

**SPICE RETAIL LIMITED**  
**FINANCIAL STATEMENTS AS AT AND**  
**FOR THE PERIOD ENDED MARCH 31, 2015**

**INDEPENDENT AUDITOR'S REPORT****To the Members of Spice Retail Limited****Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **Spice Retail Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the period then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Basis for Qualified Opinion**

The Company has not made any provision for receivable of Rs.248,420 thousand from Cellucom Retail India Private Limited, a wholly owned subsidiary of the Company, whose net worth has been fully eroded. In our opinion, this has to be fully provided for and had the same been considered the loss would be higher by Rs.248,420 thousand with corresponding impact on the reserves.



## Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2015, and its loss and its cash flows for the period ended on that date.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 37 in the financial statements which indicates that the Company has incurred a net loss of Rs. 1,529,271 thousand during the period ended March 31, 2015 and as of that date; the Company's current liabilities exceeded its current assets by Rs. 1,330,436 thousand. These conditions, along with other matters as set forth in said Note, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and, except for the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
  - (f) On the basis of the written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
  - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 30 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;



# S.R. BATLIBOI & Co. LLP

Chartered Accountants

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration number: 301003E

per Anil Gupta

Partner

Membership no.: 87921

Place:

NOIDA

Date:

11/12/15



# S.R. BATLIBOI & CO. LLP

Chartered Accountants

Annexure referred to in paragraph 'Report on Other Legal and Regulatory Requirements' of our report of even date

Re: Spice Retail Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of items of inventories and certain fixed assets are of proprietary nature for which alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase 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 or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance fund, income-tax, sales-tax, wealth-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues were outstanding at the period end, for a period of more than six months from the date they became payable except for an amount of Rs. 546 thousand in respect of Chattisgarh entry tax payable for the years 2006-07 to 2007-08 (excluding Rs. 2,475 thousand for the years from 2008-



# S.R. BATLIBOI & CO. LLP

Chartered Accountants

09 to 2010-11 against which Company has filed appeal with Deputy Commissioner of Commercial taxes (Appeals), Raipur).

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in '000)	Period to which the amount relates	Forum where dispute is pending
Tamil Nadu General Sales Tax Act, 1959	Tax on transfer / replacement of material under Annual Maintenance Contract	814	1993-94 1996-97	High Court, Chennai
West Bengal Sales Tax Act, 1956	Demand for Local Sales Tax	6,924	2005-06 2007-08	Joint Commissioner of Commercial Taxes, Kolkata
Central Sales Tax Act, 1956	Demand for Central Sales Tax	737	2005-06	Joint Commissioner of Commercial Taxes, Kolkata
Central Sales Tax Act, 1956 read with the Delhi Sales Tax Act, 1975	Demand against non-submission of Sales Tax forms	4,864	2002-03 2003-04 2004-05	Additional Commissioner Appeals, Delhi
Central Sales Tax Act, 1956	Demand against Sales Tax	3,931	2006-07 2008-11	Joint Commissioner of Commercial Taxes, Patna
Entry Tax Act, 1976	Demand for Entry Tax	2,475	2008-09 2010-11	Deputy Commissioner of Commercial Taxes (Appeals), Raipur
Entry Tax Act, 1976	Demand for Entry Tax	4,523	2011-12 2012-13	Hon'ble High Court of Himachal Pradesh, Shimla
Income Tax Act, 1961	Demand for TDS	351	2011-12	Assistant Commissioner of Income Tax
TNVAT Act 2006	Demand for VAT	473	2007-08 2008-09 2009-10	Appellate Deputy Commissioner (CT-III), Chennai
West Bengal VAT Act 2003	Demand for VAT	254,304	2009-10 2010-11 2011-12	Senior Joint Commissioner of Commercial Taxes
Central Sales Tax Act, 1956	Demand against wrongly issued of Form C instead of Form F	5,100	2009-10	Tribunal of Commercial Taxes -Gujarat
Rajasthan VAT Act, 2003	Demand raised for differential VAT	42,067	2009-10 2010-11 2011-12 2012-13	Deputy Commissioner of Commercial Taxes (Appeals II) Rajasthan
West Bengal VAT Act, 2003	Demand for Local Sales Tax	30,004	2010-11 2011-12	Jt. Commissioner of Commercial Taxes -South Circle, Kolkata
Central Sales Tax Act, 1956	Demand for Non-furnishing of Form F	13,059	2011-12	Jt. Commissioner of Commercial Taxes - South Circle, Kolkata



# S.R. BATLIBOI & Co. LLP

Chartered Accountants

- (d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- (viii) Without considering the consequential effects, if any, of the matter stated in paragraph of our auditors' report, the Company's accumulated losses at the end of the financial period are more than fifty percent of its net worth. The Company has incurred cash loss during the current period. In the immediately preceding financial year, the Company had not incurred cash loss.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any outstanding debentures and loan from financial institution during the period.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xi) The Company did not have any term loans outstanding during the period.
- (xii) We have been informed that two employees of the Company had misappropriated funds amounting to Rs.927 thousand during preceding year and the period under audit. Investigations are in progress. The Company is also adequately covered by fidelity insurance cover and has received claims of Rs. 520 thousand till March 31, 2015 from the insurance company.

For S.R. Batliboi & Co. LLP  
Chartered Accountants  
ICAI Firm Registration Number: 301003E

*Anil Gupta*

per Anil Gupta  
Partner  
Membership Number: 87921

Place: *Wazirpur*

Date: *11/02/15*



Spice Retail Limited  
CIN: U32201HP1988PLC008020

Regd. Address: Village Billanwali Labana, Post Office - Baddi, Tehsil Nalagarh, Baddi, Himachal Pradesh – 173205

Balance Sheet as at March 31, 2015

	Notes	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	847,174	447,174
Reserves and surplus	4	(2,023,836)	(494,565)
		<b>(1,176,662)</b>	<b>(47,391)</b>
<b>Non-current liabilities</b>			
Other long-term liabilities	5	52,294	62,850
Long-term provisions	6	12,652	13,569
		<b>64,946</b>	<b>76,419</b>
<b>Current liabilities</b>			
Short-term borrowings	7	750,702	747,390
Trade payables	8	3,058,970	2,510,467
Other current liabilities	8	363,481	277,493
Short-term provisions	6	219,817	203,156
		<b>4,392,970</b>	<b>3,738,506</b>
<b>TOTAL</b>		<b>3,281,254</b>	<b>3,767,534</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	9	109,993	119,666
Intangible assets	10	26,902	24,542
Non-current investments	11	-	182,439
Long-term loans and advances	12	78,961	93,634
Other non-current assets	13.2	2,864	1,361
		<b>218,720</b>	<b>421,642</b>
<b>Current assets</b>			
Inventories	14	1,084,183	871,036
Trade receivables	13.1	910,332	903,013
Cash and bank balances	15	783,413	849,557
Short-term loans and advances	12	264,769	691,716
Other current assets	13.2	19,837	30,570
		<b>3,062,534</b>	<b>3,345,892</b>
<b>TOTAL</b>		<b>3,281,254</b>	<b>3,767,534</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP  
Chartered Accountants  
ICAI Firm registration number: 301003E

*Anil Gupta*  
per Anil Gupta

Partner  
Membership no.: 87921



Place:  
Date:

*11/5/2015*

For and on behalf of the Board of Directors of Spice Retail Limited

*Subroto Chattopadhyay*

Subroto Chattopadhyay  
Director  
DIN:00087730

*Suman Ghose Hazra*

Suman Ghose Hazra  
Director  
DIN:00012223

*Subramanian Murali*

Subramanian Murali  
Director  
DIN:00041261

*Palakkal Krishna Kumar*

Palakkal Krishna Kumar  
Chief Executive Officer

*Gopal Sadani*

Gopal Sadani  
Company Secretary  
Membership no.: A27683

*Subhasish Mohanty*

Subhasish Mohanty  
Chief Financial Officer



Spice Retail Limited

CIN: U32201HP1988PLC008020

Regd. Address: Village Billanwali Labana, Post Office - Baddi, Tehsil Nalagarh, Baddi, Himachal Pradesh – 173205

