivalents include balance with Scheduled Banks on Dividend Account of Rs. 642,243 (Previous year: Rs. 751,860), fixed deposit of Rs. 25,969,391 (Previous year: Rs.32,735,679) which are not available for use by the Company. The breakup of Cash and Cash Equivalents are given in Schedule H to the financial statements.

   Direct taxes paid and Others in the Cash Flow Statement includes outflows on account of permitted utilisations from the BRR of Rs.557,712,246 (Previous Year: Nil) and Direct taxes Rs.125,647,627 (Previous Year: Rs.106,137,912).
4. Other Provisions comprise -

   Redemption Reserve on FCCB - Rs.612,713,322 (Previous Year: Rs.1,361,916,700)

   Provision for Other Long Term Employee Benefits - Rs.628,600,000 (Previous Year: Rs. Nil)

   Differential Interest on Restructured FCCBs - Rs.203,050,568 (Previous Year: Rs. Nil)

   MTM Losses on Option Contracts - Rs.954,666 (Previous Year: Rs.102,731,040)
5. Personnel Cost for the year includes expenditure on Research and Development of Rs.122,177,387 (Previous year, Rs.168,048,643). This is as certified by the management and relied upon by the auditors.
6. The Company's application for approving the excess remuneration paid to the directors in 2007-08 and 2008-09 respectively is pending with the Central Government. Pending the Central government's approval, such excess is treated as monies due from the directors being held by them in trust for the Company and is included under Loans and advances (Schedule: I to the financial statements).
7. The following table sets out the funded status of the defined Benefit Schemes and the amount recognized in the financial statements.

Amount in Rs.

		Gratuity	
		March 31, 2010	**March 31, 2009**
I	**Components of employer expense**		
1	Current Service cost	5,355,140	4,662,610
2	Interest cost	1,167,950	856,520
3	Expected return on plan assets	(283,770)	(110,440)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service Cost	-	-
7	Actuarial Losses/(Gains)	(1,068,580)	381,560
8	Total expense recognized in the Statement of Profit & Loss Account	5,170,740	5,790,250
II	**Actual Contribution and Benefit Payments for year ended March 31, 2010**		
1	Actual benefit payments	1,458,320	899,960
2	Actual Contributions	4,755,310	1,168,390

III	**Net asset/(liability) recognized in Balance Sheet as at March 31, 2010**		
1	Present value of Defined Benefit Obligation (DBO)	19,323,820	15,328,540
2	Fair value of plan assets	5,084,380	1,504,530
3	Funded status [Surplus/(Deficit)]	(14,239,440)	(13,824,010)
4	Unrecognized Past Service Costs	-	-
5	Net asset/(liability) recognized in Balance Sheet	(14,239,440)	(13,824,010)
IV	**Change in Defined Benefit Obligations during the year ended March 31, 2010**		
1	Present Value of DBO at beginning of year	15,328,540	10,295,070
2	Current Service cost	5,355,140	4,662,610
3	Interest cost	1,167,950	856,520
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Plan amendments	-	-
7	Acquisitions	-	-
8	Actuarial (gains)/ losses	(1,069,490)	414,300
9	Benefits paid	(1,458,320)	(899,960)
10	Present Value of DBO at the end of year	19,323,820	15,328,540
V	**Change in Fair Value of Assets during the year ended March 31, 2010**		
1	Plan assets at beginning of year	1,504,530	1,092,920
2	Acquisition Adjustment	-	-
3	Actual return on plan assets(estimated)	283,770	110,440
4	Actuarial Gain/(Loss)	(910)	32,740
5	Actual Company contributions(less risk premium, ST)	4,755,310	1,168,390
6	Benefits paid	(1,458,320)	(899,960)
7	Plan assets at the end of period	5,084,380	1,504,530
VI	**Actuarial Assumptions**		
1	Discount Rate	8.30%	8.00%
2	Expected Return on plan assets	8.60%	9.00%
3	Salary escalation	6.00%	6.00%
4	Attrition Rate	5.00%	5.00%

Note: Contributions under Defined Contribution Schemes Rs.35,133,385 (Previous Year: Rs.31,552,879)

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

(i) Forward contracts to hedge foreign currency risk on export receivables:

Amount in Rs.

