

BRINGING YOU A SMARTER WORLD



spice
switch up!

ANNUAL REPORT 2012-13



MAKE A SMART START



Smart Flo Mettle 5X
Mi-504



Pinnacle Stylus
Mi-550



Stellar Virtuoso Pro+
Mi-492

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S Mobility Limited

Chairman's Statement



Dear Shareholders,

It gives us great pleasure to address all of you at the conclusion of a very eventful year for your company. We have reported strong operating results and continued our focus on a number of high impact strategic initiatives that position us well for strong growth in the years to come.

The Evolution of Mobile Internet

India is the world's second-largest telecommunications market in terms of number of subscribers and is expected to grow exponentially. Growth in coverage of data enabled telecommunication networks is creating a huge demand for connected devices and driving proliferation of mobile internet.

India has more than 200 million Internet users, of which over 50% access Internet using their mobile devices. In the last 3-4 years, the number of users who access the Internet through a 3G connection has grown to over 30 million. The ubiquitous nature of connected devices such as smartphones and tablets has created a massive opportunity for mobile Internet businesses. The penetration of mobile Internet is driven by three key factors: affordable smart devices, reduction in data access cost and proliferation of internet services. Your company plans to continue its focus on providing integrated solutions for our customers to enable them in this connected world.

Market Dynamics: Shift towards domestic brands and organized retailing

On the back of growth in internet and telecom sector, the mobile phone market is slated to reach USD 15 Billion in 2014. Mobile users are expected to shift to Smartphones, driving growth of 48% pa in this category. In last year, smartphones shipped into the country registered a growth of 167.3 per cent on an annual basis.

Smartphone growth is expected to be driven by several factors:

- Expansion and penetration of 3G network coverage and rollout of 4G
- A younger population's desire to access the internet through mobiles
- Greater availability of low cost devices from MNC and Domestic brands
- Distribution coverage of less populated areas and regions of the country

Domestic brands are expected to grow faster, in the entry and mid segment smartphones

Chairman's Statement

and tablets. MNC brands are increasingly focusing on high end 3G/4G smartphones and tablets. Even within 3G, the price competitiveness of domestic brands is driving market growth among first time smartphone users in a price conscious market like India. Domestic brands are expected to increase their volume share from 26% to 55% from 2012 to 2017, while value shares are expected to go up from 15% to 31%. Growth will be driven by shift towards smartphones and 3G devices.

Mobility retailing industry is also shifting towards organized retail with growth projected at three times the pace of traditional retail. Within mobile handsets, organized trade currently represents <5% of the available outlet universe but nearly 11% by sales value. Organized retail is expected to account for 18% of mobile handsets by 2017, growing at 25% pa.

The operator mobile value-added services (MVAS) market experienced highly volatile environment with regulatory changes. Within such a challenging environment, the industry faced margin pressure and hence, the overall profitability was impacted. Mobile operators are now focused to grow data access revenues through growth in data network reach and reduction in data cost.

A look at last year

The company has taken stringent measures to control costs and increase revenues in the past year. We have taken several decisions to focus on introducing new innovative products at competitive prices, improving our channel coverage, rolling out new stores with better customer experience.

S Mobility continued to focus on gaining smartphone market share while growing



feature phone volumes. SPICE brand was named as the second best in Indian mobile phone brands by Brand Equity, an Economic Times publication.

In the last year, SPICE entered into various high impact strategic partnerships with leading brands across the world. We launched innovative devices in partnership with the leading technology companies like Coolpad Group Ltd. and Huawei Technologies Co. Ltd. Spice also entered in a strategic agreement with Google to provide GMS licensing for our devices. SPICE achieved a significant milestone in the closing quarter of the year 2013 by crossing the sale of one million handsets in a month.

To continue our focus on providing mobility solutions to our customers, we partnered with leading app developers like Evernote, Twitter to embed these highly successful apps with our devices and offer greater value to our mobility customers.

Chairman's Statement

SPICE Retail continued to focus on creating experience based mobility stores across the country. In collaboration with Google, Spice retail rolled out India's first Android experience stores in Delhi and Bangalore. In our new format stores, the experience was enhanced with live devices, open interactive spaces and knowledgeable retail staff. In addition to building experience driven mobility destination for our customers, Spice is also focused on developing a strong online retail service Saholic.com; to offer enhanced convenience, wide choice of technology products as well as unparalleled information on technology and devices.

SPICE Digital expanded its current portfolio of mobility solutions to focus on enterprise mobility solutions, mCommerce, mEntertainment and mEducation. We developed innovative mobility solutions for the enterprise segment and partnered with many leading enterprises like Indian railways. Simultaneously, we have been increasing the share of international business within the same space, notably in Africa and South America. In Africa, we continued our focus on digital music distribution and partnered with various local artists to provide a wide range of music to our customers. In addition to mobility solutions, we enhanced our focus on mobile gaming and developed a portfolio of popular games for various operating system platforms.

Future Outlook

Mobility sector continues to offer huge potential with significant increase in the mobile internet consumer base. The consumers are showing higher affinity for connected devices. In this shift from mobile to mobile internet, your company is very well positioned to participate through its rich smartphone portfolio line-up under brand Spice, innovative and enjoyable retail environments like Spice Hotspot and Android Land; and growth in enterprise and internet services.

SPICE will continue to delight customers with new age products and services through its integrated business model. At SPICE, we will keep our focus on bringing more innovative partnerships to India and providing an unmatched experience to our customers.

The journey and the opportunities are equally exciting, and we invite you to participate and enjoy both with us. Let us conclude by thanking all our customers, employees, vendor Partners, and most importantly you, our shareholders for your support and contribution in all our endeavors. We look forward to an even better year ahead.

With Best Wishes,

Dr. B K Modi
Chairman

Dilip Modi
Chairman - Performance
Review Committee



COMPANY INFORMATION

S Mobility Limited

BOARD OF DIRECTORS

Dr. Bhupendra Kumar Modi - *Chairman*
Mr. Dilip Kumar Modi
Mr. Hanif Mohamed Dahya
Mr. Kashi Nath Memani
Ms. Preeti Malhotra
Mr. Rajul Garg
Mr. Saurabh Srivastava
Mr. Subroto Chattopadhyay

Company Secretary

Mr. M R Bothra

BOARD COMMITTEES

I) Audit Committee

Mr. Kashi Nath Memani – Chairman
Mr. Dilip Kumar Modi
Mr. Subroto Chattopadhyay

II) Remuneration Committee

Dr. Bhupendra Kumar Modi – Chairman
Mr. Kashi Nath Memani
Mr. Saurabh Srivastava
Mr. Subroto Chattopadhyay

III) Shareholders Value Enhancement and Investors Grievance Committee

Dr. Bhupendra Kumar Modi – Chairman
Ms. Preeti Malhotra

Chief Executive Officer & Manager

Mr. R. S. Desikan

Chief Financial Officer

Mr. Subramanian Murali

Registered & Head Office

S Global Knowledge Park, 19A & 19B, Sector 125,
Noida, District Gautam Budh Nagar, U.P.-201301
Phone :0120-3355131
E-mail : complianceofficer@smobility.in
Website : www.spice-mobile.com

Statutory Auditors

M/s S.R. Batliboi & Co. LLP
Chartered Accountants
Golf View Corporate Towers – B
Sector-42, Sector Road
Gurgaon – 122 002 (Haryana)

Internal Auditors

M/s Bansal Dalmia & Co.
Chartered Accountants
210, Gupta Tower, Commercial Complex
Azadpur, Delhi - 110033

Registrar & Share Transfer Agent (RTA) MAS Services Ltd.

T-34, 2nd Floor, Okhla Industrial Area
Phase-II, New Delhi-110 020
Phone : 011-26387281/82/83
Fax : 011-26387384
E-mail : info@masserv.com

Bankers:

HDFC Bank Limited
IndusInd Bank Limited

Symbol/Scrp Code at NSE /BSE

NSE Symbol : SMOBILITY
BSE Scrip Code : 517214

Green Initiative

In order to enable the Company to send various documents through electronic mode, the members of the Company are requested to register/update their e-mail addresses with the Company/RTA in case the shares are held in Physical mode and with the concerned Depository Participant (DP) in case the shares are held in Demat mode.



BOARD OF DIRECTORS



Dr. Bhupendra Kumar Modi Chairman

Dr. Bhupendra Kumar Modi (“Dr. BKM”) was appointed to the Board on 24th April, 2010 as Non-Executive Director and Chairman.

Futurepreneur, Global Citizen, The Man with the Midas Touch... there are many introductions attributed to

Dr. Bhupendra Kumar Modi, Chairman of the Company.

Dr. BKM, the man credited with many firsts in technology and redefining the Indian corporate history has always lived on the principal philosophy of challenging conventional wisdom to create business excellence by forging alliances with global technology companies like Xerox, Olivetti, Alcatel, Telstra, Telekom Malaysia, Mediatek to name a few. Under his leadership, Spice Global has expanded its presence in the world including Singapore, New York, London, ASEAN region,

Africa and China. After establishing a global footprint of the Group for the last 14 years, he is back to India with a vision to enrich the Indian market with technology, quality and innovation once again.

Apart from business, Dr. BKM is equally passionate about Global Citizen and his initiative called the Global Citizen Forum (GCF), has earned praise and admiration of the leaders of global society with whom he engages regularly on matters of human welfare. He is also an author, having written many books on the universality of religions, management and the heritage of Indian philosophy and culture.

Dr. BKM is a Chemical Engineer and an MBA from university of South California (U.S.C), and was awarded a Ph. D in Financial Management. He has also been conferred a D Litt in Industrial Management.



Mr. Dilip Kumar Modi Non-Executive Director

Mr. Dilip Kumar Modi was appointed to the Board on 21st August, 2006 as Director and was earlier the Managing Director of the Company.

Mr. Modi is a new generation entrepreneur who has been spearheading business innovations in the mobility segment with technology as the driving force. Mr. Modi soon after starting his career in the early 90s, led the entry of the Spice Group into the sunrise telecom sector in 1995 by creating Modi Telstra, India’s first mobile service provider. He also founded the country’s earliest VAS companies and mobile retail chains that led the wave of innovations in the telecom industry. He has been instrumental in building a dynamic Spice brand in mobility segment being the Spice Group’s flagship business.

Mr. Modi has been instrumental in expanding the Mobility footprint of the Spice Group across major Asian and African markets and has successfully created a Global and Inclusive Work Culture in the Group, currently headquartered at Singapore.

Apart from managing his businesses successfully, he is equally aware of the responsibility of the industry for affecting a positive social impact. His leadership attributes are widely recognized by corporate India resulting in his being the youngest ever President of Associated Chambers of Commerce (ASSOCHAM), the oldest chamber of India in 2011-12 as also the youngest Chairman of the Cellular Operators Association of India (COAI), in 2004 -05.

Mr. Modi was also awarded the “Youth Icon Award” by the Gujarat Chamber of Commerce and Industry for his exemplary leadership. He is the founder of Ek Soch, a social impact initiative to support innovation and entrepreneurship in the areas of Mobility, Education and Environment.

Mr. Modi holds a First Class Bachelor of Science Degree in Management Technology from the Brunel University, London, UK. He has also done his Masters in Business Administration from the Management School at the Imperial College, London, with a specialization in Finance.



BOARD OF DIRECTORS



Mr. Hanif Mohamed Dahya
Independent Director

Mr. Hanif Mohamed Dahya has been appointed to the Board on 26th August, 2013.

Mr. Hanif Mohamed Dahya, Wally, serves as the Chief Executive Officer of The Y Company, LLC. Mr. Dahya is an Investment Banker with 14 years of experience on Wall Street. He began his career with E.F. Hutton and Company, Inc. He served as Principal and Partner of Sandler O'Neil and Partners. He served as a Manager and Managing Director of mortgage-backed securities for Union Bank of Switzerland; Head of Mortgage Finance and Managing Director of LF Rothschild and Company, Inc. He was an Independent Non-

Executive Director of Cellebrum Technologies Limited.

He has been Independent Non Executive Director of S i2i Limited since August 29, 2013. Mr. Dahya served as a Director of New York Community BanCorp. Inc. and has been a Director of New York Commercial Bank. He is a Director of New York Community Bank since March 2, 2007. He served as a Director of CFS Investments New Jersey, Inc., a subsidiary of CFS Bank.

Mr. Dahya holds Masters in Business Administration Degree of Harvard Business School, Cambridge, Massachusetts, USA and obtained his bachelor's degree in technology from Loughborough University of Technology in the UK.



Mr. Kashi Nath Memani
Independent Director

Mr. Kashi Nath Memani was appointed to the Board on 24th April, 2010 as Independent Director. Mr. Memani is former Chairman and Country Managing Partner of Ernst & Young, India from where he retired on

31st March 2004.

Mr. Memani specializes in Business and Corporate Advisory, Financial Consultancy etc. and is consulted on the corporate matters by several domestic and foreign companies. He has helped several multi-national companies in setting up businesses in India.

Mr. Memani is member of the boards of various listed Companies besides being a member of governing bodies of some business schools, social, educational and charitable organizations and Foundations.

He is actively associated with various Chambers of Commerce. Currently, he is member of the Executive/Managing Committees of Federation of Indian Chambers of Commerce and Industry, Indo American Chamber of Commerce, PHD Chamber of Commerce and Industry and the Associated Chambers of Commerce and Industry in India. Mr. Memani has been the Past President of American Chamber of Commerce, Indo American Chamber of Commerce, PHD Chamber of Commerce & Industry etc. He was member of External Audit Committee of International Monetary Fund (IMF), Washington in the year 1999 and its Chairman in the year 2000, the only Indian so far to sit on this committee.

Mr. Memani holds Bachelor's Degree in Commerce from Calcutta University and is fellow member of the Institute of Chartered Accountants of India ("ICAI").



BOARD OF DIRECTORS



Ms. Preeti Malhotra
Non-Executive Director

Ms. Preeti Malhotra was appointed to the Board on 24th April, 2010 and has been an Executive Director of the Company till 13th February, 2013.

Ms. Malhotra is Executive Director of Smart Ventures Limited, the holding Company for the global mobility business of the Spice Group. She is also on the Board of S i2i Ltd, a Singapore listed Company and Wall Street Finance Ltd, a NBFC AD Category II listed entity and other group companies. She is an accomplished professional in the field of corporate governance and her opinion and advisory has industry wide recognition. She has been the past President of the Institute of Company Secretaries of India (ICSI). She was the first and is the only woman to be elected as President amongst the premier National Professional Bodies in India. She was a member of the Dr. J. J. Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Government of India, to advise the Government on the New Company Law being framed.

She is a member on various expert panels on Corporate laws, Governance and Regulation and is Member of various Committees of Chambers of Industries in India and is presently also the Chairperson of the National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM.

She has received several awards & citations and was awarded the Bharat Nirman Talented Ladies Award in the field of profession and the Vocational Service Excellence Award by Rotary Club of New Delhi. She also received on behalf of ICSI as its Past President "Recognition of Excellence Award" for her Excellency from Smt. Pratibha Devisingh Patil (Hon'ble President of India) during the Celebration of India Corporate Week 2009 by MCA.

Ms Malhotra is a Fellow Member of the Institute of Company Secretaries of India. She is a Commerce (Hons) Graduate and a Law Graduate from Delhi University.



Mr. Rajul Garg
Independent Director

Mr. Rajul Garg has been appointed to the Board on 26th August, 2013.

Mr. Garg is a successful digital business entrepreneur both in India and internationally.

Previously, Mr. Garg has co-founded GlobalLogic, a global leader in R&D outsourcing, now having over 8,000 people across 6 countries. He has also co-founded Pine Labs, a leader in point of sales transactions in India. Mr. Garg has also worked on the venture side with leading firms such as Sequoia

Capital and Battery Capital as well as in rural investments in India with Aavishkaar Capital. Currently, he heads Sunstone Business School, a leading technology-led business school for working professionals. He is also a Board observer at Cygnus Medicare, a leading healthcare chain in Delhi and Haryana with more than 8 multi-specialty hospitals under management.

Mr. Garg has gained a wide range of experience in technology driven businesses including team building, brand building, M&A, financing and structuring and business strategy.

Mr. Garg is a computer science graduate from IIT Delhi.



BOARD OF DIRECTORS



Mr. Saurabh Srivastava
Independent Director

Mr. Saurabh Srivastava was appointed to the Board on 30th May, 2011 as Independent Director.

Mr. Srivastava is one of India's leading IT entrepreneurs, angel investors and venture capitalists. He founded and chaired IIS Infotech which was ranked amongst the top 20 Indian software companies within 4 years of inception and was the first Indian IT company to get international quality certification. He has since founded/invested in over 50 start up ventures.

He is a cofounder and past Chairman of NASSCOM, the Indian Software Industry Association as also NASSCOM Foundation, the IT industry's community service arm. He serves/has served on the National Executive Committee of the two apex industry chambers in India, CII and FICCI. He serves on various boards, both private and public listed companies in the UK and India. He is on the board of Xchanging plc, a \$1 Bill UK IT major listed on LSE and on the Board of Info Edge (India) Limited, listed on BSE & NSE.

He serves / has served on several government committees / task forces / boards such as the Indo EU Round Table, PM's National Innovation Council, IT Ministry's Committee on software exports, Planning Commission and SEBI Committees on Venture Capital, National and State VC Funds, Media Lab Asia, Railway Expert Committee, CSIR Tech Ltd (set up by the Council for Scientific and Industrial Research to commercialise its technologies), Government's Multimodal Transport Task Force and Task Forces for two of India's largest States, UP and Bihar.

He serves/has served on the Advisory Board of Imperial College Business School, London, on the Entrepreneurship / Incubation boards of IIT Delhi and IIT Kanpur and on the Advisory boards of Uttarakhand and Himachal Universities. Awards include "Distinguished Alumnus" from IITK, Honorary Doctorate in Technology from the University of Wolverhampton, UK and Lifetime Achievement award from the IT Industry in India.