Statement of Profit & Loss for the nine months period ended March 31, 2015

	Notes	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Income</b>			
Revenue from operations	16	13,879,249	18,577,670
<b>Revenue from operations (net)</b>		<b>13,879,249</b>	<b>18,577,670</b>
Other income	17	64,452	47,161
<b>Total revenue (I)</b>		<b>13,943,701</b>	<b>18,624,831</b>
<b>Expenses</b>			
Purchase of traded goods	18.1	12,624,214	15,993,461
(Increase) in inventories	18.2	(213,147)	(49,436)
Employee benefits expense	19	483,095	546,729
Other expenses	20	1,571,968	2,107,728
<b>Total (II)</b>		<b>14,466,130</b>	<b>18,598,482</b>
<b>Earnings before depreciation, amortization, finance costs, tax and exceptional items (EBITDA) (I) – (II)</b>		<b>(522,429)</b>	<b>26,349</b>
Depreciation and amortization expense	21	61,837	111,314
Finance costs	22	54,893	23,685
Exceptional items	23	890,112	26,698
<b>(Loss) for the period/year</b>		<b>(1,529,271)</b>	<b>(135,346)</b>
<b>Earnings per equity share [nominal value of share Rs. 10 (30 June 2014: Rs. 10)]</b>			
Basic and diluted	24	<b>(33.33)</b>	<b>(3.03)</b>

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP  
Chartered Accountants  
ICAI Firm registration number: 301003E

per Anil Gupta  
Partner  
Membership no.: 87921

Place:  
Date:



11/07/15

For and on behalf of the Board of Directors of Spice Retail Limited


  
Subroto Chattopadhyay  
Director  
DIN:00087730

  
Suman Ghose Hazra  
Director  
DIN:00012223

  
Subramanian Murali  
Director  
DIN:00041261

  
Palakkal Krishna Kumar  
Chief Executive Officer

  
Gopal Sadani  
Company Secretary  
Membership no.: A27683

  
Subhasish Mohanty  
Chief Financial Officer

Spice Retail Limited  
 CIN: U32201HP1988PLC008020  
 Regd. Address: Village Billanwall Labana, Post Office - Baddi, Tehsil Nalagarh, Baddi, Himachal Pradesh – 173205

Statement of Cash flow for the nine months period ended March 31, 2015

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) before tax	(1,529,271)	(135,346)
Adjustments to reconcile (loss) before tax to net cash flows		
Depreciation/ amortization	69,510	138,012
(Profit)/Loss on disposal of fixed assets (net)	(111)	2,896
Provisions and unclaimed balances written back	(4,940)	(2,884)
Bad Debts Recovered	(2,106)	(5,033)
Provision for doubtful debts and advances	25,827	16,002
Provision for diminution in value of Long Term Investment	482,439	-
Interest expense	54,893	23,685
Interest (income)	(49,569)	(30,166)
<b>Operating profit/(loss) before working capital changes</b>	<b>(953,328)</b>	<b>7,166</b>
Movements in working capital :		
Increase in trade payables	553,370	250,695
(Decrease) / Increase in long-term provisions	(917)	1,706
Increase in short-term provisions	16,661	66,194
Increase in other current liabilities	72,499	16,339
(Decrease) in other long-term liabilities	(10,556)	(8,749)
(Increase) in trade receivables	(5,424)	(5,288)
(Increase) in inventories	(213,147)	(49,436)
Decrease in long-term loans and advances	14,541	26,486
Decrease in short-term loans and advances	131,300	90,629
Decrease in other current assets	12,149	34,939
<b>Cash generated from /(used in) operations</b>	<b>(382,852)</b>	<b>430,680</b>
Direct taxes paid (net of refunds)	(7,919)	(7,410)
<b>Net cash flow from /(used in) operating activities</b>	<b>A (390,771)</b>	<b>423,270</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including CWIP and capital advances	(68,546)	(38,868)
Proceeds from sale of fixed assets	526	3,329
Payment of slump sales consideration	-	(354,000)
Purchase of investments in subsidiaries	(300,000)	-
Loan from subsidiary company received back	278,000	-
Movement in fixed deposits (having original maturity of more than three months)	(35,655)	(304,375)
Interest received	48,153	30,409
<b>Net cash flow (used in) investing activities</b>	<b>B (77,522)</b>	<b>(663,505)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of equity share capital	400,000	-
Proceeds from short-term borrowings	94,862	147,215
Repayment of short-term borrowings	(91,550)	(31,825)
Interest paid	(35,338)	(8,314)
<b>Net cash flow from financing activities</b>	<b>C 367,974</b>	<b>107,076</b>
<b>Net (decrease)/increase in cash and cash equivalents (A + B + C)</b>	<b>A+B+C (100,319)</b>	<b>(133,159)</b>
Cash and cash equivalents at the beginning of the period/year	280,255	57,795
Cash and cash equivalents acquired pursuant to Transfer of "Spice" Brand handset Business from Spice Mobility Limited	-	355,619
<b>Cash and cash equivalents at the end of the period/year</b>	<b>179,936</b>	<b>280,255</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	7,491	14,018
With banks- deposits	746	719
With banks- on current account	171,699	265,518
<b>Total cash and cash equivalents (note 15)</b>	<b>179,936</b>	<b>280,255</b>

Notes :

- The Cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements notified by Companies Accounting Standard Rules, 2006 (as amended).
- Negative figures have been shown in brackets.

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP  
 Chartered Accountants  
 ICAI Firm registration number: 301003E

For and on behalf of the Board of Directors of  
 Spice Retail Limited

per Anil Gupta  
 Partner  
 Membership no.: 87921





Subroto Chattopadhyay  
 Director  
 DIN:00087730



Suman Ghose Hazra  
 Director  
 DIN:00012223



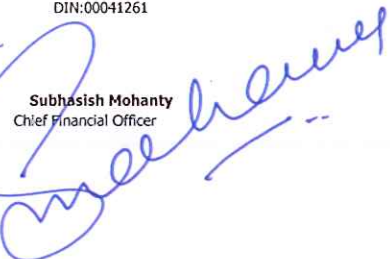
Subramanian Murali  
 Director  
 DIN:00041261

Place:  
 Date:

11/5/2015

  
 Patarikal Krishna Kumar  
 Chief Executive Officer

  
 Gopal Sadani  
 Company Secretary  
 Membership no.: A27683

  
 Subhasish Mohanty  
 Chief Financial Officer

Spice Retail Limited  
CIN: U32201HP1988PLC008020  
Regd. Address: Village Billanwali Labana, Post Office - Baddi, Tehsil Nalagarh, Baddi, Himachal Pradesh – 173205

Notes to financial statements for the nine months period ended March 31, 2015

**1. Corporate information**

Spice Retail Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of trading in mobile handsets and related accessories through a chain of retail outlets across India. ("Retail Business").

During the previous year, the Company had acquired the undertaking pertaining to mobile handsets business of its holding company, Spice Mobility Limited by way of slump sale. Under this business, the Company is engaged primarily in distribution of "Spice" Brand Handsets through its network of distributors across India. ("Spice Brand Handset Business").

**2. Basis of preparation**

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

The accounting policies adopted in the preparation of financial statements are consistent with those used in the previous year except for the change in accounting policy explained in Note No. 2.1(b) below.

**2.1 Summary of significant accounting policies**

**Change in accounting policy**

**(a) Depreciation on fixed assets**

Till the year ended 30 June 2014, Schedule XIV to the Companies Act, 1956, prescribed requirements concerning depreciation of fixed assets. From the current period, Schedule XIV has been replaced by Schedule II to the Companies Act, 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets. Unless stated otherwise, the impact mentioned for the current period is likely to hold good for future years also.