	March 31, 2010			March 31, 2009		
Particulars	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**
Forward contracts						
- USD contracts	$ 25,400,075	Sell	1,231,492,119	$ 7,300,000	Sell	363,846,250
- GBP contracts	£ 4,000,000	Sell	318,400,000	-	-	-

(ii) Option contracts outstanding:

Amount in Rs.

	March 31, 2010			March 31, 2009		
Particulars	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**	**Foreign Currency**	**Buy/Sell**	**Amount (INR)**
Option contracts	$ 200,000	Sell	8,540,000	$ 4,600,000	Sell	192,040,000

As per the guidelines on accounting for Derivatives issued by the Institute of Chartered Accountants of India, the Company has provided for Mark to Market losses of Rs.954,666 (Previous Year Rs.102,731,040) on outstanding option contracts.

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

Receivable at March 31, 2010 in		Receivables at March 31, 2009 in	
Foreign Currency	**Equivalent Rupees**	**Foreign Currency**	**Equivalent Rupees**
EUR 1,341,949	81,085,860	EUR 405,894	29,423,236
AUD 120,557	4,962,419	AUD 170,375	8,641,399
CAD 31,000	1,369,579	CAD 23,107	1,171,963
AED 942,457	11,521,491	MYR 114,119	3,805,874
USD 14,944,295	670,768,236	USD 882,141	39,441,613
THB 4,252,500	5,900,473		
CHF 125,000	5,290,624		
OMR 44,352	5,172,444		
SGD 150,210	4,818,355		
GBP 84,705	5,756,196		

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

10. Termination benefits(included under Miscellaneous Expenditure in the Balance Sheet) incurred in respect of employees in Subex (UK) Limited in the financial year 2006-07, are amortised over a period from the time such costs were incurred till March 31, 2010, on a pro-rata basis. As on March 31, 2010, there is no balance under this head that is carried forward.

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

12. Revenue includes Rs.79,855,991/- (Previous Year: 108,277,625) being reversal of provision for Unbilled Revenues no longer required.

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

14. A director of the Company has provided a personal guarantee in respect of long term loans from Banks included in Schedule D (For Current Year) and Schedule E (For Previous Year) of the financial statements. Further, portion of promoters’ shares have also been pledged towards portion of these loans.

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

SHAREHOLDERS' INFORMATION

REGISTERED OFFICE

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

DATE AND VENUE OF THE ANNUAL GENERAL MEETING (AGM)

Date	:	September 13, 2010
Venue	:	Adarsh Tech Park, Outer Ring Road, Devarabisanahalli, Bangalore – 560 037
Time	:	3.00 P.M.

DATES OF BOOK CLOSURE

From September 8, 2010 to September 13, 2010 (both days inclusive)

BOARD MEETINGS AND FINANCIAL CALENDAR

Financial year : April 1 to March 31

Calendar of Board Meetings to adopt the accounts (tentative and subject to change):

For quarter ending June 30, 2010	– on July 29, 2010
For quarter ending September 30, 2010	– on October 29, 2010
For quarter ending December 31, 2010	– on January 27, 2011
For the year ending March 31, 2011	– on April 27, 2011

DIVIDEND

The Directors have not proposed any dividend to be paid for the financial year 2009–10.

LISTING ON STOCK EXCHANGES

Equity Shares of the Company are quoted on the National Stock Exchange of India Limited (NSE) since September 5, 2003 and on the Bombay Stock Exchange Limited (BSE) since July 31, 2000. The Company has paid listing fees for the year 2010-11 in accordance with the provisions of the Listing Agreement with NSE and BSE.

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

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

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

Name and address of the Stock Exchange	Stock code
National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Mumbai- 400051	SUBEX
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400001	532348
London Stock Exchange 10 Paternoster Square London EC4M 7LS	SUBX
Singapore Exchange Securities Trading Limited 2 Shenton Way #19-00 SGX Centre 1, Singapore 068804	4AFB