He has a Masters from Harvard University and a B Tech from the Indian Institute of Technology (IIT) Kanpur.



Mr. Subroto Chattopadhyay
Independent Director

Mr. Subroto Chattopadhyay was appointed to the Board w.e.f. 24th April, 2010 as Independent Director.

He is currently the Chairman of The Peninsula Foundation, which incubates new businesses. Mr. Chattopadhyay's executive career has been with Brooke Bond (now Unilever), ITC Ltd. (associate of British American Tobacco) and PepsiCo South Asia where he was an Executive Director. He was Member, Management Board, RPG Enterprises. He is ex-chairman of Wall Street Finance Limited.

He is the former Chairman of Audit Bureau of Circulation and Indian Music Industry. He is an active member of Indian Polo Association. Mr. Chattopadhyay has produced films like Japanese Wife and Khela and music albums with Ustad Amjad Ali Khan. He is Chairman of the National Group of Archives Management - Prasar Bharati.

He taught in ASCI and ISB in Hyderabad and Indian Institute of Management, Bangalore.

Mr. Chattopadhyay holds a Hons Degree in Economics, with Mathematics and Statistics from the University of Calcutta and has done a course in finance for senior management in BAT.

SENIOR MANAGEMENT TEAM @ S MOBILITY



R.S. Desikan - CEO

Held top management positions in various organizations in India and abroad for over 35 years. A graduate from IIM, Ahmedabad and RVB Institute, Delft, Holland.

Subramanian Murali – CFO

An FCA with over 25 years of professional experience. Is a business transformation and startup specialist, amply demonstrated during his 21 year stint at HCL.

T M Ramakrishnan – CEO, Devices

An industry veteran with over 18 years of in depth experience and knowledge of telecom industry, he holds an Executive MBA degree from IIM, Bangalore.

Krishna Kumar- CEO, Retail

Has rich experience of organised retail operations both in India and abroad. Has successfully run the spice retail operations for the last 7 yrs selling multi branded mobile phones and telecom accessories.

Saket Aggarwal – CEO, Services

A leading figure of the mobile VAS industry. He is a BITS Pilani pass-out with senior management programs from XLRI & IIM, has over 20 years of experience.

Arun Nagar – CEO, Spice Africa

An established entrepreneur, Arun has created multiple start-ups in Africa and Middle East, with businesses ranging from distribution and retail of mobility devices. In his current role as the CEO for Spice Africa, he is responsible for developing the business across Africa.

Siddhartha Jain - CEO, Spice Labs

IIT Delhi Graduate with 12 years of experience in multiple technology start-ups in business, product and engineering roles.

Rajneesh Arora – CEO, Saholic.com

A CFA with leadership programs from IIM and ISB and over 15 years of experience.

M R Bothra – VP- Corporate Affairs & Company Secretary

FCS, ACMA with more than 20 years of rich experience in functions like Corporate Affairs, Securities Laws, Investors Relations, Accounts & Finance and General Administration.



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the Audited Financial Statements and Accounts for the financial year ended on 30th June 2013.

FINANCIAL RESULTS

The financial performance of the Company for the financial year ended 30th June 2013, is summarized below:-

PARTICULARS	(Rs.'000)	
	For the Financial year ended 30.06.2013 (12 months)	For the Financial year ended 30.06.2012 (15 months)
Total revenue	7,439,140	10,236,007
Earnings before interest, tax, depreciation & amortization	786,861	(376,236)
Depreciation and amortization expense	81,681	88,439
Finance costs	1,430	2,422
Profit/(Loss) before tax	703,750	(467,097)
Tax expenses		
Current tax (Minimum Alternative Tax)	69,022	-
Deferred tax charge/ (credit)	-	6,846
MAT credit entitlement written off	8,978	-
Profit/(Loss) for the Period	625,750	(473,943)
Balance brought forward from previous year	909,415	1,753,464
Reversal of proposed dividend on equity shares	-	52,952
Reversal of corporate dividend tax	28,771	8,590
Profit available for appropriation	1,563,936	1,341,063
Appropriations:		
Proposed Equity Dividend	300,273	304,178
Tax on Proposed Equity Dividend	51,031	49,345
Transfer to General Reserve	62,575	78,125
Net Surplus in the Statement of Profit & Loss	1,150,057	909,415

During the year, the Company achieved a revenue of Rs.7,439 million for the Financial year (12 months) ended June, 2013 as against Rs.10,236 million for the 15 months period ended June, 2012. The Company has earned a profit of approx Rs.626 million during the financial year ended on 30th June, 2013 as against a loss of Rs.474 million in previous year showing a complete turnaround in the business of the Company.

The year witnessed strong improvement in Gross margin due to substantial cost reduction and well planned product portfolio.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company have been prepared as per Accounting Standard (AS) 21 notified under the Companies (Accounting Standards) Rules, 2006 (as amended). The key financial highlights of the consolidated financial results for the year ended 30th June, 2013 is summarized below:

PARTICULARS	(Rs.'000)	
	For the Financial year ended 30.06.2013 (12 months)	For the Financial year ended 30.06.2012 (15 months)
Total Revenue	18,844,928	27,628,622
Profit Before Tax	187,733	73,373
Profit/(Loss) for the period (after minority interest)	54,530	(97,098)

At the consolidated level the Company achieved a revenue of Rs.18,845 million for the financial year (12 months) ended June 2013 as against Rs.27,629 million for the 15 months period ended June 2012. The profit after tax for the financial year ended on 30th June, 2013 is Rs.55 Million as against loss of Rs.97 million for 15 months period ended on 30th June, 2012. Consolidated revenue is low but with better profitability due to higher margins and lower overheads.

On the devices business front, the Company has focused on profitability during the year. The Company undertook series of initiatives in cost rationalization, better product portfolio, expanding distribution network, opening of new format of Retail outlets etc. which helped improve profitability of the Company. Focused initiatives around inventories and overhead control led to healthier operation and better profitability.



DIRECTORS' REPORT

The VAS business continued to be affected by stringent TRAI regulations which resulted into drop in domestic revenues by approx. 50%. However, significant efforts were made to get additional revenues in the same space outside India, notably in Africa. Growth in international revenues and cost optimization measures initiated earlier led to improved profitability.

BUY BACK OF EQUITY SHARES

With a view to enhance returns to investors and overall shareholders' value by returning cash to shareholders in an efficient and investor friendly matter, the Board of Directors of your Company in its meeting held on 19th June, 2013 approved the Buy-back of Company's fully paid-up equity shares of Rs.3/- each, at a price not exceeding Rs. 75/- per equity share, subject to a maximum of 1,10,00,000 (one crore ten lac) equity shares, up to an aggregate maximum amount of Rs.60 Crores which is within the limit of 10% of paid up equity capital and free reserves as prescribed under the Companies Act, 1956. The said buy back of equity shares is being done from open market through stock exchange mechanism in accordance with the provisions contained in Section 77A and other applicable provisions of the Companies Act, 1956 and provisions contained in the SEBI (Buy Back of Securities) Regulations, 1998 as amended from time to time.

In pursuance to that, the Company commenced Buy back of its Equity Shares with effect from 10th July, 2013. Till 31st December, 2013; 1,02,20,403 Equity Shares of Rs.3/- each have been bought back by the Company, out of which 1,02,20,203 equity shares have been duly extinguished. Accordingly, the issued and paid up share capital of the Company has reduced to Rs. 68,35,98,246/- divided into 22,78,66,082 Equity Shares of Rs.3/- each as on the said date.

SALE OF MOBILE HANDSET BUSINESS TO SPICE RETAIL LIMITED

Pursuant to the approval of the members of the Company obtained by way of Postal Ballot, the Board of Directors of your Company in its meeting held on 28th June, 2013 decided to sell/ transfer the Mobile Handset business of the Company as a going concern to Spice Retail Limited, a Wholly Owned Subsidiary of the Company, by way of slump sale w.e.f. 1st July, 2013. The Board of Directors of your Company is of the opinion that transferring the Mobile Handset Business of the Company to Spice Retail Limited, which is in the retail distribution of multi brand mobile handsets and accessories ("Retail Business") would enable the Company to synergise and consolidate its business of distribution of mobile handsets of Spice Brand with "Retail Business" of Spice Retail Limited in a single entity leading to cost efficiencies and also increased revenues and profitability.

CLOSURE OF UNITS AT BADDI, HIMACHAL PRADESH

The Company had two units at Baddi, Himachal Pradesh, predominantly for manufacturing feature phone handsets. With the fast changing technology scenario and shift to 3G Smart Phones in cellphones business, it was found unviable to manufacture phones in these units. Further, your Company is in the process of changing the business focus from mobile to mobile internet and in future the Company will be focusing on new technologies like 3G, 4G etc., which will enable the consumers to have rich mobile internet experience.

Keeping this in view, the Company has decided to close down/dispose off both the Units (i.e. Unit I and Unit II) in Baddi. It is believed that the same would not have any impact on the performance of the Company as the Company is engaged in the distribution of the mobile handsets under the brand name 'SPICE' and 100% of the mobile handsets distributed are contract manufactured and customized as per the Indian market requirement before importing.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 50 % on the paid-up Equity Share Capital of the Company (i.e. @ Rs.1.50 per share) for the financial year (12 months) ended on 30th June 2013. Independent Non- Promoter Trust which holds 35,301,215 Equity Shares of the Company has waived off its right to receive dividend on 34,100,000 equity shares held by them and accordingly no dividend has been recommended on these shares for the financial year ended on 30th June 2013.

Subsequent to year end, the Board of Directors of your Company has also declared interim dividend of 5% (i.e. Rs.0.15 per Equity share of face value of Rs. 3/- each) on the paid-up Capital of the Company for the financial year ending June 30, 2014. Independent Non Promoter Trust which holds 35,301,215 equity shares of the Company has waived off its right to receive dividend on these equity shares held by them. Accordingly, interim dividend has not been declared on these shares.

LISTING OF SECURITIES

The Equity Shares of the Company are presently listed on BSE Limited (BSE) and National Stock Exchange of India Ltd (NSE). The Annual Listing Fee for the Year 2013-14 has been paid to both the stock exchanges.

HOLDING COMPANY

Subsequent to year end, the name of the Holding Company of your Company has been changed from S i2i Mobility Private Limited to Smart Ventures Private Limited w.e.f. 22nd July, 2013 which got converted into a Public Limited Company w.e.f. 29th November, 2013.

As at 30.06.2013, Smart Ventures Private Limited (formerly S i2i Mobility Private Limited) held 71.17% of the issued share capital of the Company. Further, consequent to the extinguishment of equity shares bought back in pursuance to the on-going Buy-back Offer of equity shares by the Company, the shareholding of the Holding Company has increased to 74.36% as on 31.12.2013.



DIRECTORS' REPORT

SUBSIDIARY COMPANIES

During the year, Spice Digital Limited, a Subsidiary of the Company, has subscribed for 100% equity (except one share) in Spice Digital Bangladesh Limited. Accordingly this Company has become a step down subsidiary of the Company. Further, during the year, Spice Digital Limited has bought back 3,118,701 equity shares from its shareholders resulting in increase in Company's shareholding in the said subsidiary from 82.7% to 89.2%.

Spice VAS (Africa) Pte Ltd, a step down subsidiary of the Company has issued 32,770 Equity shares to eligible Employees and granted 91,530 share awards to be exercised over a period of three years in accordance with the share award scheme of that Company. The Share capital of S GIC Pte Ltd, a step down subsidiary of the Company, has been reduced by an amount of 3.2 million SGD from 18,935,600 SGD divided into 18,935,600 fully paid up ordinary shares to 15,735,600 SGD divided into 15,735,600 fully paid up ordinary shares.

The Ministry of Corporate Affairs (MCA) vide its General Circular No. 2 dated 8th February, 2011 granted a general exemption under Section 212(8) of Companies Act, 1956 to companies from attaching the Accounts etc. of their subsidiary companies in the Annual Report subject to fulfillment of certain conditions prescribed therein. The necessary information relating to subsidiary companies have been disclosed in the consolidated balance sheet. The annual accounts of the subsidiary companies and the related detailed information shall be made available to the members of the Company seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept open for inspection by any member of the Company at the Registered Office of the Company on any working day during business hours.

The Statement relating to Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956 is attached as a part of the Annual Accounts of the Company.

FIXED DEPOSITS

During the year under review, the Company has not accepted any Deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

AUDITORS AND AUDITORS' REPORT

M/s. S.R. Batliboi & Co., Chartered Accountants (Firm Registration No.: 301003E), who are the Statutory Auditors of the Company has been converted into LLP and its name has been changed to S.R. Batliboi & Co. LLP. S.R. Batliboi & Co. LLP holds office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the said Act.

The Statutory Auditors in the Annexure to the Auditors' Report has mentioned about a slight delay in deposit of statutory dues in a few cases. Steps have been taken to ensure that all such delays are eliminated in future.

About the observation of the Statutory Auditors regarding non payment of Madhya Pradesh Entry Tax and Chattisgarh entry tax, the Company would like to inform that the Company is in discussion with tax authorities. Depending upon the outcome, the company will take appropriate action in this matter.

The Company had incurred cash losses in the immediately preceding financial period. However, no losses has been incurred during the current year. Losses of previous year pertain to demand challenge faced by the industry at large.

An accountant of the Company had misappropriated funds amounting to Rs.709 thousand during the year under audit. The Company is in process of recovering it from the employee and the concerned bank.

The Notes on Accounts referred to in the Auditors' Report are self explanatory and do not call for any further comments.

CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended on 30th June, 2013 is attached as a part of the Annual Accounts of the Company.

COST COMPLIANCE REPORT

Pursuant to the Companies (Cost Accounting Records) Rules, 2011 as notified by Ministry of Corporate Affairs on 3rd June, 2011 read with the relevant Circulars/ Notifications issued by the concerned statutory authorities, a Compliance Report for the financial year 2011-12, duly certified by a cost accountant, along with the Annexure as prescribed under the said Rules, was to be submitted to the Central Government. Accordingly, the Cost Compliance Report for the financial year 2011-12, certified by M/s Sanjay Gupta & Associates, Practicing Cost Accountants, was filed with the Central Government.

DIRECTORS

Mr. Rajul Garg and Mr. Hanif Mohamed Dahya have been appointed as Additional Directors w.e.f. 26th August, 2013. The status of Ms. Preeti Malhotra has been changed from Executive Director to Non- Executive Director w.e.f. 13th February, 2013.



DIRECTORS' REPORT

Mr. Kashi Nath Memani and Mr. Saurabh Srivastava retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

As required under Clause 49 of Listing Agreement, brief profile, details of experience and other Directorships / Committee memberships/ chairmanships held by the Directors in other Companies, whose appointment/re-appointment is due in the forthcoming Annual General Meeting (AGM) of the Company, forms part of the Notice convening AGM.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, the Directors hereby confirm that:

- (i) in the preparation of annual accounts for the financial year ended 30th June 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June 2013 and of the profit of the Company for the period ended on that date;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is enclosed as a part of this Annual Report. The Company has appointed M/s. Sanjay Grover & Associates, Practicing Company Secretaries, to conduct the Corporate Governance Audit of the Company. A certificate from them regarding compliance with Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

SECRETARIAL AUDIT

As a measure towards good Corporate Governance Practice, the Company has appointed M/s Sanjay Grover & Associates, Practicing Company Secretaries, to conduct the Secretarial Audit for the financial year 2012-13. The Secretarial Audit Report received from them forms part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under Clause 49 of the Listing Agreement is given in Annexure-A and forms an integral part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are annexed hereto in Annexure-B and forms an integral part of this report.

PARTICULARS OF EMPLOYEES

In terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the names and particulars of employees as prescribed there under are required to be given in the Directors' Report. However, pursuant to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the members of the Company excluding the aforesaid information. The same would be made available for inspection at the Registered Office during working hours for a period of twenty one days before the date of Annual General Meeting. Any member interested in obtaining a copy of the same may write to the Company Secretary.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for assistance and cooperation received from the Banks, Government Authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, Staff and Workers of the Company.

**For and on behalf of the Board of Directors of
S Mobility Limited**

Date: 3rd January, 2014

**Dr. B K Modi
Chairman**



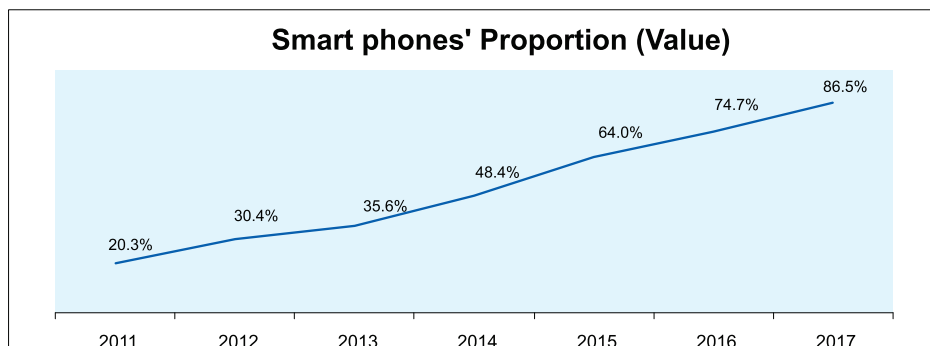
I. INDUSTRY SCENARIO & OPPORTUNITIES

In the telecom space, India has witnessed a lot of turmoil during the last 12 months. On one hand, the operator revenue has been strong as ever. But their own balance sheets have been stretched to the full due to heavy outgo on 3G Licence fees etc. On the other hand, the policy uncertainties / court cases involving 2G licence issues have thrown up some nervousness in the industry we operate in. On the positive side, the evolution of “Smartphones” especially in 3G area has beaten all expectations and breaking all price barriers. More and more powerful handsets are made available to consumers with features which were available just a year ago only to users of very high end phones. The lowering price barriers presents an enormous opportunity for us, amidst some pin pricks in the space.