**(b) Useful lives/ depreciation rates**

Till the year ended 30 June 2014, depreciation rates prescribed under Schedule XIV were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets which are equal to or lower than useful lives and residual values specified in Schedule II. The management believes that depreciation rates used by the Company fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from the life prescribed under Schedule II.

Had the Company continued to follow the earlier useful life, the depreciation expense for the period would have been lower by Rs. 7,673 thousand (disclosed under exceptional items in the statement of profit and loss), loss would have been lower by Rs. 7,673 thousand and the net block of the fixed assets would have been higher by Rs. 7,673 thousand.

Till year ended 30 June 2014, to comply with the requirements of Schedule XIV to the Companies Act, 1956, the Company was charging 100% depreciation on assets costing less than Rs. 5,000 within one year from the date of acquisition. However, Schedule II to the Companies Act 2013, applicable from the current year, does not recognize such practice. Hence, to comply with the requirement of Schedule II to the Companies Act, 2013, the Company has changed its accounting policy for depreciation of fixed assets costing less than Rs. 5,000. As per the revised policy, the Company is depreciating such fixed assets over their useful life as assessed by the management. The management has decided to apply the revised accounting policy prospectively from accounting periods commencing on or after 1 July 2014.

The change in accounting for depreciation of fixed assets costing less than Rs. 5,000 did not have any material impact on the loss for the current period.

**(c) Use of estimates**

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

**(d) Tangible fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.



Notes to financial statements for the nine months period ended March 31, 2015

**(e) Depreciation on tangible fixed assets**

- i) Accelerated depreciation on leasehold improvements/ furnitures and fixtures related to stores/ warehouses under closure is calculated over the notice period of respective lease of the leased premises.
- ii) a) Leasehold improvements are depreciated on straight line basis over the primary lease period ranging from 2-9 years or its useful life whichever is lower in case of "Spice" brand handset business.
- ii) b) Leasehold improvements are amortised over 3 years or unexpired lease period, whichever is earlier in case of Retail Business.
- iii) Depreciation on all other tangible fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following rates to provide depreciation on its fixed assets.

	Rates (SLM)
Plant and Machinery	6.33%
Computers (other than servers etc)	31.67%
Servers	15.84%
Furniture and Fittings	10% - 12.5%*
Office Equipments	19.00%
Mobile Handsets (Included under office equipments)	50%*

\* The Company considers lower useful life than the life prescribed in Schedule II as per their estimate.

**(f) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Softwares are amortised over their useful lives on straight line basis not exceeding six years.

Intangible assets (other than Software) are amortized on a straight line basis over the estimated useful economic life of three years.

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

**(g) Impairment of tangible and intangible assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflect current market assessment of the time value of money and risks specific to asset.

**(h) Leases**

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**(i) Borrowing costs**

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(j) Inventories**

Inventories are valued as follows:

Traded goods, service component and spares and promotional items are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a moving weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

**(k) Revenue recognition**

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

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not the economic benefits flowing to the Company. Hence, they are excluded from revenue.

*Services Revenue*

Revenue is recognized as and when the services are rendered.

*Revenue from Branding Fee*

Revenues from branding is recognised over the period for which contracts are entered.

*Interest*

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.



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**Notes to financial statements for the nine months period ended March 31, 2015**

**(l) Foreign currency translation**

*Foreign currency transactions and balances*

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the year.

**(m) Retirement and other employee benefits**

i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. In case of "Spice Brand Handset Business" acquired during the previous year, the liability as at the year end represents the difference between the actuarial valuation of the gratuity liability of continuing employees and the fair value of the plan assets with the Life Insurance Corporation of India (LIC) as at the end of the year. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

iii. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

**(n) Income taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

**(o) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit/loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for bonus element in a rights issue to existing shareholders.

For the purpose of calculating diluted earnings per share, the net profit/loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



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**Notes to financial statements for the nine months period ended March 31, 2015**

**(p) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. 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 are adjusted to reflect the current best management estimates.

**(q) Contingent liabilities**

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

**(r) Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(s) Segment reporting**

*Identification of segments*

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

*Segment accounting policies*

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

**(t) Derivative instruments**

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored.

**(u) Warranty**

The Company gives warranty on spice brand handsets. Warranty costs on these mobile handsets are provided on an accrual basis, taking into account the past trend of warranty claims received by the "Spice Brand Handset Business" of the Company, to settle the obligation at the balance sheet date.

**(v) Investments**

Investment intended to be held for more than one year are classified as Long Term Investment. These investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

**(w) Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.



Notes to financial statements for the nine months period ended March 31, 2015

3. Share Capital

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Authorized shares</b>		
100,000,000 (Previous year 100,000,000) Equity Shares of Rs. 10 each	1,000,000	1,000,000
<b>Issued, subscribed and fully paid-up shares</b>		
84,717,401 (Previous year 44,717,401 ) Equity Shares of Rs. 10/- each	847,174	447,174
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>847,174</b>	<b>447,174</b>

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period/year  
 Equity shares

	31-Mar-15		30-Jun-14	
	No.	Rs.(000's)	No.	Rs.(000's)
At the beginning of the period/year	44,717,401	447,174	44,717,401	447,174
Issued during the period/year	40,000,000	400,000	-	-
Outstanding at the end of the period/year	<b>84,717,401</b>	<b>847,174</b>	<b>44,717,401</b>	<b>447,174</b>

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Shares held by holding company

Out of equity shares issued by the Company, shares held by its holding company are as below:

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Hindustan Retail Private Limited, the holding company 83,923,139 (Previous year 43,923,139 ) Equity Shares of Rs. 10/- each fully paid up	839,231	439,231
Spice Mobility Limited, the holding company 794,262 (Previous year 794,262 ) Equity Shares of Rs. 10/- each fully paid	7,943	7,943

(c) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	31-Mar-15 No.	30-Jun-14 No.
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash	11,624,840	11,624,840

(d) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2015		As at 30 June 2014	
	No.	% holding in the class	No.	% holding in the class
<b>Equity shares of `10 each fully paid</b>				
Hindustan Retail Private Limited, the holding company	83,923,139	99.06%	43,923,139	98.22%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.



Notes to financial statements for the nine months period ended March 31, 2015

4. Reserves and Surplus

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Securities premium account</b>		
Balance as per last financial statements	399,503	399,503
<b>Closing Balance</b>	<b>399,503</b>	<b>399,503</b>
<b>Deficit in the statement of profit and loss</b>		
Balance as per last financial statements	(2,186,415)	(2,051,069)
(Loss) for the period/year	(1,529,271)	(135,346)
<b>Net surplus in the statement of profit and loss</b>	<b>(3,715,686)</b>	<b>(2,186,415)</b>
<b>Amalgamation Reserve</b>		
Balance as per last financial statements	1,292,347	1,292,347
	<b>1,292,347</b>	<b>1,292,347</b>
<b>Total reserves and surplus</b>	<b>(2,023,836)</b>	<b>(494,565)</b>

5. Other long-term liabilities

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Other Liabilities</b>		
Security Deposits	52,294	62,850
	<b>52,294</b>	<b>62,850</b>
	<b>52,294</b>	<b>62,850</b>

6. Provisions

	Long-term		Short-term	
	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Provision for employee benefits</b>				
Provision for gratuity (Note 25)	9,105	8,700	11,866	8,431
Provision for leave benefits	-	-	21,075	19,169
Provision for Warranty	3,547	4,869	186,876	175,556
	<b>12,652</b>	<b>13,569</b>	<b>219,817</b>	<b>203,156</b>
	<b>12,652</b>	<b>13,569</b>	<b>219,817</b>	<b>203,156</b>

Provision for warranties

A provision is recognized for expected warranty claims on products sold during last 14 months, based on past experience of level of customer service expenses. It is expected that significant portion of these costs will be incurred in the next financial year and subsequent thereof. Assumptions used to calculate the provision for warranties are based on past trend of sales of mobile handsets and customer service expenses incurred.