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

CUSTODIAL FEE

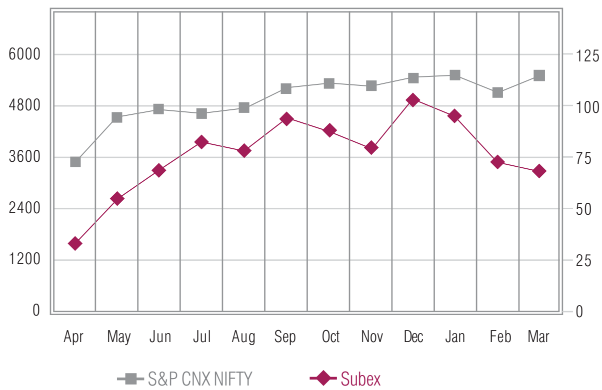
Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 issuer companies are required to pay custodial fees to the depositories with effect from April 1, 2005. The said circular has been partially modified vide SEBI's Circular No MRD/DoP/SE/Dep/Cir-2/2009 dated February 10, 2009. The Company has, in accordance with the aforesaid circulars, paid custodial fees for the year 2010-11 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2010.

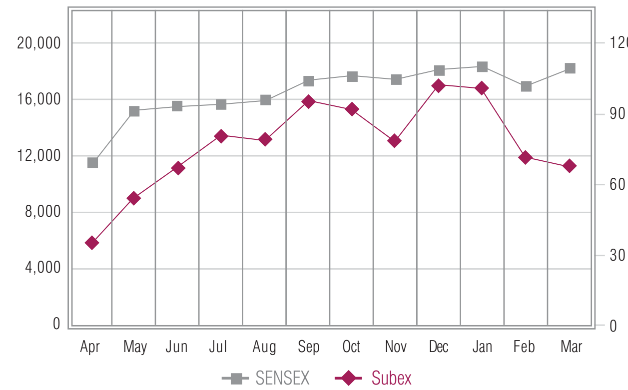
STOCK MARKET DATA RELATING TO EQUITY SHARES LISTED IN INDIA

Monthly high and low quotations during each month in the financial year 2009-10 as well as the volume of shares traded on NSE and BSE are as under:

	NSE			BSE		
Month	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr '09	34.70	22.10	1,823,622	34.70	22.00	1,399,810
May '09	53.55	28.30	3,387,703	53.30	28.55	2,316,734
Jun '09	68.00	46.10	2,207,756	68.30	46.60	2,149,063
Jul ' 09	82.30	58.50	3,191,203	81.95	58.10	2,635,205
Aug '09	77.45	63.00	2,184,915	78.80	63.55	1,693,521
Sep' 09	95.70	68.80	8,344,425	95.40	68.65	5,346,405
Oct '09	93.65	70.40	1,996,575	93.70	70.50	2,016,688
Nov '09	78.50	64.45	1,044,684	78.40	65.15	1,000,838
Dec '09	102.00	68.30	9,858,193	101.50	68.00	6,847,991
Jan '10	97.00	63.00	17,699,823	100.00	63.05	10,209,967
Feb '10	72.35	55.65	25,388,791	72.30	55.00	14,550,831
Mar '10	69.00	52.00	11,377,437	70.00	59.50	6,024,651
	TOTAL		**88,505,127**	**TOTAL**		**56,191,704**

SUBEX LIMITED SHARE PRICE VERSUS NSE S&P CNX NIFTY AND SENSEX





SHAREHOLDING PATTERN

Distribution of Shareholding:

No. of Equity shares held	As on March 31, 2010		As on March 31, 2009	
	No. of shareholders	% to total shareholders	No. of shareholders	% to total shareholders
1 – 5000	39,526	86.84	26,342	90.24
5001 – 10000	3,146	6.91	1,423	4.87
10001 – 20000	1,465	3.22	749	2.57
20001 – 30000	485	1.07	220	0.75
30001 - 40000	202	0.44	116	0.40
40001 - 50000	190	0.42	79	0.27
50001 - 100000	233	0.51	121	0.41
100001 and above	267	0.59	140	0.49
Total	**45,514**	**100.00**	**29,190**	**100.00**

Categories of Shareholders:

	As on March 31, 2010			As on March 31, 2009		
Category	**No. of share holders**	**Voting strength %**	**No. of shares held**	**No. of share holders**	**Voting strength %**	**No. of shares held**
Public & Others	44,346	33.26	19,283,242	28,390	30.41	10,594,315
Companies/ Bodies Corporate	1,091	21.53	12,483,894	712	6.92	2,411,949
Core Promoters	3	13.97	8,101,801	2	11.56	4,028,700
Mutual Funds	5	3.31	1,920,482	6	4.36	1,520,832
ESOP- employee shareholders	54	0.25	146,410	60	0.49	170,458
FII	15	27.68	16,047,310	20	46.26	16,120,835
Total	**45,514**	**100.00**	**57,983,139**	**29,190**	**100.00**	**34,847,089**

R&T AGENTS AND SHARE TRANSFER SYSTEM

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

Process for Transfer of Shares:

Share transfers would be registered and returned within a period of 20 days from the date of receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee Meetings up to three times a month, as may be required, for approving the transfers/transmissions of equity shares.