Your company has 3 distinct business segments. The devices business unit has marketing and distribution of Spice branded handsets in various price points. Spice Hotspot is a chain of retail stores specializing in retaining mobile handsets & tablets, of not only Spice Brand but also other leading brands like Samsung, Nokia etc. Spice Digital Limited provides Value Added Services on mobile platform through telecom operators and also directly.

Device Business Unit

Mobile handset market in India is broadly classified as feature Phones and Smartphones, based on product classification. The brands which operate in the Indian market can be classified into two broad groups viz., MNC Brands - Multi National Companies brands like Samsung, Nokia, Apple etc. which are global brands and domestic brands like Spice, Micromax etc. The market share of different players in different segments, geographically within India and on overall basis varies significantly. Till 2 years ago, Feature phones formed 80% by value . It is expected that in the next 3 years, Smartphones will occupy 80% by value in the mobile handsets. The shift in marketplace is shown by the graph below :



Note: Value figures: Based on Gartner Estimates (Dec' 12)

There is a big scope for your company to grow in smartphone category, while retaining its share in feature phones.

What has happened in feature phones about 17 years ago is about to repeat in Smartphones. At that time, almost 90-95% of all phones sold in India were of MNC Brands with a small share for domestic players. Subsequently, share of MNCs tumbled to about 55% and correspondingly the share of domestic players went up. We believe that in the next 3 years, a similar shift will happen in Smartphones, but since the markets are more mature now, the shift will favour only players offering high quality/ reliability products with rich features at affordable prices. We are thus ideally placed to capture the opportunity. Share of Indian brands is likely to reach 40-45% even earlier than 3 years as predicted by some.

Exchange Rate Impact – from the second half of June, US \$ has significantly appreciated against Indian rupee. All our handsets are imported in US \$, adding significant costs. The whole industry is trying to readjust the pricing to recover part of cost increase due to erosion of rupee value. While some level of price increase is inevitable, a small level of margin erosion is expected. The company is aware of this risk and trying to improve operational efficiencies to compensate a part of the margin erosion.

Retail

Handsets retailing in India is broadly divided into General Trade and Organised retail trade. The traditional owner managed stores with one or two shop assistants form the backbone of General trade. But the share of smartphones in Organised trade is much higher than in General trade. Given the fact that within the overall handset retail, smartphones are the fastest growing segment, being present in Organised retail trade is a major positive factor. Of the total handsets retail trade, Organised trade was just 10% while General trade was around 90%. Thus, there is considerable opportunity in handset retailing in Organised trade.

The challenge is however, in the margins and cost structure. Because of the owner managed low cost general trade works on a very low margin, the margins provided to Organised trade tends to be low, even though their cost structure is much higher.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The customer experience in organized retail stores is certainly much better; but this aspect is not fully recognized by the brand owners to the full extent.

There is a need to strike the right balance between type of customers visiting the stores and stores frequented by customers looking for smartphones. We are segmenting our stores into Version 2 stores or stores focused more on smartphones and other stores focused on feature phones, which typically offer much lower margins. In the process, some of the stores become non-viable in the long run, which essentially need to be shut down.

Value Added Services – VAS

This segment of our business is highly susceptible to regulatory changes. Till last year, bulk of our services in India were offered through telecom operators, who are under the purview of TRAI (Telecom Regulatory Authority of India). Over the last 18 months, TRAI has significantly tightened the regulations around how and the manner in which we acquire customers and retain them. The severe restrictions brought on by TRAI has affected our revenue to the extent of almost 50% in India.

The company proactively devised other revenue streams outside the regulations using mobile platforms by offering enterprise solutions, railway offerings etc., in India. Simultaneously, there has been significant efforts to get additional revenue in the same space outside India, notably in Africa. We also took first steps to expand our offering in South America. All these efforts have helped us to mitigate the revenue drop from India operations.

2. PRODUCT / SERVICE PERFORMANCE

Devices Business - As enumerated in the strategic vision by our Chairman last year, the company focused on profitability and profitable revenue instead of chasing any revenue. The first half of the year saw the company focusing on feature phones where we have a long history. The company introduced smartphones in the second half of the year. Some of the competitors did introduce the smartphones earlier. But your company chose to stabilize the profitability before venturing into new products.

The second half of the year saw the introduction of multiple smartphone launches under Pinnacle series, which were very well received in the market. All our distributors and dealers are very excited about our new product offering. In addition to mobile phones, the company also introduced Tablets, which have also been well received.

Many more products have been lined up for launch over the next few months.

Retail Business - During the first half of the year, the company focused on devices business and stabilized the product portfolio. In order not to make too many changes all at the same time, Retail was run on a business as usual basis for the first few months. But the company aggressively put up new version 2 stores aimed at promoting smartphones in the second half. The company also dropped some of the very low margin business we were doing in retail segment. We also closed some of the stores in the second half, which were identified as stores which cannot be turned around even with new products / upgradation.

Value Added Services VAS - In order to mitigate the drop in domestic telecom revenue, your company aggressively developed new revenue streams in multiple areas- which internally we call "New Bets". These are International, Enterprises, Digital Marketing, and Travel & Retail.

In addition to new products in existing markets of India, the company expanded aggressively in new markets with existing products. In Africa, we expanded from 6 countries to 12 countries. We have a large presence in East Africa. We opened a new office in South Africa.

Thus in VAS segment, we followed New Products in old markets and Old Products in New Markets strategy. Such a mix of product / market strategy yielded rich dividend in arresting our revenue drop due to regulatory changes by as much as 50%. But for such innovative actions, the revenue and profitability in this segment would have taken a severe hit, which we successfully averted.

Business review

At S Mobility group level, the company achieved a revenue of Rs.18,845 Million against the previous Rs.27,628 Million for 15 months. As explained earlier, there was a conscious effort to bring in only profitable revenue, even if it meant lesser revenue. Consequently the EBITDA at group level improved from Rs.490 Million for previous 15 months to Rs.560 Million for the current year. Correspondingly, profit after tax improved from a loss of Rs.36 Million for previous 15 months to a profit of Rs.47 Million for the current year.

More importantly, cash generation in the business has been the focus during the year. The working capital – inventory and debtors were carefully managed and along with overall business strategy of profitable revenue, the cash & cash equivalents at the end of the year rose from Rs.1,887 Million on 30/6/2012 to Rs.2,393 Million on 30/6/2013. Cash balances are after paying out a dividend of Rs.400 Million.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Business Outlook

The company continues to focus on bringing new products which will satisfy the needs of customers in various segments.

The average lifecycle of products are shrinking from about 9 to 12 months to 3 to 6 months. Correspondingly, our product teams are working with our partners to bring the latest models well in time so that product obsolescence in the market place is minimized. This can act as a double edged sword. We have to balance between introduction of a product at the right time and at the same time, launch a replacement product in time to take over from the previous version at the right time. Our team has perfected the tight rope walk and our products are well received, as is demonstrated by low inventory.

Our entire supply chain management has been well tuned so that we bring in stocks on Just In Time basis, but at the same time, not lose out much revenue. The quality and reliability of our products are also well monitored to maintain the highest levels of standard.

Even though we had a delayed start in smartphones as a result of last year's spillover effect, we are trying to catch up with the market in innovative product offering and in time offering. Our efforts are now to offer products with minimal time gap between Indian offering and global offering, for the same specifications.

In VAS, the new bets last year were enumerated earlier. It is our intention to bring in the following innovative products –

International:- Increasing the footprint into the new Countries

Enterprises:- Providing the solutions to enterprises for enhancement of efficiency and effectiveness.

Travel :- Bouquet of services in Travel wrt Ticketing on all bearers i.e. IVR, SMS, USSD, Application, Travel information, hotel Booking, Tour packages etc.

Sales and Distribution -

The company has established a separate Sales Management Team for feature Phones and Smartphones. Currently our distribution channels cover 82 distributors, 493 mini distributors and approximately 25,000 retail counters.

While the company has good distribution network, in certain pockets it is dense and in certain pockets, it is light. Efforts are currently on to strengthen the light areas so that they also become at par with our dense distribution areas.

In retail segment, after closure of unviable stores, the company ended the year with 455 retail outlets, of which 27 are Version 2 stores.

With popularity of Android operating system in mobile phones, the company has started a pilot stores - Androidland, offering a world class experience to our customers. The store has been started on a trial basis and depending on its success, we will work out the future plans.

After Sales Service

The company has one of the most extensive after sales service network in the industry. Our network covers 471 service centres, 10 regional workshops and of course all of 455 Hotspot stores serve as collection points to serve the customers. With product reliability and improvement over a period of time, after sales service has been slowing down.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your management attaches very high importance to corporate governance. The independent directors have full access and visibility to any details in the company. One of the senior most members of the Board heads the audit committee. Audit committee's recommendations are taken very seriously by the board and implemented in letter and spirit.

To assist the audit committee to evaluate the internal systems and adherence, the company has appointed Internal Auditors directly reporting to the Audit Committee. Regular reviews are conducted by the internal auditors and the management responses are discussed and also shared with statutory auditors.

Commensurate with the size and scale of operations of the company, the company has well set processes and procedures for planning, review, revenue recognition, expenses authorization, capital expenditure approval, risk management, investments etc.

In spite of such tight controls, one case of employee fraud has come to light and immediate action has been taken to localize the same and also prevent such occurrence in future. The losses are covered by employee fraud insurance and is being processed by the insurance company.



DEVELOPMENTS DURING THE YEAR

During the year, the company took an authorization from shareholders to sell/transfer the Mobile handset business to a wholly owned subsidiary. This was an enabling resolution authorizing the board to take actions as appropriate.

However, during the year, the developments in the market place and foreign exchange situation and the market competition has forced a rethink on the matter. The retail business and devices business operated as two separate standalone business units under different legal entities within the consolidated structure. Both the business units operate in the same product category and the infrastructure required to carry out the business is very similar, like storage, logistics, service etc.

So after the enabling resolution was passed by the shareholders, the board took a decision not to go ahead with the previous method and an alternative resolution was proposed to the shareholders, which was duly approved by the shareholders with requisite majority to bring in the devices business and retail business under a single umbrella so that the company can use the common infrastructure and optimize the overall costs. Accordingly, effective 1st July 2013, devices business unit has been transferred to Spice Retail Limited, which is a wholly owned subsidiary of the company.

3. FINANCIAL PERFORMANCE

Financial performance has been provided separately in the Director's Report.

The Company has a Financial Management Information System in place based on an advanced implementation of the SAP, which involves preparation of a detailed Annual Business Plan for current year for each of the business segments. This plan is formulated after detailed discussions at various levels and includes borrowing plans as well as capital expenditure plan. The Board and Management of your Company and its subsidiaries regularly review the performance of the Company against the budgeted figures in the Plan.

Technology

In order to create value for our customers, the Company continuously invest in Research and Development of new and existing products, which is reflected by the close to 88 employees fully dedicated to R&D centres across our various locations and business units. Our efforts in R&D have helped us develop our own intellectual property which is well protected in defined geographies of our business interest. Our development technologies typically incorporate specialized proprietary know-how that we have developed and improved over a period of time.

4. TALENT DEVELOPMENT

Recruitment and Retention of the right talent pool is by far one of the most critical elements of our operations. All our Human Resource initiatives are focused on enhancing the skills of our team and ensuring that the motivation remains high and focus remains very sharp which greatly improves the overall productivity of the organization.

The Company has 241 employees in June, 2013 and there were over 2233 employees in the Company including its subsidiaries in June, 2013.

Health and Safety Measures

The Company continues to focus on the health and safety of its workers and staff at its factories and establishments. At all our plants, adequate safety measures for prevention of any untoward incidents have already been tended to. We are very conscious in terms of health management at all levels as a part of the Human Resource Development Program. We have also invested in Group Medclaim and Accidental Insurance for our employees.

5. CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objectives, outlook, estimates, expectations, predictions, belief and management perceptions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to Company's operations include, among others, economic conditions in the market in which the Company operates, changes in the Government Regulations, Tax Laws and other statutes and incidental factors.

The Company assumes no responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

**STATEMENT OF PARTICULARS UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****(A) Conservation of Energy**

- (a) Energy conservation measures taken:
The operation of the Company involves low energy consumption. Adequate measures have, however, been taken to conserve energy.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
N.A.
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
N.A.

(B) Technology Absorption

Efforts made in technology absorption as per Form B

The information that is required to be disclosed under rule 2 of the aforesaid rules is given hereunder in Form B.

(C) Foreign exchange earnings and outgo

- (a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:
During the year export earning has decreased from Rs 1,044.80 Lacs to Rs 172.76 Lacs.
- (b) Total foreign exchange used and earned
The Company used foreign exchange amounting to Rs 53,335.06 Lacs and earned foreign exchange of Rs 172.76 Lacs during the year under review.

FORM B**Form of Disclosure of particulars with respect to Technology Absorption and Research and Development (R & D)****Research and Development (R & D)****1. Specific area in which R&D carried out by the Company**

No R & D was carried out during the period.

2. Benefits derived as a result of the above R&D

Not applicable

3. Future plan of action

To add some more technical skills to provide better solutions to customers

4. Expenditure on R&D

- | | | |
|-------------------------------------------------------------|---|------|
| a) Capital | : | Nil |
| b) Recurring | : | Nil |
| c) Total | : | Nil |
| d) Total R&D expenditure as a percentage of total turnover. | : | N.A. |

Technology absorption, adaptation and innovation**1. Efforts, in brief, made towards technology absorption, adaptation and innovation**

We at spice, are well aware of latest technology being available in our field of operation. Necessary training is imparted to the relevant people from time to time to make them well acquainted with the latest technology.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

We are able to provide latest products available in the market and maintain higher standard of quality.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), the following information may be furnished.

- | | | |
|----------------------------------------------------------------------------------------------------------|---|------|
| a) Technology imported | : | Nil |
| b) Year of Import | : | N.A. |
| c) Has technology been fully absorbed | : | N.A. |
| d) If not fully absorbed, areas where this has taken place, reasons therefore and future plan of action. | : | N.A. |



CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company believes that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence. The corporate governance framework of your Company is based on an effective Board with independent Directors, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees as required under law. We believe that an active and well informed board is necessary to ensure the highest standards of corporate governance.

The Corporate governance practice goes beyond compliance and involves a company-wide commitment and has become the integral part of business to ensure transparency and integrity of the management.

The Company is in complete compliance with the Corporate Governance norms and disclosures as prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges. The Board of Directors of the Company is active and well informed and follows highest standards of Corporate Governance Practices to formulate strategies and policies having focus on optimizing value for its stakeholders.

2. BOARD OF DIRECTORS

a) Board's Composition

The Composition of Board of Directors of the Company is in conformity with the requirements of Clause 49 of the Listing Agreement. The Chairman of the Board is a Non-Executive Director. As on 30th June 2013, the Board consisted of Six (6) Directors, all of whom being Non-Executive Directors {including Three (3) Independent directors}. The Independence of a Director is determined by the criteria stipulated under the Clause 49 of the Listing Agreement. The Non-Executive Independent Directors are eminent professionals, drawn from amongst persons with expertise in business, finance, law, marketing and other key functional areas and play a critical role in enhancing balance to the Board processes besides providing the Board with valuable inputs. The Board represents an optimal mix of professionalism, knowledge and experience.

b) Board Meetings, Other Directorship and Attendance of Directors

During the year, the Board of Directors of the company met 7 (seven) times on 17th July 2012, 24th August 2012, 30th October 2012, 13th February 2013, 13th May 2013, 19th June 2013 and 28th June 2013. The intervening period between the Board Meetings were within the maximum time gap prescribed under Companies Act, 1956 and Clause 49 of Listing Agreement.

Necessary disclosures regarding Directorship and Committee positions in other Companies as at 30th June 2013 have been made by the Directors. As per the disclosure received from them, none of the directors of the Company is a member of more than ten Committees or Chairman of more than five Committees across all Public Limited Companies in which he / she is a Director.

The composition of the Board during the year under review and position held by Directors on the Board / Committees of Public Limited Companies as on 30th June 2013 along with their attendance at Board meetings and Annual General Meeting of the Company during the year under review is given below:

Name of Directors	Category	No. of Positions held as on 30 th June 2013 [@]			Attendance at Board Meetings held during the year	Attendance at last AGM
		No. of other Directorship	Committee ^{@@} (including the Company)			
			Membership	Chairmanship		
Dr. Bhupendra Kumar Modi	Promoter Non-Executive	-	1	1	7	Yes
Mr. Dilip Kumar Modi	Promoter Non-Executive	1	1	-	7	Yes
Ms. Preeti Malhotra [^]	Non-Executive	6	6	3	7	Yes
Mr. Kashi Nath Memani	Independent	9	9	5	6	Yes
Mr. Subroto Chattopadhyay	Independent	3	2	-	5	Yes

CORPORATE GOVERNANCE REPORT



Name of Directors	Category	No. of Positions held as on 30 th June 2013 [@]			Attendance at Board Meetings held during the year	Attendance at last AGM
		No. of other Directorship	Committee ^{@@} (including the Company)			
			Membership	Chairmanship		
Mr. Saurabh Srivatava	Independent	3	1	-	5	No
Ms. Divya Modi [#]	Promoter Non-Executive	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Rajiv Makhni ^{##}	Independent	N.A.	N.A.	N.A.	1	N.A.
Mr. Devendra Raj Mehta ^{###}	Independent	N.A.	N.A.	N.A.	2	N.A.
Mr. Krishan Lal Chugh ^{####}	Independent	N.A.	N.A.	N.A.	3	N.A.

[^]Status changed from Executive Director to Non-Executive Director w.e.f. 13.02.2013.