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
At the beginning of the period/year	180,425	-
Acquired pursuant to Slump sale	-	117,995
Arising during the period/year	302,950	376,278
Utilized during the period/year	292,951	313,848
<b>At the end of the period/year</b>	<b>190,424</b>	<b>180,425</b>
Current portion	186,876	175,556
Non-current portion	3,547	4,869

7. Short-term borrowings

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
8% interest bearing (Previous year interest free) loan and advances from Spice Mobility Limited, the holding company, repayable on demand (unsecured) (refer note 28)	415,075	504,375
11% (Previous year 11%) interest bearing loan from a related party repayable on demand (unsecured) (refer note 28)	119,077	100,000
11% (Previous year 11%) interest bearing loan from Hindustan Retail Private Limited, the holding company, repayable on demand (unsecured) (refer note 28)	116,550	43,300
Bills discounted from a bank (Secured)*	100,000	99,715
	<b>750,702</b>	<b>747,390</b>
<b>The above amount includes</b>		
Unsecured borrowings	650,702	647,675
Secured borrowings	100,000	99,715

\* The bill discounting facility is obtained from HDFC Bank, the tenor for which is 60 days and the rate of interest charged by the bank is 11.5% p.a. The facility has been secured by way of:

1. Exclusive charge over present and future movable fixed assets and current assets of the Company.
2. Equitable mortgage of B1 101, 106 and 107, Boomerang, Plot No. 4A and 4B, Sakivali Village, Chandivali farm road, Kurla (W), Mumbai, owned by Holding company i.e. Spice Mobility Limited.
3. Corporate Guarantee of the holding company, Spice Mobility Limited.
4. 4 PDCs of Rs. 25,000 thousand each from the Company.





Notes to financial statements for the nine months period ended March 31, 2015

8. Trade Payables and Other Current Liabilities

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Trade payables (refer note 33 for details of dues to micro and small enterprises)	3,058,970	2,510,467
<b>Other liabilities</b>		
Unaccrued Income	20	77
Interest accrued but not due on borrowings	38,917	19,362
Payable for capital goods	6,318	12,384
Forward contract payable	539	-
Advance received from customers and their credit balances	156,156	117,312
Employee related liabilities	89,016	51,410
Others		
Indirect Taxes and Duties Payable	54,835	63,782
Employee Statutory Deductions	4,956	4,329
TDS payable	12,724	8,837
	<b>363,481</b>	<b>277,493</b>
	<b>3,422,451</b>	<b>2,787,960</b>

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Notes to financial statements for the nine months period ended March 31, 2015

9. Tangible Assets

	Lease Hold Improvements	Office Equipments	Furniture and Fixtures	Computers	Plant and Machinery	Motor Vehicles	Total
<b>Gross Block</b>							
At 01.07.2013	220,835	102,312	88,734	45,249	-	1,407	459,537
Transfer pursuant to Slump Sale	4,619	4,808	511	11,626	21,907	-	43,471
Additions	21,236	6,436	10,046	3,914	480	-	42,112
Deletions / Adjustments	60,856	42,446	26,705	12,358	-	1,407	143,772
At 30.06.2014	185,834	71,110	72,586	48,431	22,387	-	400,348
Additions	24,735	5,263	10,346	10,349	1,675	-	52,368
Deletions / Adjustments	22,091	2,834	8,700	2,704	-	-	36,329
At 31.03.2015	188,478	73,539	74,231	56,076	24,062	-	416,387
<b>Depreciation</b>							
At 01.07.2013	157,901	51,432	41,367	38,271	-	657	289,628
For the Year	47,014	36,799	22,300	7,288	15,070	133	128,604
Deletions / Adjustments	60,856	37,458	26,705	11,741	-	790	137,550
At 30.06.2014	144,059	50,773	36,962	33,818	15,070	-	280,682
For the period	29,212	8,688	11,311	10,872	1,543	-	61,626
Deletions / Adjustments	22,091	2,501	8,650	2,672	-	-	35,914
At 31.03.2015	151,180	56,959	39,622	42,018	16,613	-	306,394
<b>Net Block</b>							
At 30.06.2014	41,775	20,337	35,624	14,613	7,317	-	119,666
At 31.03.2015	37,298	16,580	34,609	14,058	7,449	-	109,993

Note : Computers include fixed assets having gross block of Rs. 3,066 thousand (Previous year Rs. 3,066 thousand) and written down value of Rs. 940 thousand (Previous year Rs. 1,851), which are held in joint ownership with others.



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Notes to financial statements for the nine months period ended March 31, 2015

10. Intangible Assets

	Software	Web site Development Cost	Trade Mark	Goodwill	Rs.(000's)	
					Total	Total
<b>Gross Block</b>						
At 01.07.2013	30,623	811	10,764	15,000		57,198
Transfer pursuant to Slump Sale	21,560	-	-	-		21,560
Additions	6,562	-	-	-		6,562
At 30.06.2014	58,745	811	10,764	15,000		85,320
Additions	9,289	955	-	-		10,244
At 31.03.2015	68,033	1,766	10,764	15,000		95,564
<b>Amortization</b>						
At 01.07.2013	24,795	811	10,764	15,000		51,370
For the Year	9,408	-	-	-		9,408
At 30.06.2014	34,203	811	10,764	15,000		60,778
For the period	7,736	148	-	-		7,884
At 31.03.2015	41,939	959	10,764	15,000		68,662
<b>Net Block</b>						
At 30.06.2014	24,542	-	-	-		24,542
At 31.03.2015	26,094	-	-	-		26,092

Note: Computer Softwares include intangible assets having gross block of Rs.7,920 thousand (Previous year Rs. 7,920 thousand) and written down value of Rs. 2,427 thousand (Previous year Rs. 4,781 thousand), which are held in joint ownership with others.



Notes to financial statements for the nine months period ended March 31, 2015

11. Non Current Investments

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Trade investments (valued at cost unless stated otherwise)</b>		
<b>Unquoted equity instruments</b>		
<b>Investment in subsidiaries</b>		
50,000,000 (Previous year 20,000,000) Unquoted fully paid up equity shares of Rs. 10 each in Cellucom Retail India Private Limited	482,439	182,439
Less :- Provision for diminution in value of investment	482,439	-
	-	<b>182,439</b>

12. Loans and advances

	Non-current		current	
	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Capital advances</b>				
Unsecured, considered good	484	616	-	-
	<b>484</b>	<b>616</b>	-	-
<b>Security deposits</b>				
Unsecured, considered good	77,169	92,464	25,243	6,624
Doubtful	-	-	383	-
	<b>77,169</b>	<b>92,464</b>	<b>25,626</b>	<b>6,624</b>
Provision for doubtful security deposits	-	-	(383)	-
	<b>77,169</b>	<b>92,464</b>	<b>25,243</b>	<b>6,624</b>
<b>Loan and advances to related parties (note 28)</b>				
Unsecured, considered good	-	-	734	278,616
Doubtful	-	-	6,615	6,615
	-	-	<b>7,349</b>	<b>285,231</b>
Provision for doubtful advances	-	-	(6,615)	(6,615)
	-	-	<b>734</b>	<b>278,616</b>
<b>Advances recoverable in cash or kind</b>				
Unsecured, considered good	-	-	93,148	151,916
Doubtful	-	-	32,942	7,783
	-	-	<b>126,090</b>	<b>159,699</b>
Provision for doubtful advances	-	-	(32,942)	(7,783)
	-	-	<b>93,148</b>	<b>151,916</b>
<b>Other loans and advances</b>				
Unsecured, considered good	-	-	52,508	44,589
Advance income-tax (net of provision for taxation)	-	-	17,982	13,316
Prepaid expenses	293	539	4,048	2,088
Loans to employees	1,000	15	71,106	194,567
Balances with statutory / government authorities	15	15	-	-
	<b>1,308</b>	<b>554</b>	<b>145,644</b>	<b>254,560</b>
	<b>78,961</b>	<b>93,634</b>	<b>264,769</b>	<b>691,716</b>