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

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

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

SHARES HELD IN PHYSICAL AND DEMATERIALISED FORM

As on March 31, 2010, 99.88 % of the Company's shares were held in dematerialized form and the rest in physical form.

OUTSTANDING GDRs/ ADRs/ WARRANTS/ CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

As on March 31, 2010, 9,207,300 GDRs and Foreign Currency Convertible Bonds aggregating to US$ 105.8 Million were outstanding.

LEGAL PROCEEDINGS

There are no legal proceedings against the Company which are material in nature.

NOMINATION

Pursuant to the provisions of Section 109A of the Companies Act, 1956, members may file nomination in respect of their shareholdings. Any member willing to avail this facility may submit to the Company the prescribed Form 2B (in duplicate), if not already filed. Form 2B can be obtained with the help of M/s Canbank Computer Services Limited, the R&T Agents. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

PROCEDURE FOR CLAIMING UNPAID DIVIDEND

In terms of Section 205A(5) of the Companies Act, 1956, monies transferred to the Unpaid Dividend Account of the Company, which remain unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.

Brief particulars of dividend declared on the equity share capital are given below:

Which year the dividend pertains to	Declared at the AGM/Board meeting held on	Nature of dividend	% of dividend	Due date for transfer to the fund
2001-02	November 15, 2002	Final	10	See note below*
2002-03	September 9, 2003	Final	10	Before October 8, 2010
2003-04	August 24, 2004	Final	20	Before September 23, 2011
2004-05	January 27, 2005	Interim	10	Before February 26, 2012
	July 28, 2005	Final	20	Before August 27, 2012
2005-06	October 28, 2005	Interim	15	Before November 27, 2012
	August 28, 2006	Final	10	Before September 27, 2013
2006-07	January 29, 2007	Interim	15	Before February 28, 2014
	July 26, 2007	Final	20	Before September 25, 2014

The Company declared bonus at 1:1 in the years 2000-01 and 2005-06.

* The final dividend declared for the Financial Year 2001-02 which was unclaimed for 7 years from the date of payment being due, was transferred to the Investor Education and Protection Fund.

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

INVESTOR GRIEVANCES

Investor grievances received from April 1, 2009 to March 31, 2010:

Nature of complaints	Received	Cleared
Non-receipt of share certificates/refund orders/call money notice/allotment advice/dividend warrant	2	2
Letters from NSDL, Banks etc.	-	-
Correction/change of bank mandate of refund order/change of address	-	-
Postal returns of cancelled stock invests/refund orders/share certificates/dividend warrants	-	-
Other general query	-	-
Total	**2**	**2**

During the year ended March 31, 2010, the Company has attended to all the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, if the requisite documents, if any, were clear and complete in all respects.

ADDRESS FOR CORRESPONDENCE

For any queries, please write to:

Mr. Raj Kumar
Vice President–Legal & Company Secretary
Subex Limited, Adarsh Tech Park,
Outer Ring Road, Devarabisanahalli,
Bangalore – 560 037, India.
Telephone: 91 80 6659 8700
Fax: 91 80 6696 3333
Email: rajkumar.c@subexworld.com
investorrelations@subexworld.com

WEBSITE

Company's website www.subexworld.com contains comprehensive information about the Company, products, press releases and investor relations. It serves as a source of information to the shareholders by providing key information like Board of Directors and the committees, financial results, shareholding pattern, distribution of shareholding, dividend etc.

powering the ROC

SUBEX LIMITED, ADARSH TECH PARK, OUTER RING ROAD, DEVARABISANAHALLI, BANGALORE 560 037, INDIA

BROOMFIELD • DUBAI • IPSWICH • LONDON • MELBOURNE

OTTAWA • PITTSBURGH • SINGAPORE • SYDNEY • TORONTO

www.subexworld.com