[#]ceased to be Director w.e.f. 17.07.2012.

^{##}ceased to be Director w.e.f. 14.09.2012.

^{###}ceased to be Director w.e.f. 22.10.2012.

^{####}ceased to be Director w.e.f. 05.11.2012.

[@] Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are excluded for the above purpose.

^{@@} The committees considered for the purpose are those prescribed in the Listing Agreement i.e. Audit Committee and Shareholders/Investors' Grievance Committee.

None of the Directors of the Company has any relationship with other Directors of the Company except Dr. Bhupendra Kumar Modi and Mr. Dilip Kumar Modi, who are relatives of each other within the meaning of Schedule IA of the Companies Act, 1956.

c) Information supplied to the Board

During the year, all the relevant information required to be placed before the Board of Directors as per Clause 49 of the Listing Agreement are considered and taken on record / approved by the Board. Further, the Board periodically reviews Compliance Reports in respect of all Laws and Regulations applicable to the Company.

3 DIRECTORS' REMUNERATION

Remuneration / Sitting fee paid to Director(s) for the financial year ended 30th June, 2013 is given below:

a) Executive Directors:

(Amount in Rs.'000)

Name of Director	Salary	Contribution to Provident fund	Perquisites / Allowances ^{**}	Total Salary
Ms. Preeti Malhotra [*]	844	60	5	909

^{*}ceased to be Executive Director w.e.f. 13.02.2013.

^{**}Actual Paid/evaluated as per the Income Tax Rules, 1962.

The above details exclude the provision for gratuity and leave encashment, as the same is calculated for the Company as a whole. The appointment of Executive Directors was contractual and could have been terminated by either side on three months notice or on payment of three months salary in lieu thereof. There is no separate provision for payment of severance fees. The Company has not granted any stock option to any of the Directors.

b) Non-Executive Directors:

The Independent Directors are paid a sitting fees of Rs.20,000 per meeting for attending the meetings of the Board of Directors and Committees thereof. Further, the members of the Company have approved the payment of commission upto one percent of the net profits of the Company in aggregate, to the Independent Directors of the Company and accordingly the Board has decided to pay commission to the Independent Directors within this limit.



CORPORATE GOVERNANCE REPORT

The details of remuneration paid by way of sitting fees to the Non Executive Directors for attending Board Meetings and Audit Committee Meetings during the financial year ended 30th June, 2013, proposed payment of commission and the number of shares held by them as on 30.06.2013 is as under:

Name of Director	Sitting Fees (Amount/ Rupees)	Commission payable* (Amount/ Rupees)	No. of shares held
Dr. Bhupendra Kumar Modi	Nil	Nil	Nil
Mr. Dilip Kumar Modi	Nil	Nil	10,00,000
Ms. Preeti Malhotra	Nil	Nil	1,00,152
Mr. Kashi Nath Memani	2,00,000	8,77,000	Nil
Mr. Subroto Chattopadhyay	1,80,000	8,76,000	Nil
Mr. Saurabh Srivastava	1,00,000	8,76,000	Nil
Mr. Krishan Lal Chugh	60,000	N.A.	N.A.
Mr. Devendra Raj Mehta	40,000	N.A.	N.A.
Mr. Rajiv Makhni	20,000	N.A.	N.A.

*commission pertains to the financial year 2012-13 and is payable during the current year.

There were no pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

4. INFORMATION ABOUT THE DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

The required information regarding the details of Directors seeking appointment / re-appointment is set out in the Explanatory Statement annexed to the Notice.

5. COMMITTEES TO THE BOARD

Audit Committee

a) Terms of Reference

As a measure to good Corporate Governance and to provide assistance to the Board of Directors in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company, an Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors of the Company. The Audit Committee is responsible for effective supervision of the financial reporting process, the appointment, independence, performance and remuneration of the Statutory Auditors including the performance and remuneration of Internal Auditors ensuring financial and accounting controls and ensuring compliance with the financial policies of the Company. The Committee reviews the financial statements and Quarterly and Annual Results with special emphasis on accounting policies and practices, ensuring compliance with Accounting Standards and other legal requirements concerning financial statements before they are submitted to the Board. The Internal Audit Reports on various matters covered by the internal auditors are regularly discussed in detail in the Audit Committee meetings. The terms of reference of the Audit committee includes the matters specified under Clause 49 (II) of the Listing agreement. Further, the Audit Committee also reviews such matters as considered appropriate by it or referred to it by the Board from time to time.

b) Composition and Meetings of the Committee:

As on 30th June 2013, the Audit Committee comprised of three Directors out of which two are Independent Directors. The Chairman of the committee is an Independent Director. All members of the committee are financially literate.

Members of the Audit Committee met Four (4) times during the year on 23rd August 2012, 30th October 2012, 4th February 2013 and 13th May 2013. The intervening period between Audit Committee Meetings was within the maximum time gap prescribed under Clause 49 of Listing Agreement. The attendance of each member at the meetings held during the year under review is as follows:

Name of Directors	Designation	Category	Attendance at the meetings held during the financial year ended June 30, 2013
Mr. Kashi Nath Memani	Chairman	Independent	4
Mr. Subroto Chattopadhyay	Member	Independent	4
Mr. Dilip Kumar Modi	Member	Non-Executive	3



CORPORATE GOVERNANCE REPORT

The Company Secretary acts as the Secretary to the Committee.

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

The Chief Financial Officer, Chief Executive Officer and Representatives of the Statutory and Internal Auditors normally attended the meetings by invitation. As and when deemed necessary, other Executives of the Company and those of subsidiary companies are also invited and attend the meetings of Audit Committee.

The Minutes of the Audit Committee meetings were noted by the Board of Directors of the Company at the subsequent Board Meetings.

Shareholders Value Enhancement and Investors Grievance Committee

The Committee has been formed by the Board of Directors to look into the matters relating to transfer/transmission of shares and the redressal of shareholders/investors complaints and also matters relating to shareholders value enhancement. The meetings are held on fortnightly basis to consider and approve the transfer/transmission /other matters relating to shares of the Company held in physical form and to look into the the Investors Grievances / Shareholder complaints related to transfer of shares, non- receipt of annual reports, non receipt of declared dividend etc. and their redressal. The Minutes of the Committee meetings are placed before the Board.

As on 30th June 2013, the Investors' Grievance/ Share Transfer Committee comprised of the following as its members:

Name of Directors	Designation	Category
Dr. Bhupendra Kumar Modi	Chairman	Non-Executive
Ms. Preeti Malhotra	Member	Non -Executive

Mr. M. R. Bothra, Vice President – Corporate Affairs and Company Secretary is also designated as Compliance officer of the Company.

The Committee approves transfer / transmission of shares issued by the Company, issue of duplicate certificates and certificates after split /consolidation/ rematerialisation. During the year ended on 30th June 2013 the Company has received 27 (twenty seven) complaints which were properly attended and resolved to the satisfaction of the shareholders. There is no pending complaint and transfer relating to the year ended 30th June 2013.

Remuneration Committee and Remuneration Policy

The Remuneration Committee reviews and recommends the remuneration and performance linked bonuses of the Executive Directors and Manager (i.e. managerial personnel) of the Company and also evaluates their performance based on the overall performance and financial results of the Company and on the assessment of the personal contribution and achievements of the individual. The Remuneration Policy of the Company for managerial personnel is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing industry practice. During the period under review, the Company has paid remuneration to Ms. Preeti Malhotra, Executive Director till the date on which she ceased to be Executive Director of the Company and Mr. R.S. Desikan, CEO & Manager as approved by the Remuneration Committee.

No meeting of the Remuneration Committee was held during the year. As on 30th June, 2013, the Remuneration Committee comprised of the following as its members:

Name of Directors	Designation	Category
Dr. Bhupendra Kumar Modi	Chairman	Non-Executive
Mr. Kashi Nath Memani	Member	Independent
Mr. Subroto Chattopadhyay	Member	Independent
Mr. Saurabh Srivastava*	Member	Independent

*Appointed as member of the Remuneration Committee w.e.f. 05.11.2012 in place of Mr. Krishan Lal Chugh.

The Company Secretary acts as Secretary to this committee.



6. GENERAL BODY MEETINGS

I. Meeting details

Location and time where last three Annual General Meetings were held:

Year	Location	Date	Time
2012	'Spice World', I-2 Sector-25A, Noida-201,301, Uttar Pradesh	Monday 10/12/2012	10.30 A.M.
2011	'Spice World', I-2 Sector-25A, Noida-201,301, Uttar Pradesh	Wednesday 28/09/2011	10.30 A.M.
2010	'Spice World', I-2 Sector-25A, Noida-201,301, Uttar Pradesh	Wednesday 29/09/2010	10:30 A.M.

The following Special Resolution(s) were passed by the members in the past three Annual General Meetings:

Annual General Meeting held on 10th December, 2012

- Appointment of Mr. R.S. Desikan as Manager of the Company for a period of 3 years w.e.f. 9th February, 2012.
- Approval of the Share Reward Rules framed by the Independent Non Promoter (Spice Employee Benefit) Trust.

Annual General Meeting held on 28th September 2011

- Revision of terms of the remuneration of Mr. Dilip Modi as Managing Director of the Company.
- Revision of terms of the remuneration of Ms. Preeti Malhotra as Executive Director of the Company.
- Substitution of Clause 149 of the Articles of Association for Declaration of Dividend.

Annual General Meeting held on 29th September 2010

- Appointment of Mr. Dilip Modi as Managing Director for a period of 3 years w.e.f. 24th April 2010.
- Appointment of Ms. Preeti Malhotra as Whole Time Director liable to retire by rotation and designated as Executive Director for a period of 3 years w.e.f. 24th April 2010.
- Payment of commission upto 1% per annum of net profits of the Company in the aggregate to Independent Directors.

II. Postal Ballot

- A)** The Company had issued Postal Ballot Notice dated 6th July, 2012 for obtaining the approval of the members by Ordinary Resolution under Section 293 (1) (a) of Companies Act, 1956 to sell or transfer the whole or part of the undertaking(s) pertaining to mobile handset business of the Company as a going concern or otherwise, to S Mobile Devices Limited, a wholly owned subsidiary of the Company.

The results were announced on 24th August, 2012. Summary of the Voting Pattern is as under:

Voting	No. of Equity Shares	% of total valid votes
Votes cast in Favour	22,04,10,551	99.9999
Votes cast Against	228	0.0001
Total	22,04,10,779	100

Result: Resolution passed with the requisite majority.

- B)** The Company had issued Postal Ballot Notice dated 25th March, 2013 for obtaining the approval of the members by Special Resolution under Section 31 of the Companies Act, 1956 for Alteration in the Articles of Association of the Company.

The results were announced on 13th May, 2013. Summary of the Voting Pattern is as under:

Voting	No. of Equity Shares	% of total valid votes
Votes cast in Favour	21,68,80,212	100.00
Votes cast Against	0	0.00
Total	21,68,80,212	100.00

Result: Resolution passed with the requisite majority.



- C) The Company had issued Postal Ballot Notice dated 13th May, 2013 for obtaining the approval of the members by Ordinary Resolution under Section 293 (1) (a) of Companies Act, 1956 for sale/ transfer of mobile handset business of the Company, to Spice Retail Limited a wholly owned subsidiary of the Company.

The results were announced on 27th June, 2013. Summary of the Voting Pattern is as under:

Voting	No. of Equity Shares	% of total valid votes
Votes cast in Favour	21,68,60,519	99.9993
Votes cast Against	1,496	0.0007
Total	21,68,62,015	100.00

Result: Resolution passed with the requisite majority.

Procedure for Postal Ballot

The procedure for Postal Ballot was carried out in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, as amended. Postal Ballot Notice along with the Postal Ballot Form, self addressed prepaid envelopes are dispatched under secured mode of posting to the members who are holding shares as on cut-off date fixed for the purpose. The members are required to send the duly completed and signed postal ballot form to the scrutinizer on or before the closure of the last date fixed for receipt of the same. As required under Clause 35B of the Listing agreement, the Company had offered e-voting facility as an alternate to its Members to enable them to cast their votes electronically instead of voting through physical ballot. The Scrutinizer submits his report to the Chairman of the Company on the basis of which the results are announced.

- D) None of the businesses proposed to be transacted at the ensuing Annual General Meeting requires passing of resolution through Postal Ballot.

7. CEO and CFO CERTIFICATION

As required under Clause 49 of the Listing Agreement, the CEO/CFO certification for the financial year ended 30th June, 2013 is enclosed at the end of this Report.

8. CODE OF CONDUCT

The Company has laid down a Code of Conduct for all Board members and senior management personnel of the Company. A copy of the said Code of Conduct is available on the Company's website ('www.spice-mobile.com').

All Board Members and Senior Managerial Personnel have affirmed compliance with the Code of Conduct as applicable to them for the year under review. A declaration to that effect duly signed by the CEO of the Company is attached at the end of this report.

9. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING:

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Company has framed a 'Code of Conduct for Prevention of Insider Trading'. The Code is applicable to all Directors and Designated Employees as defined thereunder who may have access to unpublished price sensitive information. The Directors and Designated Employees are communicated well in advance for closure of trading windows when they are not permitted to trade in the securities of the Company. The Company Secretary has been appointed as the Compliance Officer for monitoring adherence to the said Regulations.

10. DISCLOSURES

- **Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large**

The Company has not entered into any transaction of material nature with the Directors or the management, subsidiaries or relatives of Directors during the year under review that have potential conflict with the interest of the Company at large. A statement in summary form of the transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee. Further, the details of the related party transactions (as per AS-18) of the Company in the ordinary course of business during the year ended 30th June 2013 are given in Notes on Accounts forming part of Annual Report.

All related party transactions entered are on arms length basis and are intended to further the interest of the Company.



- **Details of non-compliance by the Company**

The Company has duly complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as Regulations and Guidelines issued by Securities and Exchange Board of India (SEBI) from time to time. There have neither been any instance of non-compliance nor any penalty or stricture have been imposed on the Company by Stock Exchange or by SEBI or by any other statutory authorities on any matter related to the capital markets during the last three years.

- **Risk Management**

In compliance with Clause 49 of the Listing Agreement, the Company has a properly defined framework for risk management. The Company in its Audit Committee and Board Meeting and at various levels reviews the risk assessment and minimization policy and procedures to assess the same and periodically discusses various risks associated with different businesses of the Company and the steps taken to mitigate the same.

- **Details of Compliance with mandatory requirements**

The Company has fully complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchanges relating to Corporate Governance.

- **Details of Adoption of Non-Mandatory requirements**

The Company has complied with the following non-mandatory requirements under Clause 49 of the Listing Agreement:

(1) The Board

A separate office is maintained for the Chairman at the Company's expenses. There is no fixed tenure for Independent Directors. While appointing Independent Directors, the Company takes into account the qualifications, knowledge and experience of the individuals and the contribution they can make in the business of the Company.

(2) Remuneration Committee

The Company has a Remuneration Committee constituted by the Board and comprises of four Non-Executive Directors out of which three are Independent Directors. The Chairman of the Remuneration Committee was present at the last Annual General Meeting to answer the Shareholders' queries.

(3) Shareholders' Rights

The quarterly financial results are published in the newspapers as mentioned under the heading "Means of Communication" at Sl. No. 11 herein below and also displayed on the website of the Company. The results are not separately circulated to each of the shareholders.

(4) Audit qualifications

The Company believes in maintaining its accounts in a transparent manner and aims at receiving unqualified report of auditors on the financial statements of the Company.

(5) Training of Board Members

The Company provides complete information and details to the Board Members about the business model of the Company. All the matters relating to the businesses conducted by the Company including its subsidiaries and risks associated with these business are discussed in detail in the meetings of the Board and Audit Committee.

(6) Whistle Blower Policy

While the Company has not formally established a Whistle Blower Policy as a mechanism for its employees to report to the management about any actual or suspected violation of the Company's Code of Conduct or business principles or concerns about unethical behavior, the employees are free to access the Management or the Audit Committee to report any such instances. The audit committee discusses such reported instances in detail and corrective actions are taken.

11. MEANS OF COMMUNICATION

The quarterly and annual financial results are normally published in "Financial Express" (National daily - English) and "Jansatta" (Regional daily - Hindi).

All material information about the Company and its business is promptly sent to the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) where the Equity Shares of the Company are listed so as to enable them to put the same on their



website. The Company regularly updates the media and investor community about its financial as well as other organizational developments. In addition to the above, quarterly and annual results and results of postal ballots are displayed on our website at www.spice-mobile.com for the information of all the stakeholders.

The Management of the Company regularly holds Investors'/Analysts' Conference Call for discussing the performance of the company subsequent to declaration of its quarterly & yearly financial results. The transcripts of the conference call and presentations made to the investors are also posted on the website of the company.

The Management Discussion and Analysis Report forms part of the Annual Report.