13. Trade Receivables and Other Assets

13.1. Trade Receivables

	Non-current		Current	
	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Secured, considered good	-	-	18,205	23,800
Unsecured, considered good	-	-	58,570	44,695
Unsecured, considered doubtful	-	-	2,889	1,877
	-	-	<b>79,664</b>	<b>70,372</b>
Provision for doubtful receivables	-	-	(2,889)	(1,877)
	-	-	<b>76,775</b>	<b>68,495</b>
<b>Other receivables</b>				
Secured, considered good	-	-	2,112	6,708
Unsecured, considered good	-	-	831,445	827,810
Unsecured, considered doubtful	-	-	-	800
	-	-	<b>833,557</b>	<b>835,318</b>
Provision for doubtful receivables	-	-	-	(800)
	-	-	<b>833,557</b>	<b>834,518</b>
	-	-	<b>910,332</b>	<b>903,013</b>



Notes to financial statements for the nine months period ended March 31, 2015

13.2. Other assets

	Non-current		Current	
	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Unsecured, considered good</b>				
Non-current bank balances ( note 15 )	2,841	1,361	-	-
	<b>2,841</b>	<b>1,361</b>	-	-
<b>Others</b>				
Interest accrued on fixed deposits	23	-	6,247	3,273
Interest accrued on loan to an employee	-	-	251	132
Interest accrued on VAT refund	-	-	2,653	4,352
Unamortised Premium on Forward Contracts	-	-	237	5,795
Forward contract receivable	-	-	-	1,520
Income accrued but not billed	-	-	6,201	2,197
Incentive Receivable on purchases	-	-	4,248	12,066
Inventory of Promotional items	-	-	-	1,235
	23	-	19,837	30,570
	<b>2,864</b>	<b>1,361</b>	<b>19,837</b>	<b>30,570</b>

14. Inventories (valued at lower of cost and net realizable value)

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Traded Goods (Including stock in transit Rs. 26,473 thousand, Previous year Nil)	985,767	798,265
Service components and spares (Including stock in transit Rs.790 thousand , Previous year Rs. 350 thousand)	98,416	72,771
	<b>1,084,183</b>	<b>871,036</b>

15. Cash and bank balances

	Non-current		Current	
	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Cash and cash equivalents</b>				
Balances with banks:				
- On current accounts	-	-	171,699	265,518
- Deposits with original maturity of less than three months	-	-	746	719
Cash on hand	-	-	7,491	14,018
	-	-	<b>179,936</b>	<b>280,255</b>
<b>Other bank balances</b>				
- Deposits with original maturity for more than 12 months	-	-	-	-
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	-	60,000
- Margin money deposit	2,841	1,361	603,477	509,302
	<b>2,841</b>	<b>1,361</b>	<b>603,477</b>	<b>569,302</b>
Amount disclosed under non-current assets (note 13.2)	(2,841)	(1,361)	-	-
	-	-	<b>783,413</b>	<b>849,557</b>

Margin money deposits given as security

Margin money Deposits with a carrying amount of Rs. 606,318 thousand (Previous year Rs. 510,663 thousand ) are pledged with banks/ government authorities.



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**16. Revenue from operations**

	31-Mar-15 Rs.	30-Jun-14 Rs.
<b>Revenue from operations</b>		
Sale of Trading Goods	13,840,624	18,556,256
Services revenue	37,422	19,863
Branding Fees	1,203	1,551
<b>Revenue from operations (net)</b>	<b>13,879,249</b>	<b>18,577,670</b>

**Detail of products sold**

	31-Mar-15 Rs.	30-Jun-14 Rs.
<b>Traded goods sold</b>		
Mobile handsets	13,663,018	18,361,845
Service components and spares	25,597	16,912
Others	152,009	177,499
	<b>13,840,624</b>	<b>18,556,256</b>

**Detail of services rendered**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Commission on Airtime	8,063	11,730
VAS Revenue	29,359	7,479
Others	-	654
	<b>37,422</b>	<b>19,863</b>

**17. Other income**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Interest income on</b>		
Bank deposits	30,936	25,769
Employee loan	139	12
Loan to Subsidiary	15,842	-
Vat refund	2,653	4,384
Unspent liabilities balances written back	4,940	2,884
Bad Debts Recovered	2,106	5,033
Profit on disposal of Fixed Assets (net)	111	-
Miscellaneous income	7,725	9,079
	<b>64,452</b>	<b>47,161</b>

**18.1. Purchase of traded goods**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Mobile handsets	12,448,121	15,807,872
Service components and spares	47,197	36,338
Others	128,896	149,251
	<b>12,624,214</b>	<b>15,993,461</b>

**18.2. (Increase) In Inventories**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Inventories at the end of the period/year</b>		
Traded goods	935,767	793,265
Service components and spares	98,416	72,771
	<b>1,084,183</b>	<b>871,036</b>
<b>Inventories at the beginning of the period/year</b>		
Traded goods	793,265	324,902
Service components and spares	72,771	-
	<b>871,036</b>	<b>324,902</b>
<b>Add: Inventories transferred pursuant to Transfer of "Spice Brand Handset Business"</b>		
Traded goods	-	446,148
Service components and spares	-	50,550
	<b>-</b>	<b>496,698</b>
	<b>(213,147)</b>	<b>(49,436)</b>

**Details of inventory**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>Traded goods</b>		
Mobile handsets	954,572	769,604
Service components and spares	98,416	72,771
Others	31,195	28,661
	<b>1,084,183</b>	<b>871,036</b>



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**19. Employee benefits expense**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Salaries, wages and bonus	418,612	475,096
Leave Encashment Expenses	10,773	8,234
Contribution to provident and other funds	23,483	28,959
Gratuity expense (note 25)	6,781	6,440
Staff welfare expenses	23,446	28,000
	<b>483,095</b>	<b>546,729</b>

**20. Other expenses**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Electricity and water charges	23,054	38,745
Freight and forwarding charges	77,014	95,962
Rent	255,476	345,689
Rates and taxes	45,851	51,447
Insurance	14,452	11,468
Repairs and maintenance		
Others	41,905	53,622
Advertising and sales promotion	511,405	753,511
Security Service Charges	12,180	21,176
Sales Commission	7,216	11,531
Customer service expenses	302,950	376,278
Warehouse Management Charges	14,865	18,407
Exchange difference (net)	7,869	55,725
Travelling and conveyance	75,073	80,607
Communication costs	13,957	18,943
Printing and stationery	3,882	5,390
Legal and professional fees	72,826	70,369
Directors' sitting fees	416	102
Payment to statutory auditors (Refer details below)	6,529	7,030
Credit card charges	33,740	45,747
Bank charges	15,561	13,023
Provision for doubtful debts and advances	25,827	16,002
Loss on disposal of fixed assets (net)	-	2,896
Miscellaneous expenses	9,920	14,058
	<b>1,571,968</b>	<b>2,107,728</b>

**Payment to statutory auditors**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
<b>As auditor:</b>		
Audit fee	3,145	2,809
Tax audit fee	815	927
Limited review	1,573	2,022
Audit of tax accounts	421	667
<b>In other capacity:</b>		
Other services (certification fees)	197	282
Reimbursement of expenses	377	323
	<b>6,529</b>	<b>7,030</b>

**21. Depreciation and amortization expense**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Depreciation of tangible assets	53,953	101,906
Amortization of intangible assets	7,884	9,408
	<b>61,837</b>	<b>111,314</b>

**22. Finance costs**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Interest Cost	43,433	20,751
Bill discounting charges	8,570	2,934
Finance Charges	2,690	
	<b>54,693</b>	<b>23,685</b>



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**23. Exceptional Items**

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Increase in Depreciation due to Change in Accounting estimate	7,673	26,698
Provision for diminution in value of Long Term Investment (Refer Note No 38)	482,439	-
Brand Sub-Licensing disbanding Compensation (Refer Note No 39)	400,000	-
	<b>890,112</b>	<b>26,698</b>

**24. Earnings per share (EPS)**

The following reflects the profit and share data used in the basic and diluted EPS computation:

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
(Loss) for the period/year	(1,529,271)	(135,346)
Weighted average number of equity shares in calculating basic and diluted EPS	45,885	44,717
<b>Basic and diluted earning per share</b>	<b>(33.33)</b>	<b>(3.03)</b>

**25. Disclosures under Accounting Standard- 15 ( Revised ) on 'Employee Benefits' :**

**A. Gratuity and other post-employment benefit plans**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service or part thereof in excess of 6 months.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss, the funded status and amounts recognized in the balance sheet for the gratuity plan.