12. GENERAL SHAREHOLDER INFORMATION

- a) **Registered Office** : S Global Knowledge Park, 19A & 19B, Sector- 125, Noida, Distt. Gautam Budh Nagar, Uttar Pradesh -201301
- b) **Annual General Meeting**
- Date** : 20th February, 2014
- Time** : 10:15 A.M.
- Venue** : Expo Centre, A-11, Sector - 62, NH-24, Noida - 201301 (U.P.)
- c) **Financial calendar (tentative and subject to change)**
- Financial Year : July 2013 – June 2014
- Financial reporting for the quarter ending 30th September 2013 : Mid November 2013
- Financial reporting for the quarter ending 31st December 2013 : Mid February 2014
- Financial reporting for the quarter ending 31st March 2014 : Mid May 2014
- Financial reporting for the quarter ending 30th June 2014 : End August 2014
- d) **Date of book-closure** : 14th February, 2014 to 20th February, 2014 (Both days inclusive)

e) **Dividend payment date**

The dividend @ Rs.1.50 per equity share as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid within 30 days of the declaration to those members whose names appear in the Register of Members as on 20th February, 2014 after giving effect to all valid transfers in physical form lodged on or before 13th February, 2014 with the Company and/or its Registrar & Share Transfer Agent and in respect of shares held in electronic mode on the basis of beneficial ownership of shares as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 13th February, 2014.

f) **Listing at Stock Exchanges :**

The Equity shares of the Company are listed at the following Stock Exchanges:

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400 001

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex,
Bandra (E), Mumbai-400 051

g) **Scrip Code/Scrip Symbol of the Company as on 30.06.2013:**

BSE Limited:

Scrip ID : SMOBILITY
Scrip code : 517214

National Stock Exchange of India Limited:

Scrip Symbol : SMOBILITY



CORPORATE GOVERNANCE REPORT

h) Market price data and performance of share price of the Company :

The details of monthly highest and lowest quotations of the equity shares of the Company and the number of shares traded during each calendar month at the Stock Exchange(s) where the shares of the Company are listed and the relevant Index of the respective stock exchanges during the Financial Year ended 30th June, 2013 are as under:

BSE Limited (BSE) (Face Value Rs. 3/- per share)

Month	BSE Prices		Volume	BSE SENSEX	
	High Price (Rs.)	Low Price (Rs.)		High	Low
July 2012	51.20	41.30	17433	17,631.19	16,598.48
August 2012	46.95	36.95	25834	17,972.54	17,026.97
September 2012	45.75	37.05	27043	18,869.94	17,250.80
October 2012	45.00	35.25	42171	19,137.29	18,393.42
November 2012	41.55	36.30	16579	19,372.70	18,255.69
December 2012	42.00	38.20	17941	19,612.18	19,149.03
January 2013	45.00	31.60	48429	20,203.66	19,508.93
February 2013	37.25	26.10	20241	19,966.69	18,793.97
March 2013	34.40	22.65	40994	19,754.66	18,568.43
April 2013	30.70	22.90	22714	19,622.68	18,144.22
May 2013	45.50	22.20	172848	20,443.62	19,451.26
June 2013	49.05	28.30	254935	19,860.19	18,467.16

(source:www.bseindia.com)

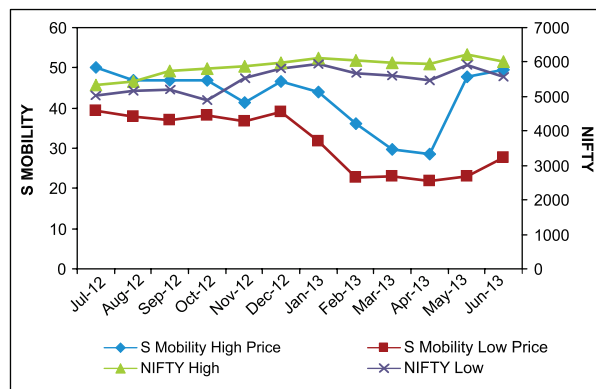
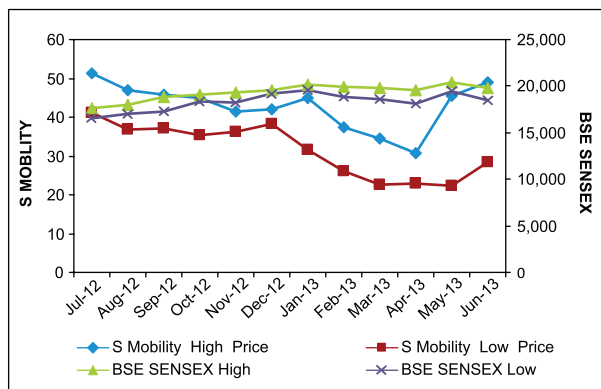
National Stock Exchange of India Limited (NSE) (Face Value Rs.3/- per share)

Month	NSE PRICES		Volume	NIFTY	
	High Price (Rs.)	Low Price (Rs.)		High	Low
July 2012	50.05	39.20	30920	5348.55	5032.40
August 2012	46.90	38.00	207669	5448.60	5164.65
September 2012	47.00	37.00	69871	5735.15	5215.70
October 2012	46.95	38.10	83652	5815.35	4888.20
November 2012	41.30	36.65	48883	5885.25	5548.35
December 2012	46.50	38.90	39099	5965.15	5823.15
January 2013	43.90	31.70	80679	6111.80	5935.20
February 2013	36.05	22.65	38359	6052.95	5671.90
March 2013	29.80	23.10	74627	5971.20	5604.85
April 2013	28.55	21.75	29468	5962.30	5477.20
May 2013	47.80	23.05	197502	6229.45	5910.95
June 2013	49.50	27.75	313607	6011.00	5566.25

(source:www.nseindia.com)



Performance of the share price of the company in Comparison to BSE Sensex and Nifty



i) Registrar and Transfer Agents:

MAS Services Limited

T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110 020

Tel: (011) 26387281/82/83; Fax: (011) 26387384

E-mail: mas_serv@yahoo.com, info@masserv.com,

Contact person - Mr. S.K. Mangla.

All transfer/transmission and dematerialization requests and other communications regarding change of address, dividend and other queries related to investor services may be sent at the above address.

j) Share Transfer System

Transfers of shares in physical form are registered and sent back within the stipulated time limit from the date of their lodgement, subject to the documents being valid and complete in all respects. The Shareholders Value Enhancement and Investors Grievance Committee looks into the issues relating to Share Transfers and Investor Grievances and the Committee meets fortnightly.

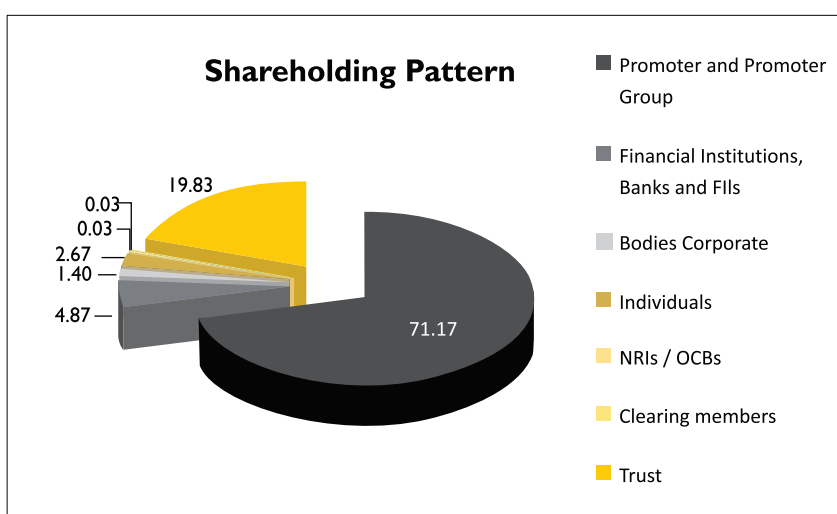
k) Distribution of Shareholding as on 30th June 2013:

Share Holding of Nominal Value of Rs.3/- each	Number of Shareholders	% to Total No. of Shareholders	No. of Shares Held	Amount in Rupees	% to Total Paid-up Capital
UPTO 5,000	23481	98.531	3562039	10686117	1.496
5,001 TO 10,000	192	0.806	444173	1332519	0.187
10,001 TO 20,000	69	0.290	325483	976449	0.137
20,001 TO 30,000	30	0.126	259499	778497	0.109
30,001 TO 40,000	5	0.021	52972	158916	0.022
40,001 TO 50,000	11	0.046	161769	485307	0.068
50,001 TO 1,00,000	11	0.046	233640	700920	0.098
1,00,001 AND ABOVE	32	0.134	233046710	699140130	97.883
Total	23831	100.000	238086285	714258855	100.000



Shareholding pattern as on 30th June 2013:

Category	No. of shares held	% of total Capital
Promoter and Promoter Group	169447570	71.17
Financial Institutions, Banks and FIs	11603809	4.87
Bodies Corporate	3329314	1.40
Individuals	6350552	2.67
NRIs / OCBs	81668	0.03
Clearing members	70405	0.03
Trust	47202967	19.83
Total	238086285	100.00



l) Dematerialization of shares and Liquidity:

The trading in equity shares of the Company is permitted compulsorily in dematerialized mode w.e.f. 29th January 2001 as per notification issued by SEBI. The International Securities Identification Number (ISIN) of the Company, as allotted by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) is INE927C01020. As on 30th June 2013, 98.74 % of the Share Capital of the Company is held in dematerialized form with NSDL and CDSL. The Equity shares of the Company are regularly traded on the Stock Exchanges and any person interested in the shares of the company can deal in the same as per the applicable Rules and Regulations.

Reconciliation of Share Capital Audit

As stipulated by SEBI, a Qualified Practicing Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges. The Audit confirms that the total Listed and Paid-up capital is in agreement with the aggregate of the total number of shares in dematerialized form and in physical form.

m) Convertible Instruments:

There are no outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, which are likely to have an impact on the equity of the Company.

n) Address for correspondence:

The Company Secretary
S Mobility Limited,
S Global Knowledge Park, 19A & 19B, Sector-125, Noida (U.P.) – 201 301.
Tel : (0120) 3355131

The designated E-mail id exclusively for the purpose of registering complaints by investors is investors@smobility.in.

The above Report has been placed before the Board at its meeting held on 26th August, 2013 and the same was approved.



CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
S Mobility Limited

We have examined the compliance of conditions of Corporate Governance by M/s S Mobility Limited, for the year ended June 30, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review has been limited to review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SANJAY GROVER & ASSOCIATES**
COMPANY SECRETARIES

Sanjay Grover
C.P. No. 3850

Date: 26th August, 2013
Place : New Delhi

To,
Board of Directors
S Mobility Limited
S Global Knowledge Park
19A & 19B, Sector – 125,
Noida – 201 301

SUB: CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF S MOBILITY LIMITED

Sir,

We, R. S. Desikan, CEO and Subramanian Murali, CFO Of S Mobility Limited [‘the Company’], to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit & Loss Account and all its Schedules and Notes on Accounts as well as the cash flow statement for the Financial Year ended on June 30, 2013.
2. Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
3. Based on our knowledge and information, the financial statements and other information included in this report, present a true and fair view of the company’s affairs and are in compliance with existing accounting standards and/or applicable laws and regulations;
4. To the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company’s code of conduct;
5. We are responsible for establishing and maintaining internal controls over financial reporting for the Company and we have evaluated the effectiveness of internal control systems of the company;
6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company’s auditors and the Audit Committee of the Company:
 - i. all deficiencies in the design or operation of internal controls, and any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - ii. significant changes in internal control over financial reporting during the period covered by this report;
 - iii. significant changes in accounting policies during the period under review and that the same have been disclosed in the notes to the financial statements; and
 - iv. instances of significant fraud of which we are aware that involves, the management or other employees who have a significant role in the company’s internal control system over financial reporting.

Place : Noida
Date : 26.08.2013

Subramanian Murali
Chief Financial Officer

R. S. Desikan
Chief Executive Officer & Manager

DECLARATION REGARDING COMPLIANCE WITH THE CODE OF CONDUCT

It is hereby declared that the Company has received affirmation from the Board Members and the Senior Management Personnel with regard to compliance of the Code of Conduct for Directors and Senior Management Personnel, in respect of the financial Year ended on 30th June, 2013.

For **S Mobility Limited**

Place: Noida
Date: 26.08.2013

R S Desikan
Chief Executive Officer & Manager



SECRETARIAL AUDIT REPORT

The Board of Directors

S Mobility Limited

Noida

We have examined the Registers, Records and Documents of S Mobility Limited (hereinafter referred to as “the Company”) for the financial year ended on **June 30, 2013** according to the provisions of-

- The Companies Act, 1956 (“the Act”) and the Rules made thereunder;
 - The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’)
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011;
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - The Equity Listing Agreements with BSE Limited and National Stock Exchange of India Limited.
 - The regulations as contained in Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 (FEMA Regulations).
- I. Based on our examination and verification of the registers, records and documents produced before us and according to the information and explanations given to us by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company during the audit period covering the financial year ended on 30th June, 2013 has complied with the provisions of the Act and the Rules made thereunder and the Memorandum and Articles of Association of the Company, with regard to:
- I. maintenance of various statutory registers and documents and making necessary entries therein;
 - II. closure of the Register of Members;
 - III. forms, returns, documents and resolutions required to be filed with the Registrar of Companies, Uttar Pradesh and Uttarakhand and the Central Government.
 - IV. service of documents by the Company on its Members;
 - V. notice of the Board Meetings and Committee meetings of Directors;
 - VI. the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
 - VII. the 24th Annual General Meeting held on December 10, 2012;
 - VIII. minutes of proceedings of General Meetings (including Postal Ballot under Section 192A of the Act thereof) and of Board and its Committees thereof;
 - IX. approvals of the Members, the Board of Directors, the Committees of Directors and Government Authorities, wherever required.
 - X. constitution of the Board of Directors / Committee(s) of Directors and appointment retirement and reappointment of Directors.
 - XI. payment of remuneration to the Directors including the Whole-time Director and Manager;
 - XII. appointment and remuneration of Auditors;
 - XIII. transfer and transmission of the Company’s shares;
 - XIV. declaration and payment of dividend;
 - XV. form of Balance Sheet as prescribed under Part I of Revised Schedule VI to the Act and requirements as to Statement of Profit & Loss as per Part II of the said Schedule;
 - XVI. contracts, common seal, registered office and publication of name of the Company; and
 - XVII. generally, all other applicable provisions of the Act and the rules made thereunder.
2. **We further report that:**
- I. The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities.
 - II. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Conduct for Directors and Senior Management.
 - III. As informed by management of the Company, all necessary approvals under the various provisions of the Act, wherever applicable, obtained by the Company.



SECRETARIAL AUDIT REPORT

- IV. During the period of Audit, there was no prosecution initiated against or show cause notice received by the Company, its Directors and Offices under the provisions of the Act, SEBI Act, FEMA Regulations and Listing Agreement(s)

3. We further report that :

- I. The Company has complied with the requirements under the Equity Listing Agreements entered into with the BSE Limited and the National Stock Exchange of India Limited.
- II. The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- III. The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.
- IV. The Company has complied with the provisions of Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000. Further the Company has also complied with the Master Circular No. 11/2011-12 regarding Direct Investment by Residents in Joint Venture (JV)/ Wholly Owned Subsidiary (WOS) abroad in connection with establishment of Wholly Owned Subsidiaries in Singapore and Hong Kong respectively.

For SANJAY GROVER & ASSOCIATES
COMPANY SECRETARIES

SANJAY GROVER

FCS No.4223

C.P No.3850

Date : 26th August, 2013

Place : New Delhi



INDEPENDENT AUDITORS' REPORT

To the members of S Mobility Limited

Report on the financial statements

We have audited the accompanying financial statements of S Mobility Limited ("the Company"), which comprise the balance sheet as at June 30, 2013, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matter of Emphasis

We draw attention to the fact that the Company has made investments of Rs. 878,375 thousand and, given unsecured interest free loans of Rs. 2,405,590 thousand to and has outstanding receivable of Rs. 369,469 thousand from its two subsidiary companies (including one subsidiary of a subsidiary company) whose net worth as per books is lower than the carrying value of the Company's investments in these companies. No provision has been made against the above in view of strategic long term investment of the Company in these subsidiaries, their future profitable projections and/or the fair value of these companies as at June 30, 2013. Our opinion is not qualified in respect of this matter.

Opinion

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

- (a) In the case of the balance sheet, of the state of affairs of the Company as at 30 June 2013
- (b) In the case of the statement of profit and loss, of the profit for the year ended on that date, and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.



INDEPENDENT AUDITORS' REPORT

- (d) In our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (e) On the basis of written representations received from the directors as on 30 June 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 30 June 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm registration number: 301003E

per Anil Gupta

Partner

Membership No.: 87921

Place : New Delhi

Date : August 26, 2013



INDEPENDENT AUDITORS' REPORT

Annexure referred to in paragraph I under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: S Mobility Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the 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 assets. No material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (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) The Company has granted loan to three wholly owned subsidiary companies covered under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 2,470,640 thousand and the closing balance of loans granted to such companies was Rs. 2,405,590 thousand.
- (b) The Company has made interest free loans to the two wholly owned subsidiaries. According to the information and explanations given to us, and having regard to management's representation that the interest free loans are given to wholly owned subsidiaries of the Company in the interest of the Company's business, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) The loans granted and interest thereon, are re-payable on demand. We are informed that the principal amount to the extent demanded by the Company has been received and Company has not demanded repayment of balance loan during the year, and thus, there has been no default on the part of the parties to whom the money has been lent. The loans given to these companies are interest free.
- (d) There is no overdue amount of loans granted to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) Purchase of raw materials for manufacturing mobile handsets and the major portion of the traded goods including mobile handsets are stated to be of proprietary nature, and hence, in such cases, the comparison of prices with the market rates or with purchases with other parties cannot be made. Read with above, in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and inventory 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 major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.