**Statement of profit and loss**

**Net employee benefit expense recognized in the employee cost**

	Gratuity 31-Mar-15 Rs.(000's)	Gratuity 30-Jun-14 Rs.(000's)
Current service cost	4,869	5,376
Interest cost on benefit obligation	1,558	1,752
Expected return on plan assets	(501)	(682)
Net actuarial (gain) recognized in the period/year	855	(6)
<b>Net benefit expense</b>	<b>6,781</b>	<b>6,440</b>

**Balance sheet**

**Detail of Provision for Gratuity - Funded**

	Gratuity 31-Mar-15 Rs.(000's)	Gratuity 30-Jun-14 Rs.(000's)
Present value of defined benefit obligation	(14,769)	(11,555)
Fair value of plan assets	7,457	7,303
<b>Plan (liability)</b>	<b>(7,312)</b>	<b>(4,252)</b>

**Detail of Provision for Gratuity - Non Funded**

	Gratuity 31-Mar-15 Rs.(000's)	Gratuity 30-Jun-14 Rs.(000's)
Present value of defined benefit obligation	(13,660)	(12,880)
<b>Plan (liability)</b>	<b>(13,660)</b>	<b>(12,880)</b>

Changes in the present value of the defined benefit obligation are as follows:

	Gratuity 31-Mar-15 Rs.(000's)	Gratuity 30-Jun-14 Rs.(000's)
Opening defined benefit obligation	24,435	12,518
Current service cost	4,869	5,376
Interest cost	1,558	1,752
Liability transferred pursuant to transfer of "Spice Brand Handset Business"	-	9,134
Liability transferred (to)/from another Company	42	-
Benefits paid*	(3,264)	(4,294)
Actuarial (gains) on obligation	783	(51)
<b>Closing defined benefit obligation</b>	<b>28,428</b>	<b>24,435</b>

\*Includes Rs 2,983 thousand (Previous year Rs 3,513) paid directly by the Company.





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Changes in the fair value of plan assets are as follows:

	Gratuity 31-Mar-15 Rs.(000's)	Gratuity 30-Jun-14 Rs.(000's)
Opening fair value of plan assets	7,303	-
Expected return	501	681
Asset transferred pursuant to transfer of "Spice Brand Handset Business"	-	7,448
Benefits paid	(279)	(781)
Actuarial (losses)	(68)	(45)
<b>Closing fair value of plan assets</b>	<b>7,457</b>	<b>7,303</b>

The Company expects to contribute Rs. 11,796 thousand to gratuity in the next year.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity 31-Mar-15	Gratuity 30-Jun-14
Investments with insurer (Device Business)	100%	100%

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	Gratuity 31-Mar-15	Gratuity 30-Jun-14
Discount rate	7.75%	8.50%
Withdrawal rate of Retail business	35.00%	35.00%
Increase in Compensation cost	8.00%	8.00%
Expected rate of return on assets	9.15%	9.15%
Withdrawal rate of "Spice Brand Handset Business"		
- Up to 30 years	4.00%	4.00%
- 30-44 years	4.00%	4.00%
- Above 44 years	1.00%	1.00%
Mortality table referred	IALM ( 2006-08 ) duly modified	IALM ( 2006-08 ) duly modified / As notified by LIC

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	30-Jun-13 Rs.(000's)	30-Jun-12 Rs.(000's)	31-Mar-11 Rs.(000's)
<b>Gratuity</b>					
Defined benefit obligation	28,428	24,434	12,518	14,211	11,966
Plan assets	7,457	7,303	-	-	-
Surplus / (deficit)	(20,971)	(17,132)	(12,518)	(14,211)	(11,966)
Experience adjustments on plan liabilities (loss) / gain	922	51	132	2,992	25
Experience adjustments on plan assets (loss) / gain	(68)	(45)	-	-	-

B. Defined Contribution Plan

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)	30-Jun-13 Rs.(000's)	30-Jun-12 Rs.(000's)	31-Mar-11 Rs.(000's)
Contribution to Provident Fund	17,861	20,557	15,859	21,443	15,859

26. Leases

Operating lease: Company as lessee

Outlet premises, office premises and warehouses are obtained on operating lease. The lease term ranges from 1 to 9 years and renewable for further 2 to 6 years at the option of the Company. There are no restrictions imposed by lease arrangements and the rent is not determined based on any contingency.

The total of future minimum lease payments under the non-cancellable operating leases are as under:

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Within one year	6,476	9,967
After one year but not more than five years	472	5,042
More than five years	-	-
	<b>6,947</b>	<b>15,009</b>



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**27. Segment Reporting Policies**

**Primary Segments: Business Segments**

The Company is engaged in the business of trading of mobile handsets, IT products and other accessories through retail store facilities and a network of distributors, which in the context of Accounting Standard 17 on 'Segment Reporting' constitute a single reporting segment.

**Secondary Segment Reporting (by Geographical Segments)**

The analysis of geographical segment is based on geographical location of the customers.

The following table shows the distribution of the Company's consolidated revenue and trade receivables by geographical market:

Geographical Segment	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Revenue from the Domestic market	13,864,752	18,560,462
Revenue from the Overseas markets	14,497	17,208
<b>Total Revenue</b>	<b>13,879,249</b>	<b>18,577,670</b>
Trade receivables of Domestic market	905,645	901,185
Trade receivables of Overseas markets	4,687	1,828
<b>Total Trade Receivables</b>	<b>910,332</b>	<b>903,013</b>

Note: All assets other than trade receivables as disclosed above are located in India

**28. Related party disclosures**

**Names of related parties where control exists irrespective of whether transactions have occurred or not:**

Ultimate Holding Company	Smart Global Corporate Holding Private Limited (Formerly known as Spice Global Investments Private Limited) (Holding Co. of Smart Ventures Private Limited)
Holding Company	Hindustan Retail Private Limited. Spice Mobility Limited ( Holding Company of Hindustan Retail Private Limited ) Smart Ventures Private Limited (Converted into a Private Limited Company w.e.f 21.08.2014) (Holding Co. of Spice Mobility Limited)
Subsidiary Company	Cellucom Retail India Private Limited

**Names of other related parties with whom transactions have taken place during the period/previous year:**

Fellow Subsidiary	Spice Digital Ltd. Kimaan Exports Pvt Ltd S Mobility (HK) Limited Sterea Infratech Ltd Smart Entertainment Private Limited. (Formerly known as Smart Entertainment Limited) Spice Online Retail Pvt. Ltd Mobisoc Technology Pvt. Ltd Wall Street Finance Ltd
Key Management Personnel	Mr. Palakkal Krishna Kumar (CEO) (wef 27th Aug'14 ) and ( Director ) ( wef 2nd July 2012 till August 2013) Mr. Subhasish Mohanty ( Director ) ( wef 2nd July 2012 till 23rd August 2013) Mr. Rajneesh Arora ( Director ) ( wef 2nd July 2012 till 23rd August 2013)
Relatives of Key Management Personnel	Ms. Ammu N Kutty ( Mother of Mr. Palakkal Krishna Kumar) Ms. Anjali Patnaik ( Wife of Mr. Subhasish Mohanty) Ms. Anu Arora ( Wife of Mr. Rajneesh Arora)
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	S IZ Limited V Corp Merchandise Pvt Ltd Bharat IT Services Limited