INDEPENDENT AUDITORS' REPORT

- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, related to the manufacture of mobile handsets, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, custom duty, service tax, excise duty, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities *though there has been a slight delay in a few cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable *except for an amount of Rs. 4,038 thousand in respect of Madhya Pradesh entry tax, which has not been paid since September 2010 and Rs. 7,374 thousand in respect of Chattisgarh entry tax payable for the years 2006-07 to 2011-12 (excluding for the year 2008-09 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, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ 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 and 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
Delhi Sales Tax Act, 1975	Demand against non submission of Form 'C' and treating exempted sales as sales	408	2002-03	Additional Commissioner Appeals, Delhi
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 to 2004-05	Additional Commissioner Appeals, Delhi
Central Sales Tax Act, 1956	Demand against non submission of Form 'F'	850	2005-06 to 2008-09	Joint Commissioner of Commercial Taxes, Bhubaneshwar
Central Sales Tax Act, 1956	Demand against Sales Tax	1,500	2006-07	Joint Commissioner of Commercial Taxes, Patna
Entry Tax Act, 1976	Demand for Entry Tax	833	2008-09	Deputy Commissioner of Commercial Taxes (Appeals), Raipur



INDEPENDENT AUDITORS' REPORT

Name of the statute	Nature of dues	Amount (₹ 000)	Period to which the amount relates	Forum where dispute is pending
Entry Tax Act, 1976	Demand for Entry Tax	4,523	2011-12 & 2012-13	Hon'ble High Court of Himachal Pradesh, Shimla
Central Excise Act, 1944	Demand for excise duty including penalty	64,263	1990-91 to 1993-94	CESTAT, Delhi
Foreign Trade (Development and Regulation) Act, 1992	Penalty on account of non-fulfillment of export obligation	40,860	1991-92	High Court, Delhi
Central Sales Tax Act, 1956	Demand against non submission of Form 'F'	101	2009-10	Joint Commissioner of Commercial Taxes, Jammu
Income Tax Act, 1961	Demand for income Tax on certain disallowances including interest	12,583	2010-11	Commissioner of Income Tax (Appeals), Meerut
Income Tax Act, 1961	Demand for income Tax on certain disallowances and MAT Credit not considered including interest	138,826	2011-12	Commissioner of Income Tax (Appeals), Meerut
Income Tax Act, 1961	Demand for TDS and Interest on TDS	15,638	2008-09 and 2009-10	Assistant Commissioner of Income Tax, Noida

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year. However, the *Company had incurred cash losses in the immediately preceding financial period.*
- (xi) The Company did not have outstanding dues to any financial institutions or banks and did not have any outstanding debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.



INDEPENDENT AUDITORS' REPORT

- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by way of a public issue during the year.
- (xxi) We have been informed that *an accountant of the Company had misappropriated funds amounting to Rs. 709 thousand during the year under audit*. The accountant has been dismissed. The Company has withheld his terminal benefits and the amount misappropriated over and above the terminal benefits and amount already recovered, amounting to Rs. 666 thousand, has been provided for as doubtful by the Company.

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm registration number: 301003E

per Anil Gupta

Partner

Membership No: 87921

Place : New Delhi

Date : August 26, 2013



BALANCE SHEET

as at June 30, 2013 (standalone financial)

	Notes	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Equity and liabilities			
Shareholders' funds			
Share capital	3	714,258	714,258
Reserves and surplus	4	5,625,561	5,322,344
		6,339,819	6,036,602
Non-current liabilities			
Long-term liabilities	5	23,779	18,685
Long-term provisions	6	3,259	2,877
		27,038	21,562
Current liabilities			
Trade payables	7	1,403,322	1,422,049
Other current liabilities	7	213,731	123,173
Short-term provisions	6	518,994	481,499
		2,136,047	2,026,721
TOTAL		8,502,904	8,084,885
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	902,044	987,915
Intangible assets	9	23,540	20,796
Capital work-in-progress		70,447	73,232
Intangible assets under development		1,588	1,588
Non-current investments	10	1,839,997	1,808,906
Deferred tax assets (net)	11	-	-
Long-term loans and advances	12	15,546	26,418
Amount recoverable from Employee Benefit Trust	48	126,052	126,052
Other non-current assets	13.2	942	3,415
		2,980,156	3,048,322
Current assets			
Current investments	14	100,000	441,707
Inventories	15	496,698	436,024
Trade receivables	13.1	638,884	939,545
Cash and bank balances	16	1,436,677	407,799
Short-term loans and advances	12	2,764,305	2,779,696
Other current assets	13.2	86,184	31,792
		5,522,748	5,036,563
TOTAL		8,502,904	8,084,885
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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Subroto Chattopadhyay
Director

Subramanian Murali
Chief Financial Officer

Preeti Malhotra
Director

R S Desikan
Chief Executive Officer and Manager

M R Bothra
Vice President- Corporate Affairs and Company Secretary



STATEMENT OF PROFIT AND LOSS

for year ended June 30, 2013 (standalone financial)

	Notes	For the year ended June 30, 2013 (Rs. '000)	For the 15 months period ended June 30, 2012 (Rs. '000)
Income			
Revenue from operations (gross)	17	7,098,086	10,105,862
Less: excise duty		168	23,250
Revenue from operations (net)		7,097,918	10,082,612
Other income	18	341,222	153,395
Total revenue (I)		7,439,140	10,236,007
Expenses			
Cost of raw materials and components consumed	19	184	1,634,713
Purchase of traded goods		5,433,971	6,648,364
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	20	(60,832)	(19,662)
Employee benefit expense	21	249,074	499,621
Other expenses	22.1	1,029,882	1,825,693
Exceptional items	22.2	-	23,514
Total (II)		6,652,279	10,612,243
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)		786,861	(376,236)
Depreciation and amortization expense	23	81,681	88,439
Finance costs	24	1,430	2,422
Profit/(Loss) before tax (including Rs. 677,817 thousand (30 June 2012: (Rs. 248,324 thousand)) for discontinuing operations - Refer Note No. 42)		703,750	(467,097)
Tax expenses			
Current tax (Minimum Alternative Tax)		69,022	-
MAT credit entitlement written off		8,978	-
Deferred tax charge / (credit)		-	6,846
Total tax expense (including Rs. 78,000 thousand (30 June 2012: Rs. 6,846 thousand) for discontinuing operations - Refer Note No. 42)		78,000	6,846
Profit/ (Loss) for the year (including Rs. 599,817 thousand (30 June 2012: (Rs. 255,170 thousand)) for discontinuing operations - Refer Note No. 42)		625,750	(473,943)
Earnings per equity share	25		
[nominal value of share Rs. 3 (30 June 2012: Rs. 3)]			
Basic and diluted (Rs.)			
Computed on the basis of profit from continuing operations		0.11	(0.92)
Computed on the basis of total profit for the year		2.63	(1.99)
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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Subroto Chattopadhyay
Director

Subramanian Murali
Chief Financial Officer

Preeti Malhotra
Director

R S Desikan
Chief Executive Officer and Manager

M R Bothra
Vice President- Corporate Affairs and Company Secretary



CASH FLOW STATEMENT

for year ended June 30, 2013 (standalone financial)

	For the year ended June 30, 2013 (Rs. '000)	For the 15 months period ended June 30, 2012 (Rs. '000)
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Net Profit/(Loss) before taxation	703,750	(467,097)
Adjustments for :		
– Depreciation / amortisation	81,681	88,439
– Loss on disposal of fixed assets (net)	467	596
– Diminution in the value of current investments	(2,344)	2,344
– Diminution in the value of non-current investments	-	23,514
– Unrealised exchange loss/(gain) (net)	22,077	17,007
– Interest expense	1,430	2,422
– Interest income	(73,763)	(72,746)
– Dividend Income	(10,443)	(43,646)
– Loss on sale of current investments	-	834
– Provision for doubtful debts and advances (net)	(67,896)	49,092
– Bad debts and advances written off	45,919	-
Operating (loss) / profit before working capital changes	700,878	(399,241)
Movements in working capital:		
(Increase) / Decrease in inventories	(60,674)	84,919
Decrease in trade receivables	333,288	322,631
Decrease / (Increase) in non-current loans and advances	1,104	(10,152)
(Increase) in current loans and advances	(77,855)	(82,984)
(Increase) in current assets	(25,245)	(2,002)
(Increase) in other non-current assets	(142)	-
Increase in other non-current liabilities	5,094	6,195
Increase/ (Decrease) in other current liabilities	88,058	(1,105)
(Decrease) in trade payables	(41,636)	(67,447)
Increase/ (Decrease) in non-current provisions	382	(43,152)
Increase/ (Decrease) in current provisions	5,225	(14,687)
Cash generated/(used in) from operations	928,477	(207,025)
Direct taxes paid (net of refunds)	(36,640)	(67,904)
Net cash from / (used in) operating activities	891,837	(274,929)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress and capital advances)	(30,893)	(668,727)
Proceeds from sale of fixed assets	2,721	412
Purchase of investments in subsidiaries	(78,733)	(81,781)
Purchase of current- investments	(100,000)	(4,191,433)
Sale of current investments	444,051	4,727,251

(A)



CASH FLOW STATEMENT

for year ended June 30, 2013 (standalone financial)

	For the year ended June 30, 2013 (Rs. '000)	For the 15 months period ended June 30, 2012 (Rs. '000)
Sale of non-current investments	47,642	-
Advance against sale of fixed assets (refer note 45)	17,500	-
Loans to bodies corporate	(66,500)	(580,000)
Loans repaid by bodies corporate	152,038	578,193
Interest received	61,100	91,987
Dividend Received	10,443	43,646
Fixed deposits refunded by banks	4,550,376	904,122
Fixed deposits made with banks	(5,330,533)	(222,606)
Net cash (used in)/from investing activities	(320,788)	601,064
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Interest paid	(1,430)	(2,422)
Dividend paid	(302,940)	(302,837)
Taxes on dividend paid	(20,574)	(49,345)
Loans taken from body corporate	-	1,500,000
Loans repaid back to body corporate	-	(1,500,000)
Net cash (used in) financing activities	(324,944)	(354,604)
Net Increase/(decrease) in cash and cash equivalents (A + B + C)	246,105	(28,469)
Cash and cash equivalents at the beginning of the year	125,067	153,536
Cash and cash equivalents at the end of the year	371,172	125,067
Components of cash and cash equivalents:		
Cash on hand	155	143
With banks		
- on current account	365,413	120,558
- unpaid dividend accounts*	5,604	4,366
Total cash and cash equivalents (note 16)	371,172	125,067
Summary of significant accounting policies	2.1	

*The Company can utilize these balances only toward settlement of the unpaid dividend.

Note: The above cash flow statement has been prepared under the "Indirect Method" as stated in the Accounting Standard 3 on Cash Flow Statement notified by Accounting Standards Rules, 2006 (as amended).

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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Subroto Chattopadhyay
Director

Subramanian Murali
Chief Financial Officer

Preeti Malhotra
Director

R S Desikan
Chief Executive Officer and Manager

M R Bothra
Vice President- Corporate Affairs and Company Secretary



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

1. Nature of Operations

S Mobility Ltd ("the Company") is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is primarily engaged in the trading of Mobile handset and accessories.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with 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 the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies have been consistently applied by the Company and are consistent with those of previous period.

2.1 Summary of significant accounting policies

(a) 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.

(b) Tangible Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

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.

(c) Depreciation on fixed assets

i) Depreciation is provided using the straight line method as per the estimated useful lives of the assets estimated by the management, which results in depreciation rates being equal to the corresponding rates prescribed under Schedule XIV of the Companies Act, 1956; except for the following, where the rate of depreciation is higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.

	Rates (SLM)	Sch XIV Rates (SLM)
Technical equipments (included in Plant and Machinery) and refer note (ii) below	10.00%	4.75%
Building at Baddi in the State of Himachal Pradesh	7.27%	3.34%

ii) The Company has on January 1, 2013 reassessed the remaining useful life of certain plant and machinery having gross block of Rs 39,939 thousand as fifteen months and accordingly is depreciating these assets on straight line basis over the remaining useful life of fifteen months.

iii) 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 (Refer Note 40).

iv) All individual assets costing Rs. 5,000 or less are depreciated in full in the year of addition.

(d) Intangible Fixed assets

Intangible Fixed Assets (Softwares) acquired separately are measured on initial recognition at cost. Such assets are amortised over their useful lives on straight line basis not exceeding six years.

(e) Impairment

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 asset's 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 reflects current market assessment of the time value of money and risks specific to the asset.

(f) Leases

Where the Company is lessee

Leases, where the lessor effectively retains substantially all 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.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

(g) Investments

Investments that are readily realisable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(h) 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 enacted in India. 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 reflects the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences 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.

In the situations where the Company is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing differences originate. However, the Company restricts recognition of 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 assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

The carrying amount of deferred tax assets are reviewed at each reporting 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.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the period in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

(i) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on transaction moving weighted average method.

Work-in-progress and finished goods(manufactured) are valued at lower of cost and net realizable value. Cost includes direct materials (determined on transaction moving weighted average basis) and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

Traded Goods are valued at lower of cost and net realizable value. Cost is determined on transaction moving weighted average method.

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

(j) 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, which coincides with their delivery to the customers. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

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.

Dividends

Revenue is recognised when the Company's right to receive dividend is established by the balance sheet date.

Income on Fixed Maturity Plan Investments

Income on investments made in the units of fixed maturity plans of various schemes of mutual funds is recognised based on reasonable certain yield as at the balance sheet date.

(k) 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 period or reported in previous financial statements, are recognised as income or as expenses in the period 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.

(l) Retirement and other employee benefits

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.

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. 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



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

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.

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 entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where the 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.

(m) 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.

(n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

(o) Provisions

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

(p) Warranty

Warranty costs on mobile handsets are provided on an accrual basis, taking into account the past trend of warranty claims received by the Company, to settle the obligation at the balance sheet date.

(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 in the cash flow statement comprise cash at bank and cash in hand and short term investments with the original maturity of three months or less.

(s) Derivative instruments

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

(t) 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. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

3. Share Capital

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Authorized		
330,000,000 (Previous year: 330,000,000) equity shares of Rs. 3 each	990,000	990,000
Issued, subscribed and fully paid-up		
238,086,285 (Previous year 238,086,285) equity shares of Rs. 3 each	714,258	714,258
Total issued, subscribed and fully paid-up	714,258	714,258

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	30-Jun-13		30-Jun-12	
	Nos.	Rs. '000	Nos.	Rs. '000
At the beginning of the year	238,086,285	714,258	238,086,285	714,258
Issued during the year	-	-	-	-
Outstanding at the end of the year	238,086,285	714,258	238,086,285	714,258

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 3 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 30 June 2013, the amount of dividend per share recognized as distributions to equity shareholders is Rs. 1.50 (30 June 2012: Rs. 1.50).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding company

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

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Holding Company		
S i2i Mobility Private Limited (now Smart Ventures Private Limited)		
169,447,570 (30 June 2012: 169,365,976) equity shares of Rs. 3 each fully paid	508,343	508,098

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

	30-Jun-13 Nos.	30-Jun-12 Nos.
Equity shares allotted as fully paid-up pursuant to the Scheme of amalgamation for consideration other than cash	163,448,285	163,448,285

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

Name of the shareholder	As at 30 June 2013		As at 30 June 2012	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of Rs. 3 each fully paid				
S i2i Mobility Private Limited, the holding company	169,447,570	71.17%	169,365,976	71.14%
Independent Non Promoter Trust	35,301,215	14.83%	35,301,215	14.83%



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

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.

4. Reserves and Surplus

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Securities premium account		
Balance as per the last financial statements	288,070	288,070
Closing Balance	288,070	288,070
General reserve		
Balance as per the last financial statements	4,124,859	4,046,734
Add: Amount transferred from surplus balance in the statement of profit and loss	62,575	78,125
Closing Balance	4,187,434	4,124,859
Surplus in the statement of profit and loss		
Balance as per last financial statements	909,415	1,753,464
Profit / (Loss) for the year	625,750	(473,943)
Reversal of proposed dividend on equity shares**	-	52,952
Reversal of corporate dividend tax*	28,771	8,590
Profit available for appropriation:	1,563,936	1,341,063
Less: Appropriations		
Proposed final equity dividend (amount per share Rs. 1.50 (30 June 2012: Rs. 1.50))	300,273	304,178
Tax on proposed equity dividend	51,031	49,345
Transfer to general reserve	62,575	78,125
Total appropriations	413,879	431,648
Net surplus in the statement of profit and loss	1,150,057	909,415
Total reserves and surplus	5,625,561	5,322,344

* The reversal of corporate dividend tax during the current year represent corporate dividend tax paid by subsidiary Company on dividend paid to the Company during the current year. The Company has taken credit of the same while paying the corporate dividend tax on dividend paid during the current year. Accordingly, corporate dividend tax to this extent, accrued in previous period, has been reversed.

** Independent non-promoter trust which holds 35,301,215 equity shares of the Company has/had waived off its right to receive dividend on 34,100,000 equity shares proposed during the current year and 35,301,215 equity shares for the previous period. Accordingly, dividend proposed excludes dividend in respect of equity shares held by the trust. Further refer to note 41.

5. Long Term Liabilities

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Security Deposits	15,875	14,575
Rent Equalization Reserve	7,904	4,110
	23,779	18,685



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

6. Provisions

	Long-term		Short-term	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Provision for employee benefits				
Provision for gratuity (Note 26)	-	745	2,923	2,058
Provision for leave benefits	-	-	15,542	18,254
	-	745	18,465	20,312
Other provisions				
Provision for warranties	3,259	2,132	114,736	107,664
Provision for income tax	-	-	34,489	-
Proposed equity dividend	-	-	300,273	304,178
Provision for tax on proposed equity dividend	-	-	51,031	49,345
	3,259	2,132	500,529	461,187
	3,259	2,877	518,994	481,499

Provision for warranties

A provision is recognized for expected warranty claims on products sold during last one year, 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.

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
At the beginning of the year	109,796	170,160
Arising during the year	236,050	284,712
Utilized during the year	227,851	345,076
At the end of the year	117,995	109,796
Current portion	114,736	107,664
Non-current portion	3,259	2,132

7. Trade Payable and other Current Liabilities

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Trade payables (including acceptances) (refer note 33 for details of dues to micro and small enterprises)	1,403,322	1,422,049
	1,403,322	1,422,049
Other liabilities		
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	5,604	4,366
Creditors for capital goods	2,424	18,662
Advance against sale of fixed assets (Refer Note No. 45)	17,500	-
Advance from customers and their credit balances	112,724	48,302
Rent Equalization Reserve	501	-



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Others		
Indirect Taxes and Duties Payable	69,544	45,906
Employee Statutory Deductions	1,364	1,821
TDS payable	4,070	4,116
	213,731	123,173
	1,617,053	1,545,222

8. Tangible assets

(Rs. ' 000)

	Freehold Land	Buildings	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements	Total
Cost									
At 1 April 2011	9,456	18,755	53,653	2,948	5,162	25,265	14,748	6,690	136,677
Additions	91,545	417,560	52,610	36,674	47,843	20,167	-	301,822	968,221
Disposals	-	-	-	496	1,246	727	-	-	2,469
At 30 June 2012	101,001	436,315	106,263	39,126	51,759	44,705	14,748	308,512	1,102,429
Additions	-	888	1,112	801	4,119	1,759	-	593	9,272
Disposals	-	-	-	-	-	1,293	-	2,470	3,763
Transferred to assets held for sale	(9,456)	(19,644)	-	-	-	-	-	-	(29,100)
At 30 June 2013	91,545	417,559	107,375	39,927	55,878	45,171	14,748	306,635	1,078,838
Depreciation									
At 1 April 2011	-	8,342	14,275	1,707	1,092	7,059	1,281	5,945	39,701
Charge for the period	-	7,352	9,212	8,225	3,226	8,316	1,748	38,196	76,275
Disposals	-	-	-	458	454	550	-	-	1,462
At 30 June 2012	-	15,694	23,487	9,474	3,864	14,825	3,029	44,141	114,514
Charge for the year	-	9,316	16,825	2,460	2,707	7,195	1,399	35,565	75,467
Disposals	-	-	-	-	-	351	-	221	572
Transferred to assets held for sale	-	(12,615)	-	-	-	-	-	-	(12,615)
At 30 June 2013	-	12,395	40,312	11,934	6,571	21,669	4,428	79,485	176,794
Net Block									
At 30 June 2012	101,001	420,621	82,777	29,652	47,894	29,882	11,719	264,370	987,915
At 30 June 2013	91,545	405,164	67,063	27,993	49,307	23,502	10,320	227,150	902,044

Notes:

1. Fixed assets include following assets given on operating lease :

(Rs. ' 000)

Particulars	Gross Block		Depreciation		Accumulated Depreciation	
	As at June 30, 2013	As at June 30, 2012	For the year ended June 30, 2013	For the year ended June 30, 2012	As at June 30, 2013	As at June 30, 2012
Factory Building	-	6,920	495	619	-	2,527
GRAND TOTAL	-	6,920	495	619	-	2,527

2. Computers include fixed assets having gross block of Rs. 7,290 thousand (Previous period Rs. 7,290 thousand) and written down value of Rs. 3,066 thousand (Previous period Rs. 4,280 thousand), which are held in joint ownership with others.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

9. Intangible assets

(Rs. '000)

	Computer Softwares
Gross block	
At 1 April 2011	26,456
Addition	15,171
At 30 June 2012	41,627
Addition	8,957
At 30 June 2013	50,584
Amortization	
At 1 April 2011	8,667
Charge for the year	12,164
At 30 June 2012	20,830
Charge for the year	6,214
At 30 June 2013	27,044
Net block	
At 30 June 2012	20,797
At 30 June 2013	23,540

Note:

Computer Softwares include fixed assets having gross block of Rs.18,833 thousand (Previous period Rs.18,833 thousand) and written down value of Rs. 7,920 thousand (Previous period: Rs. 10,966 thousand), which are held in joint ownership with others.

10. Non Current Investments

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Trade investments (valued at cost unless stated otherwise)		
Investment in subsidiaries (unquoted)		
Spice Digital Limited		
35,470,674 (Previous period 35,249,827) equity shares of Rs.10 each fully paid up	88,974	80,741
Hindustan Retail Private Limited		
70,530,000 (Previous period 63,530,000) equity shares of Rs.10 each fully paid up	705,282	635,282
Spice Retail Limited		
794,262 (Previous period Nil) equity shares of Rs.10 each fully paid up**	173,093	-
Spice Distribution Limited		
Nil (Previous period 3,971,311) equity shares of Rs.10 each fully paid up**	-	173,093
Kimaan Exports Private Limited		
20,000 (Previous period 20,000) equity shares of Rs.10 each fully paid up	456,212	456,212
S Mobility (HK) Limited		
10,000 (Previous period 10,000) equity shares of HKD 1 each fully paid up	64	64
S Mobility Pte. Limited		
285,000 (Previous period 285,000) equity shares of SGD 1 each fully paid up	12,406	12,406
S Mobile Devices Limited		
50,000 (Previous period Nil) equity shares of Rs.10 each fully paid up	500	-
In a Trust (unquoted)		
Interest as sole beneficiary in an Independent Non Promoter Trust ***	373,798	373,798



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Investment in equity instruments (quoted)		
Godfrey Philips India Limited 17,300 (Previous period 17,300) equity shares of Rs.10 each fully paid up	24,925	24,925
Spicejet Limited 140,288 (Previous period 140,288) equity shares of Rs.10 each fully paid up*	4,693	4,693
(at cost less provision for other than temporary diminution in value Rs. 3,096 thousand (Previous period Rs 3,096 thousand))		
	1,839,947	1,761,214
Non-Trade investments (valued at cost unless stated otherwise)		
In Other Company (unquoted)		
Plus Paper Foodpac Limited *	-	47,642
Nil (Previous period 3,403,000) equity shares of Rs.10 each fully paid up (at cost less provision for other than temporary diminution in value Rs.Nil (Previous period Rs. 20,418 thousand))		
Government and trust securities (unquoted)		
5 (Previous period 5) National Saving Certificates of Rs.10,000 each (Purchased in the name of an employee of the Company and pledged with sales tax department)	50	50
	50	47,692
Total	1,839,997	1,808,906
Aggregate amount of quoted investments (Market value: Rs. 53,977 thousand (30 June 2012: Rs. 65,502 thousand))	29,618	29,618
Aggregate amount of unquoted investments	1,810,378	1,779,288
* Aggregate provision for diminution in value of investments	3,096	23,514

* Pursuant to amalgamation of Spice Distribution Limited (SDL) with Spice Retail Limited (SRL) with effect from July 31, 2012 (appointed date April 1, 2011), the Company has received 794,262 equity shares against the shares of SDL in the ratio of 1 share of SRL for every 5 shares held in SDL.

** The trust is holding 35,301,215 equity shares of the Company, the sole beneficiary of which is the Company.

II. Deferred tax assets (net)

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Deferred tax liability		
– Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	34,239	27,802
Gross deferred tax liability	34,239	27,802
Deferred tax assets		
– Effect of expenditure debited to Statement of Profit and Loss in the current / earlier periods but allowable for tax purposes in following years	16,174	10,191
– Unabsorbed losses and Depreciation	21,748	163,816
– Provision for diminution in the value of investments	1,004	8,390
– Provision for doubtful debts and advances	320	22,348
Gross deferred tax assets	39,246	204,745
Net deferred tax assets	5,007	176,943
Less: Deferred tax assets not recognized (Refer Note 44)	(5,007)	(176,943)
	-	-



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

12. Loans and advances

	Non-current		Current	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Capital advances				
Unsecured, considered good	550	1,340	-	-
	550	1,340	-	-
Security deposits				
Unsecured, considered good	2,981	4,034	2,187	2,131
Security deposit to related party (Note No. 31)	10,000	10,000	-	-
	12,981	14,034	2,187	2,131
Loans and advances to related parties (Note No. 31)				
Unsecured, considered good	-	-	2,449,490	2,535,028
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	184,789	120,831
Unsecured, considered doubtful	-	-	985	9,380
	-	-	185,774	130,212
Provision for doubtful advances	-	-	985	9,380
	-	-	184,789	120,832
Other loans and advances				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	-	-	116,570	114,463
MAT credit entitlement account	-	8,978	-	-
Prepaid expenses	-	-	10,551	6,245
Loans to employees	-	-	718	998
Balances with statutory / government authorities	2,015	2,066	-	-
	2,015	11,044	127,839	121,706
Total	15,546	26,418	2,764,305	2,779,696

13. Trade Receivables and Other Assets

13.1. Trade Receivables

	Non-current		Current	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Unsecured, considered good unless stated otherwise Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	322,677	31,562
Unsecured, considered doubtful	-	-	-	19,500
	-	-	322,677	51,062



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	Non-current		Current	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Provision for doubtful receivables	-	-	-	19,500
	-	-	322,677	31,562
Other receivables				
Unsecured, considered good	-	-	316,207	907,983
Unsecured, considered doubtful	-	-	-	40,000
	-	-	316,207	947,983
Provision for doubtful receivables	-	-	-	40,000
	-	-	316,207	907,983
	-	-	638,884	939,545

13.2. Other assets

	Non-current		Current	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Unsecured, considered good unless stated otherwise Non-current bank balances (note no. 16)	800	3,415	-	-
Unamortized premium on forward contract	-	-	5,281	10,617
	-	-	5,281	10,617
Others				
Interest accrued on fixed deposits	142	-	17,486	9,695
Receivable against forward contract	-	-	26,548	-
Interest accrued on loan to others	-	-	6,072	1,200
Rent Receivable	-	-	4,032	-
Fixed assets held for sale (at lower of net book value and estimated net realizable value)*	-	-	26,765	10,280
	142	-	80,903	21,175
	942	3,415	86,184	31,792

* Balance as per the last financial statement	10,280
Add : Transferred during the year (Refer Note 8 above)	16,485
	26,765**

** comprising of Freehold Land, Buildings and other fixed assets of Rs. 10,256 thousand, 16,301 thousand and 208 thousand respectively.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

14. Current investments

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Current investments (unquoted) (valued at lower of cost and fair value, unless stated otherwise)		
Nil (Previous period 42,072,933) units of Rs. 10 each of Birla Sunlife Dynamic Bond Fund-Retail Plan-Monthly Dividend *	-	441,707
1,757,160.42 (Previous period Nil) units of Rs. 10 each of Reliance Income Fund-Growth Plan-Bonus Option	20,000	-
1,856,860.79 (Previous period Nil) units of Rs. 10 each of HSBC Flexi Debt Fund - Growth-Retail Plan	30,000	-
696,839.83 (Previous period Nil) units of Rs. 10 each of SBI Magnum Income Fund-Regular Plan- Growth-Retail Plan	20,000	-
1,121,931.5 (Previous period Nil) units of Rs. 10 each of HDFC Income Fund - Growth-Retail Plan	30,000	-
	100,000	441,707
Aggregate amount of investments in units of Mutual Funds [Net Asset Value Rs. 104,340 thousand (30 June 2012: Rs. 441,707 thousand)]	100,000	441,707
* Net of provision for diminution in the value of current investments	-	2,344

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

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Raw materials and components	-	158
Work-in-progress	-	259
Traded goods (Including stock in transit Rs.43,616 thousand, Previous period Rs. 9,736 thousand)	446,148	368,756
Finished goods	-	10,949
Service components and spares (Including stock in transit Rs. 260 thousand, Previous period Rs. 739 thousand)	50,550	55,902
	496,698	436,024

16. Cash and bank balances

	Non-current		Current	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Cash and cash equivalents				
<i>Balances with banks:</i>				
– On current accounts			365,413	120,558
– On unpaid dividend account			5,604	4,366
Cash on hand			155	143
			371,172	125,067
Other bank balances				
– Deposits with original maturity of more than 3 months but less than 12 months	-	-	91,086	-



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	Non-current		Current	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
– Margin money deposit	800	3,415	974,419	282,732
	800	3,415	1,065,506	282,732
Amount disclosed under non-current assets (note 13.2)	(800)	(3,415)		
	-	-	1,436,677	407,799

Margin money deposits given as security

Margin money deposits with a carrying amount of Rs. 975,219 thousand (30 June 2012: Rs. 286,147 thousand) are subject to first charge to secure the Company's letter of credits/bank guarantees.

17. Revenue from operations

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Revenue from operations		
Sale of products		
Finished goods	13,498	2,010,234
Traded goods	7,082,377	8,082,811
Other operating revenue		
Commission Income	2,211	12,817
Revenue from operations (gross)	7,098,086	10,105,862
Less: Excise duty #	168	23,250
Revenue from operations (net)	7,097,918	10,082,612

Excise duty on sales amounting to Rs. 168 thousand (30 June 2012: Rs. 23,250 thousand) has been reduced from sales in Statement of profit and loss.

Detail of products sold

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Finished goods sold		
Mobile Phones	13,498	2,010,234
	13,498	2,010,234
Traded goods sold		
Mobile Phones	7,072,477	8,053,464
Service components and spares	9,901	29,347
	7,082,377	8,082,811
	7,095,875	10,093,045



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

18. Other income

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Interest income on		
Bank deposits	68,495	65,333
On income tax refund	-	216
On loan to an Employee and Bodies corporate	5,268	7,197
Dividend income on		
Current investments	9,837	43,040
Long-term investments from others	606	606
Long-term investments from subsidiary	177,440	-
Provision for doubtful debts and advances written back	31,233	-
Provisions and unclaimed balances written back (net)	1,267	3,103
Rent Received	44,546	33,532
Profit on sale of current Investments in units of mutual funds	176	-
Reversal of provision for diminution in the value of current investments	2,344	-
Miscellaneous income	10	368
	341,222	153,395

19. Cost of raw materials and components consumed

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Inventory at the beginning of the year	158	104,739
Add: Purchases	26	1,530,132
	184	1,634,871
Less: inventory at the end of the year	-	158
Cost of raw materials and components consumed	184	1,634,713

Details of raw materials and components consumed

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
PCBA	100	835,846
LCD	21	166,591
Battery	9	117,718
Cover	19	116,035
Others	35	398,523
	184	1,634,713

Details of raw materials and components inventory

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Raw materials and components		
PCBA	-	100
LCD	-	21
Battery	-	9
Cover	-	19
Others	-	9
	-	158



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

20. (Increase)/ decrease in inventories

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000	(Increase) / decrease Rs. '000
Inventories at the end of the year			30-Jun-13
Finished goods*	-	10,949	10,949
Traded goods*	446,148	368,756	(77,392)
Work-in-progress*	-	259	259
Service components and spares	50,550	55,902	5,352
	496,698	435,866	(60,832)
Inventories at the beginning of the year			30-Jun-12
Finished goods	10,949	17,665	6,716
Traded goods	368,756	321,351	(47,405)
Work-in-progress	259	1,601	1,342
Service components and spares	55,902	75,587	19,685
	435,866	416,204	(19,662)
	(60,832)	(19,662)	

*Inventory of finished goods, traded goods and work-in process inventory is in relation to Mobile Phones.

21. Employee benefit expense

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Salaries, wages and bonus	211,019	442,614
Contribution to provident and other funds	8,038	20,176
Leave encashment expenses	4,155	6,488
Gratuity expense (note 26)	1,924	(219)
Staff welfare expenses	23,938	30,562
	249,074	499,621

22.1 Other expenses

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Customer service expenses	236,050	284,712
Power and fuel	1,053	2,281
Freight and forwarding charges	71,168	92,872
Rent	78,869	92,851
Rates and taxes	46,670	55,970
Insurance	4,928	6,205
Repairs and maintenance		
-Plant and machinery	74	636
-Buildings	5,396	2,020
-Others	16,162	16,015
Advertising and sales promotion	336,030	838,973
Travelling and conveyance	66,856	108,193
Communication costs	10,748	30,344



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Printing and stationery	2,599	5,159
Legal and professional fees	40,434	46,636
Directors' sitting fees	677	1,112
Directors Commission	2,629	-
Payment to statutory auditors (Refer details below)	9,639	12,025
Loss on sale of Current Investments	-	834
Bad debts / advances written off	45,919	-
Less: adjusted from provision for doubtful debts/advances (36,663)	9,256	-
Provision for doubtful debts and advances	-	49,092
Loss on disposal of fixed assets (net)	467	596
Diminution in the value of current investments	-	2,344
Bank charges	6,994	12,532
Loss on foreign exchange fluctuation(net)	27,477	104,005
Brokerage & Commission	4,104	413
Miscellaneous expenses	51,602	59,873
	1,029,882	1,825,693

Payment to Statutory Auditors

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
As auditor:		
Statutory Audit fees	3,258	3,371
Tax audit fees	674	843
Audit of tax accounts	1,264	-
Limited reviews	3,303	6,482
Other services (certification fees)	506	701
Reimbursement of expenses	634	628
	9,639	12,025

22.2 Exceptional items

Exceptional item of Rs Nil (Previous period Rs. 23,514 thousand) represents the provision made for diminution in the value of long term investment in two companies.

23. Depreciation and amortization expense

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Depreciation of tangible assets	75,467	76,275
Amortization of intangible assets	6,214	12,164
	81,681	88,439

24. Finance costs

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Interest Cost (including Rs. 1,390 thousand (Previous period: Rs. 137 thousand) on Income Tax)	1,430	2,422
	1,430	2,422



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

25. Earnings per share (EPS)

The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Total operations for the year		
Profit/(Loss) after tax	625,750	(473,943)
Net profit/(Loss) for calculation of basic and diluted EPS	625,750	(473,943)
Continuing Operation		
Profit/(loss) after tax	25,933	(218,773)
Net profit/(loss) for calculation of basic and diluted EPS	25,933	(218,773)
	Nos.	Nos.
Weighted average number of equity shares in calculating basic EPS	238,086,285	238,086,285
Weighted average number of equity shares in calculating diluted EPS	238,086,285	238,086,285

26. Disclosure under accounting Standard-15(revised) on 'Employee Benefits'

a) Defined Contribution Plan

Particulars	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Contribution to provident fund	7,161	18,488
	7,161	18,488

b) Details of employee benefits

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 six months. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plans:

Statement of profit and loss

Net employee benefit expense (recognised in personnel expenses) for Gratuity

	Gratuity	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Current service cost	3,288	4,561
Interest cost on benefit obligation	859	1,046
Expected return on plan assets	(694)	(553)
Net actuarial(gain) / loss recognized in the period	(1,529)	(5,273)
Net benefit expense	1,924	(219)
Actual return on plan assets	699	482

Balance sheet

Benefit asset/ liability

	Gratuity	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Present value of defined benefit obligation	11,648	10,392
Fair value of plan assets	8,725	7,589
Plan asset / (liability)	2,923	2,803



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

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

	Gratuity	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Opening defined benefit obligation	10,392	9,842
Current service cost	3,288	4,561
Interest cost	859	1,046
Liability transferred (to)/from another Company	-	1,884
Benefits paid*	(1,366)	(1,597)
Actuarial (gains) / losses on obligation	(1,525)	(5,344)
Closing defined benefit obligation	11,648	10,392

*includes Rs Nil thousand (Previous year Rs 62 thousand) paid directly by the Company.