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Particulars	Holding Company/Ultimate Holding Company		Subsidiary		Fellow subsidiary		Enterprises over which individuals having significant influence over the Company is able to exercise significant influence		Key management personnel		Relatives of key management personnel		Total
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	
	(A)	Transactions											
<b>Sales of Traded Goods</b>													
Smart Global Composite Holding Private Limited		293											293
Cellucorn Retail India (P) Limited		675,531	656,882		98,274	125,432							675,531
Spice Online Retail Pvt. Ltd.						32							656,882
Indusoc Technology Pvt. Ltd.							45						125,432
SPD Ltd													32
Spice Digital Limited					248	169							248
Spice Digital Private Limited					4,997								4,997
Spice Retail Private Limited					11								11
Smart Ventures Private Limited		46											46
<b>Allotment of Shares</b>													
Hindustan Retail Private Limited	400,000												400,000
<b>Advances given</b>													
Cellucorn Retail India (P) Limited			3,300			616							3,300
Kirman Exports Pvt Ltd													616
S2D Ltd								6,615					6,615
<b>Investment in Share Capital</b>													
Cellucorn Retail India (P) Limited			300,000										300,000
<b>Provision on doubtful advances taken</b>													
S2D Ltd								6,615					6,615
<b>Loans Refund</b>													
Cellucorn Retail India (P) Limited			278,000										278,000
<b>Loans Taken</b>													
Spice Retail Private Limited	15,000												15,000
Spice Digital Limited					10,077								10,077
Hindustan Retail Private Limited	75,500	32,800											75,500
<b>Repayment of Loans</b>													
Spice Retail Private Limited	89,300	12,625											89,300
Spice Digital Limited													12,625
Hindustan Retail Private Limited	2,250	19,200											2,250
<b>Interest Expense</b>													
Spice Retail Private Limited	5,089	5,308			9,148	11,801							9,148
Spice Retail Private Limited	28,395												28,395
<b>Interest Income</b>													
Cellucorn Retail India (P) Limited			15,842										15,842
<b>AMC/SAP maintenance reimbursement recovered</b>													
Spice Digital Limited					2,892	2,577							2,892
<b>AMC/SAP maintenance reimbursement paid</b>													
Spice Digital Limited					1,942	1,104							1,942
<b>Purchases of currency</b>													
Wall Street Finance Ltd.					473								473
<b>Travelling Expenses</b>													
Spice Digital Limited					2,117	10,524							2,117
Wall Street Finance Ltd					71								71
<b>Operating and other expenses</b>													
Wall Street Finance Limited					6,443	4							6,443
Spice Digital Limited					71	5,764							71
Spice Online Retail Pvt. Ltd.								493					493
Yasho Perennials Pvt. Ltd.													
<b>Marketing expenses</b>													
Smart Entertainment Private Limited					435,418	37,421							435,418
													37,421



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Related party transactions for the nine months period July 1, 2014 to March 31, 2015

Particulars	Holding Company/Ultimate Holding Company		Subsidiary		Fellow Subsidiary		Enterprises over which individuals having significant influence over the Company is able to exercise significant influence		key management personnel		Relatives of key management personnel		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<b>Purchases of Traded Goods</b>														
Spice Mobility Limited		681,645												681,645
Spice Online Retail Pvt. Ltd.			30,436	49,223									30,436	49,223
<b>Purchases of Fixed Assets</b>														
Spice Unlimited				14,974										14,974
Spice Digital Limited			1,494										1,494	
<b>Advance for Fixed Assets</b>														
Spice Digital Limited				374										374
<b>Commission on Airtime-Tekom</b>														
Mobisc Technology Pvt. Ltd.			375	898										898
Spice Digital Limited			170										170	
<b>Commission on Airtime-Givon</b>														
Cellcom Retail India (P) Limited			880	791										791
<b>Commission on Sale</b>														
Spice Online Retail Pvt. Ltd.				128										128
<b>Reimbursement of Expenses-Given</b>														
Spice Mobility Limited		175												175
S2I Ltd.														
Spice Online Retail Pvt. Ltd.			138											138
<b>Reimbursement of Expenses-Taken</b>														
Spice Online Retail Pvt. Ltd.			6,989	11,938										11,938
Alindation Retail Private Limited		1,293												1,293
Spice Mobility Limited		14,514	717											14,514
Krishna Empire Pvt Ltd			119											119
<b>Computer Maintenance Expenses</b>														
Barati IT Services Limited								1,114						1,114
<b>Rent paid</b>														
Spice Mobility Limited		26,993	27,997											26,993
<b>Remuneration Paid</b>														
Prakhal Krishna Kumar									3,110	875				3,110
Subhash Kojamary										312				312
Rajneesh Arora										1,657				1,657
<b>Lease Rent Paid</b>														
Amnon In Kurev														23
Abali Bank														26
T. Abu Abu														70



Notes to financial statements for the nine months period ended March 31, 2015  
 Related party transactions for the nine months period July 1, 2014 to March 31, 2015

Particulars	(Amount in Rs. (000's))													
	Holding Company/Ultimate Holding Company		Subsidiary		Fellow Subsidiary		Enterprises over which individuals having significant influence over the Company is able to exercise significant influence		key management personnel		Relatives of key management personnel		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<b>(I) Outstanding at the end of the year</b>														
Loans/ Advances given														
S2L Ltd							6,615	6,615					6,615	6,615
Collucum Retail India (P) Limited				278,000									278,000	
Kiranam Enterprise Pvt Ltd					616								616	
Provision for doubtful advances														
S2L Ltd							6,615	6,615					6,615	6,615
<b>Accrued Interest on Loans</b>														
Spice Digital Limited					13,728								13,728	
Hindustan Retail Private Limited	11,192	6,034											11,192	6,034
Spice Mobility Limited	25,555												25,555	
<b>Creditors</b>														
Spice Digital Limited					9,683	4,499							9,683	4,499
Wall Street Finance Ltd					71								71	
Spice Mobility Limited	75,493	179,948					29,926	24,979					75,493	179,948
S2L Ltd													29,926	24,979
Spice Entertainment Private Limited					31,620									31,620
<b>Loans Payable</b>														
Spice Mobility Limited													415,075	594,375
Spice Digital Limited													119,977	100,000
Hindustan Retail Private Limited	116,550	43,300			119,977	100,000							116,550	43,300
<b>Debts</b>														
Collucum Retail India (P) Limited					248,420	170,288							248,420	170,288
Spice Online Retail Pvt. Ltd.					9,521	10,581							9,521	10,581
Mobiles Technology Pvt. Ltd.						834								834
S2L Ltd					4,500								4,500	

Notes:  
 1. No amount has been provided as doubtful debts or advances / written off or written back in respect of debts due from / to above parties other than as disclosed above.  
 2. The holding company, Spice Mobility Limited has given corporate guarantee and pledged fixed deposits of Rs. 180,562 thousand (Previous year Rs. 566,731 thousand) in respect of letter of credit/ bill discounting facility taken by the Company to the extent of Rs. 2,020,000 thousand where the holding Company is jointly and severally liable. Further, the holding Company has an equitable mortgage of its property situated at B1, 101, 106 and 107, Boomerang, Plot No. 4A and 4B, Sakévali Village, Chundavali farm road, Kurta (W), Mumbai in respect of letter of credit facility (included in the above amount) taken by Company to the extent of Rs. 450,000 thousand, where the holding Company is jointly and severally liable.  
 3. Fellow subsidiary of company has given corporate guarantee to Company to the extent of Rs. 1,600,000 thousand where the Fellow subsidiary is jointly and severally liable.  
 125. Note in respect of letter of credit facility (included in the above amount) taken by Company, where the fellow subsidiary is jointly and severally liable.



Notes to financial statements for the nine months period ended March 31, 2015

29. Capital & other Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.1,984 thousand (Previous year Rs. 2,055 thousand).

30. Contingent liabilities ( Not provided for) in respect of :

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Claims against the Company not acknowledged as debts		
Consumer Disputes*	7,052	5,685
Demands raised by sales tax authorities**	337,816	99,482
Demands raised by Income tax authority**	607	1,787
The Honble Supreme Court of India vide its order dated December 17, 2014 on the judgment in case of State of Punjab Vs. Nokia India Pvt. Ltd. has held that sales tax on battery charger sold along with mobile phone should be charged at sales tax rate applicable to chargers, which is higher than the sales tax rate applicable to mobile phones in few states. The Company has received a demand towards differential sales tax from one of the state, no effect has been given on the financial statements on account of above judgment. The Company is currently evaluating the above judgment, since the reliable estimate of the liability cannot be made.		
Others**	Amount unascertainable 3,997	3,117
	<b>349,472</b>	<b>110,071</b>

\* The cases are pending with various Consumer Disputes Redressal Forums. As per the management, the Company is made only a proforma party to these claims and liability, if any, arising out of these claims would be on the manufacturer and not likely to devolve on the Company.

\*\* As per the management, the Company has fair chances of success in all these cases and hence no provision in respect thereof is made in the books.

31. Loans and advances in the nature of loans given to subsidiaries and associates and firms/ companies in which directors are interested

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Cellucum Retail India Private Limited	-	278,000
Kirmaan Exports Private Limited	734	616
	<b>734</b>	<b>278,616</b>

Maximum amount outstanding during the year Rs. 278,616 thousand (Previous year Rs. 278,616 thousand)

32. Derivative Instruments and Unhedged Foreign Currency Exposure as at the reporting date

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 1,634,728 (Previous period US\$ 15,979,470)	Hedge of Trade Payables

The amounts of foreign currency exposure that are not hedged by a derivative instrument are as under:

Particulars	Currency	31-Mar-15		
		Amount in FC	Ex. Rate	Amount Rs.(000's)
(i) Payable to suppliers	USD	24,028,293	62.51	1,501,888
(ii) Receivables	USD	74,987	62.51	4,687

Particulars	Currency	30-Jun-14		
		Amount in FC	Ex. Rate	Amount (in '000)
(i) Payable to suppliers	USD	6,606,075	60.18	397,554
(ii) Trade Receivables	USD	30,372	60.18	1,828

(B) A sum of Rs. 237 thousand (Previous year Rs. 5,795 thousand) on account of unamortized foreign exchange premium on outstanding forward exchange contracts is being carried forward to be charged to Statement of Profit and Loss of subsequent year.

33. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		

The amount of interest paid by the buyer in terms of Section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year

The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the current period) but without adding the interest specified under the MSMED Act 2006.

The amount of interest accrued and remaining unpaid at the end of each accounting year

The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act 2006

34. Value of imports calculated on CIF basis

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Traded goods and Service components and spares	7,086,487	7,864,067
	<b>7,086,487</b>	<b>7,864,067</b>



Spice Retail Limited  
 CIN: U32201HP1988PLC008020  
 Regd. Address: Village Billanwali Labana, Post Office - Baddi, Tehsil Nalagarh, Baddi, Himachal Pradesh – 173205

Notes to financial statements for the nine months period ended March 31, 2015

35. Expenditure in foreign currency (accrual basis)

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
Travelling and Conveyance	4,403	5,289
Legal & Professional Expenses	23,185	20,594
	<b>27,588</b>	<b>26,283</b>

36. Earnings in foreign currency (accrual basis)

	31-Mar-15 Rs.(000's)	30-Jun-14 Rs.(000's)
FOB Value of Export	4,555	12,996
VAS Revenue	9,899	3,242
	<b>14,454</b>	<b>16,238</b>

37. As at March 31, 2015, the Company has accumulated losses of Rs. 3,715,686 thousand (Previous year Rs. 2,186,415 thousand) against its equity, securities premium and amalgamation reserve of Rs. 2,539,024 thousand and also has net current liabilities of Rs. 1,330,436 thousand (Previous year Rs. 392,614 thousand). The Company has incurred losses of Rs. 1,529,271 thousand (Previous year loss Rs.135,346 thousand) during the current year. In view of restructuring exercise whereby business undertaking of Spice Mobility Limited, the holding company has been acquired by the Company on slump sale basis with effect from July 1, 2013, the management is of the view that it will have sufficient profit in future which enable it to settle its obligation as and when they fall due. Financial statements do not include any adjustment relating to recoverables / payables and classification of recorded assets / liabilities that may be necessary if the entity is unable to continue as a going concern in view of the fact that Spice Mobility Limited, the holding company has confirmed its intention to provide financial support to the subsidiary company in the future which will enable it to settle its obligations as and when they fall due and operate as a going concern.

38. The Company has over the years invested Rs.482,439 thousand in its subsidiary Cellucom Retail India Private Limited as investment in the equity share capital and the same was being carried in its books at cost. In view of the continuing losses of the said business and as a prudent accounting practice, taken a decision to provide fully for the said investment as diminution in value. The said amount of provision for diminution in the value of investment has been shown under exceptional items in the financial results. However, the management continues to focus on growing the retail business in the subsidiary and making it profitable on an ongoing basis. The Company has trade receivables of Rs. 248,420 thousand (Previous year Rs 170,288 thousand) from the subsidiary. The management is hopeful of realising the above amounts and accordingly no provision has been made there against.

39. During the period ended March 31, 2015, the Company, has paid a sum of Rs.400,000 thousand as one time compensation for Disbanding the Brand Sub License agreement entered into with Spice Entertainment Ltd (Now known as Smart Entertainment Private Limited) in April 2010 for use of certain brand logo(s) against which it was paying Brand Fee. The above amount has been shown as part of exceptional items.

40. In accordance with Accounting Standard 22 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, in view of the losses incurred by the Company during the current and earlier years, deferred tax assets on timing differences and on unabsorbed depreciation and business losses and other items have not been accounted for in the books since it is not virtually certain that they will be realized against future profits.



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Spice Retail Limited

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Notes to financial statements for the nine months period ended March 31, 2015

**41. Disclosure required under Sec 186(4) of the Companies Act 2013**

Included in loans and advances, the particulars of which are disclosed below as required by Section 186(4) of Companies Act, 2013

Name of the Loanee	Rate of Interest	Due date	Secured/Unsecured	30-Jun-14 Rs. '000	Loan Given Rs. '000	Loan Repaid Rs. '000	31-Mar-15 Rs. '000
Cellucom Retail India Pvt Ltd	8% ( Previous Year Nil)	Refer Below	Unsecured	278,000	-	278,000	-

The loan was given for business purpose.

**Details of Investments made (At cost):**

Particulars	Opening Investments	Investments made during the period	Closing Investments
	Rs. '000	Rs. '000	Rs. '000
50,000,000 (Previous year 20,000,000) Unquoted fully paid up equity shares of Rs. 10 each in Cellucom Retail India Private Limited	182,439	300,000	482,439

**42. Previous year figures**

- a) Current year's accounts are prepared for the nine months period from July 1, 2014 to March 31, 2015. Previous year accounts were for the full year, i.e., from July 1, 2013 to June 30, 2014. Hence, current period's figures are not comparable with those of the previous year.
- b) Previous year figures have been regrouped / reclassified, wherever considered necessary.

As per our report of even date

For S.R. Balliboi & Co. LLP  
Chartered Accountants  
ICAI Firm registration number: 301003E

For and on behalf of the Board of Directors of Spice Retail Limited

*Anil Gupta*  
per Anil Gupta  
Partner  
Membership no.: 87921



*Subroto Chattopadhyay*  
Subroto Chattopadhyay  
Director  
DIN:00087730

*Suman Ghose Hazra*  
Suman Ghose  
Hazra  
Director  
DIN:00012223

*Subramanian Murali*  
Subramanian Murali  
Director  
DIN:00041261

Place: *Noide*  
Date: *11/01/2015*

*Palkal Krishna Kumar*  
Palkal Krishna Kumar  
Chief Executive Officer

*Gopal Sadani*  
Gopal Sadani  
Company Secretary  
Membership no.:  
A27683

*Subhasish Mohanty*  
Subhasish Mohanty  
Chief Financial Officer