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

	Gratuity	
	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Opening fair value of plan assets	7,589	4,836
Expected return	694	553
Contributions by employer	1,278	3,806
Benefits paid	(842)	(1,535)
Actuarial gains / (losses)	5	(71)
Closing fair value of plan assets	8,725	7,589

The Company expects to contribute Rs. 5,714 thousand to gratuity in the next year (30 June 2012: Rs. 3,588 thousand).

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

	Gratuity	
	30-Jun-13	30-Jun-12
Investments with insurer	100%	100%

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

	Gratuity	
	30-Jun-13	30-Jun-12
Discount rate	8.50%	8.50%
Expected rate of return on assets	9.15%	9.15%
Employee turnover		
- Upto 30 years	4.00%	4.00%
- 30-44 years	4.00%	4.00%
- Above 44 years	1.00%	1.00%
Mortality rate	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.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

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.

Gratuity obligation and plan assets at the end of current year and previous four periods are as follows:

	30-Jun-13 Rs.'000	30-Jun-12 Rs.'000	31-Mar-11 ₹ 000	31-Mar-10 ₹ 000	31-Mar-09 ₹ 000
Gratuity					
Defined benefit obligation	11,648	10,392	9,843	6,064	4,127
Plan assets	8,725	7,589	4,836	4,193	3,780
(Surplus) / deficit	2,923	2,803	5,006	1,871	347
Experience adjustments on plan liabilities	1,239	2,837	764	205	623
Experience adjustments on plan assets	5	(72)	(1)	6	(2)

27. Leases

Operating lease: Company as lessee

Office premises and office equipments are obtained on operating lease. There are no contingent rents in the lease agreements. The lease terms are for 1-10 years and renewable by mutual agreement of both the parties or at the option of the Company. There are no restrictions imposed by lease arrangements. There are no subleases and all the leases are cancellable in nature except for lease of one warehouse where there is a lock in period of three years. The Company has recognised lease expenses of Rs. 70,843 thousand (Previous period Rs.85,885 thousand)

Future minimum rentals payable under non-cancellable operating leases are as follows:

	30-Jun-13 Rs.'000	30-Jun-12 Rs.'000
Within one year	5,120	10,755
After one year but not more than five years	Nil	6,711
More than five years	Nil	Nil
	5,120	17,466

Operating lease commitments – Group as lessor

The Company has entered into commercial property leases on its factory building at Baddi in the state of Himachal Pradesh & leasehold improvement carried out at building located in Noida. These non-cancellable leases have remaining terms between 1- 20 years. There are no restrictions imposed by lease agreement and there are no contingent rents.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	30-Jun-13 Rs.'000	30-Jun-12 Rs.'000
Within one year	-	330
After one year but not more than five years	-	12
More than five years	-	Nil
	-	342

28. Segment information

Primary segments: Business Segments

During the year, the Company is engaged mainly in telecommunications- Mobile business which represents the business of trading/ manufacturing of mobile handsets. The entire business has been considered as a single segment in terms of Accounting Standard-17 on Segment Reporting issued by the Institute of Chartered Accountants of India.

Secondary Segments: Geographical Segment

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



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

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

Geographical Segment	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Revenue from the Domestic market	7,079,267	9,993,918
Revenue from the Overseas markets	18,819	111,944
Total Revenue	7,098,086	10,105,862
Trade receivables of Domestic market	634,386	993,179
Trade receivables of Overseas markets	4,498	5,866
Total Trade Receivables	638,884	999,045

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

29. Capital & other Commitments

- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 1,975 thousand (Previous period Rs. 787 thousands).
- For commitments relating to lease arrangements, refer note 27 above.
- The Company has given comfort letter to its two subsidiary companies, whose net worth has been substantially eroded, to provide financial support in the future to enable them to settle their obligation as and when they fall due (Refer note 42 below).

30. Contingent Liabilities

Contingent Liabilities (excluding interest, wherever applicable) not provided for in respect of:

- Various Sales Tax Demands being disputed by the Company Rs. 26,265 thousand (previous period Rs. 29,234 thousand)*.
- Income Tax Demand being disputed by the Company Rs. 210,501 thousand (previous period Rs. 27,078 thousand).
- Penalty under Foreign Trade (Development and Regulation) Act, 1992, on account of non fulfilment of export obligation being disputed by the Company - Rs. 40,860 thousand (previous period Rs. 40,860 thousand)*.
- Demand raised by the Excise Authorities being disputed by the Company. The Company has deposited Rs. 2,000 thousand (Previous period Rs. 2,000 thousand) under protest and the same has been included in the note of Loans and Advances under balances with statutory / government authorities - Rs. 66,263 thousand (Previous period Rs. 66,263 thousand)*.
- Various other claims against the Company not acknowledged as debts (based on management estimate) - Rs. 4,575 thousand (Previous period Rs. 4,327 thousand)*.

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

31. Related Parties

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

Ultimate Holding Company	Spice Global Investments Private Limited (w.e.f. January 31, 2012)
Holding Company	S i2i Mobility Pvt Limited (now Smart Ventures Private Limited) (w.e.f. January 31, 2012)* Spice Global Investments Private Limited (w.e.f. January 1, 2010 pursuant to Scheme of Amalgamation) till January 30, 2012)
Subsidiary including step down subsidiaries companies	Spice Digital Limited Spice Retail Limited Hindustan Retail Private Limited Kimaan Exports Private Limited Spice Labs Private Limited Cellucom Retail India Private Limited S Retail Middle East FZE (w.e.f. August 02, 2011) Spice Online Retail Private Limited (w.e.f. July 24, 2012) Mobisoc Technology Private Limited



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	<p>S GIC Pte Ltd. Spice VAS (Africa) Pte. Ltd. Spice Digital Nigeria Limited Beoworld Sdn. Bhd Spice VAS Uganda Ltd. Spice VAS Kenya Limited S Mobility (HK) Ltd. (w.e.f. May 12, 2011) S Mobile Devices Ltd.(w.e.f. July 04, 2012) S Mobility Pte Ltd. (w.e.f. October 20,2011) Spice VAS Ghana Ltd.(w.e.f. April 15, 2011) Spice VAS Zambia Ltd.(w.e.f. September 1, 2011) Spice Digital South Africa (Pty) Ltd(w.e.f. October 15, 2011) Spice VAS Tanzania Limited (w.e.f. November 29, 2011) Spice Digital (Bangladesh) Limited (w.e.f. November 8, 2012)</p>
Names of other related parties with whom transactions have taken place during the year:	
Individual having significantly influence on the Company and relatives of such individuals	Mr. Dilip Modi -Director (Ceased to be managing director w.e.f. February 9, 2012)
Enterprises directly or indirectly through one or more intermediaries are under common control with the Company	<p>Spice Entertainment Limited Wall Street Finance Limited Smartvalue Ventures Private Limited(earlier Spice Investment & Finance Advisors Private Limited) Spice Innovative Technologies Private Limited Spice Online Retail Private Limited (till July 23, 2012) G M Modi Hospitals Corporation Private Limited (till Aug 23,2012) Harjas Logic Systems Private Limited (ceased w.e.f. June 24, 2011) Modikem Limited(till October 31, 2012) IO Systems Limited</p>
Key Management Personnel	<p>Ms. Preeti Malhotra- Director (ceased to be executive director w.e.f. February 13, 2013) Mr. Subramanian Murali – CFO Mr. Kunal Ahooja- Global Devices Head (till July 31, 2012) Mr. R S Desikan -CEO & Manager (w.e.f. February 9, 2012)</p>
Relatives of key management personnel	<p>Mrs. Usha Murali Mrs. Kamla Malhotra (till February 13, 2013) Mrs. Jananki Desikan</p>
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	<p>Spice BPO Services Limited (till October 31,2012) Plus Paper Foodpac Ltd. S i2i Limited Bharat IT Services Limited V Corp Merchantile Private Limited PT Selular Media Infotama PT Metrotech Jaya Komunika Indonesia</p>

* S i2i Mobility Pvt Ltd was the fellow subsidiary of the Company for the period January 12, 2012 to January 30, 2012.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

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

(A)

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 18,445,464 (Previous period US\$ 17,888,373)	Hedge of Import Creditors / pending purchase commitments

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

Particulars	June 30, 2013			
	Currency	Amount in FC	Ex. Rate	Amount (in `000)
(i) Payable to suppliers	USD	128,488	59.39	7,631
(ii) Receivables	USD	75,730	59.39	4,498

Particulars	June 30, 2012			
	Currency	Amount in FC	Ex. Rate	Amount (in `000)
(i) Payable to suppliers	USD	Nil	55.62	Nil
(ii) Receivables	USD	88,054	55.62	4,897

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

Particulars	30-Jun-13	30-Jun-12
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
-Principal amount due to micro and small enterprises	NIL	NIL
-Interest due on above	NIL	NIL
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	NIL	NIL
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 year) but without adding the interest specified under the MSMED Act 2006.	NIL	NIL
The amount of interest accrued and remaining unpaid at the end of each accounting year	NIL	NIL
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	NIL	NIL

34. Value of imports calculated on CIF basis

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Traded goods and Service components and spares	5,310,110	6,672,449
Raw Materials and components	21	1,490,317
Total	5,310,131	8,162,766



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

35. Expenditure in foreign currency (accrual basis)

Particulars	30-Jun-13 Rs.'000	30-Jun-12 Rs.'000
Travelling and Conveyance	4,141	9,958
Legal & Professional Expenses	17,942	7,729
Advertisement and sales promotion	876	2,245
Miscellaneous expenses	416	656
Total	23,375	20,588

36. Supplementary Statutory Information

36.1. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors

Particulars	30-Jun-13 Rs.'000	30-Jun-12 Rs.'000
Profit before taxation	703,750	(467,097)
Add:		
Provision for Doubtful Debts and Advances	(67,896)	52,188
Provision for diminution in the value of current investments	(2,344)	2,344
Provision for diminution in the value of long term investments	(20,418)	20,418
Loss on sale of long term investments	20,418	
Total	633,510	(392,147)
Less:		
Profit on sale of Current Investments (Net)	176	-
Brought forwarded losses	379,838	-
Profit under Section 349 of the Companies Act, 1956	253,496	(392,147)
Add:		
Directors' Commission	2,629	-
Expense towards Directors Sitting Fee	677	1,112
Expense towards Remuneration paid to Directors	6,102	11,197
Profit as per Section 198	262,904	(379,838)
Commission Payable to Non Wholetime Directors @ 1%	2,629	-
Restricted to	2,629	-

36.2. Remuneration to Directors/Manager

Particulars	30-Jun-13 Rs.'000	30-Jun-12 Rs.'000
Whole Time Directors*		
Salaries	844	8,636
Contribution to Provident Fund	60	720
Perquisites Value (Actual paid / or evaluated as per Income Tax Rules, 1962)	5	244
Independent Directors		
Commission	-	-
Total	909	9,600

* Relates to Ms Preeti Malhotra in the current year and Mr Dilip Modi and Ms Preeti Malhotra in previous period.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

Particulars	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
Manager*		
Salaries	5,151	1,580
Contribution to Provident Fund	9	4
Perquisites Value (Actual paid / or evaluated as per Income Tax Rules, 1962)	33	13
Total	5,193	1,597

* Relates to Mr R S Desikan.

**During previous period, The Company had paid remuneration aggregating to Rs. 28,574 thousand to two directors which was in excess of the limit laid down under Schedule XIII of the Companies Act, 1956 by Rs 18,974 thousand. The directors agreed to refund the excess remuneration to the Company. accordingly, the excess remuneration had been debited to the accounts of respective directors.

Note: As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Whole Time Director and Manager are not included above.

37. Earnings in foreign currency (accrual basis)

	30-Jun-13 Rs. '000	30-Jun-12 Rs. '000
FOB Value of Export	15,064	91,793
Commission Income	2,212	12,687
Total	17,276	104,480

38. Imported and Indigenous raw materials and components consumed

	June 30, 2013		June 30, 2012	
	Amount ₹ 000	%age	Amount ₹ 000	%age
Imported	184	100.00%	1,607,923	98.36%
Indigenous	-	0.00%	26,790	1.64%
Total	184	100.00%	1,634,713	100.00%

39. Net dividend remitted in foreign exchange

Period to which it relates	30-Jun-13 April 1, 2011 to June 30, 2012	30-Jun-12 April 1, 2010 to March 31, 2011
- Number of non-resident shareholders	88	85
- Number of equity shares held on which dividend was due	11,720,795	10,032,440
- Amount remitted in foreign exchange (Rs. in thousand)*	Nil	Nil
- Currency in which dividend was remitted	Not Applicable	Not Applicable

*An amount of Rs 17,581 thousand (Previous period Rs 15,049 thousand) has been paid as dividend to the Non Resident shareholders (including Foreign Institutional Investors).



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

40. During the year, the Company has revised the estimated useful life of certain plant and machinery w.e.f. January 1, 2013 based on technical estimates made by the management. Accordingly additional depreciation of Rs 9,671 thousand has been accounted for in the financial statement. Had the Company continued to use the earlier basis of providing depreciation, the charge to the statement of profit and loss for the current year would have been lower by Rs 7,644 thousand (net of tax of Rs 2,027 thousand) and the net block of fixed assets would correspondingly have been higher by Rs 9,671 thousand.
41. The board of directors in the meeting held on June 19, 2013 have approved the buy back of the Company's fully paid up equity shares of face value of Rs 3/- each from the open market through Stock Exchange mechanism at a price not exceeding Rs 75/- per share for an aggregate amount not exceeding Rs 600,000 thousand, subject to a maximum of 11,000 thousand equity shares. In pursuance to above approval, buy back has commenced on July 10, 2013, Company has bought back 3,817,037 equity share of face value of Rs 3 each and out of them 3,804,416 equity shares of face value of Rs 3 each has been extinguished till date. For the purpose of providing dividend at the year end, these extinguished shares have not been considered.
42. In pursuance to the approval obtained from the members of Company by way of postal ballot, the Board of Directors of the Company in its meeting dated June 28, 2013 has decided to sell/transfer the Mobile Handset Business of the Company to Spice Retail Limited (SRL), a wholly owned Subsidiary of the Company, as a going concern w.e.f. 1st July, 2013 by way of slump sale.

The following statement shows the revenue and expenses of discontinuing operations, i.e., Mobile Handset Division (Undertaking) of the Company which has been discontinued w.e.f. July 1, 2013 as per Business transfer agreement dated July 1, 2013.

	For the year ended June 30, 2013 (Rs. '000)	For the 15 months period ended June 30, 2012 (Rs. '000)
Income		
Revenue from operations (gross)	7,098,086	10,105,862
Less: excise duty	168	23,250
Revenue from operations (net)	7,097,918	10,082,612
Other income	93,870	72,181
Total revenue (I)	7,191,788	10,154,793
Expenses		
Cost of raw materials and components consumed	184	1,634,713
Purchase of traded goods	5,433,971	6,648,364
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	(60,832)	(19,662)
Employee benefit expense	185,252	403,536
Other expenses	925,465	1,706,880
Total (II)	6,484,041	10,373,832
Earnings/(loss) before interest, tax, depreciation and amortization (EBITDA) (I) - (II)	707,747	(219,038)
Depreciation and amortization expense	28,523	29,157
Finance costs	1,406	128
Profit/(loss) before tax	677,817	(248,324)
Tax expenses (including deferred tax)	78,000	6,846
Profit/(loss) after tax	599,817	(255,170)
The carrying amounts of the total assets and liabilities of the undertaking are as follows:		
Total assets	2,056,492	2,103,295



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

	For the year ended June 30, 2013 (Rs. '000)	For the 15 months period ended June 30, 2012 (Rs. '000)
Total liabilities	1,702,648	1,633,463
Net assets	353,843	469,833
The net cash flows attributable to the Undertaking are as below:		
Operating activities	871,307	(41,751)
Investing activities	(631,857)	29,827
Financing activities	(1,406)	(128)
Net cash inflows / (outflows)	238,044	(12,052)

43. The Company has invested a sum of Rs. 878,375 thousand (Previous period Rs 808,375 thousand) in the equity shares of two of the subsidiaries. Further, the Company has receivable by way of interest free loans of Rs. 2,405,590 thousand (Previous period Rs. 2,382,090 thousand), trade receivables and advances of Rs. 369,469 thousand (Previous period Rs 208,942 thousand) from these companies. As per the latest audited financial statements of these subsidiaries, accumulated losses of these subsidiaries have resulted in erosion of their net worth substantially.

These being long term investments and also in view of the projected profitable operations of the above companies and / or fair value of the companies as at June 30, 2013, management is of the view that the diminution in the value of these investments is temporary in nature and hence no provision is required to be made against the investments made, loans given and outstanding receivables.

44. The Company follows Accounting Standard (AS-22) - "Accounting for taxes on Income, notified by Companies (Accounting Standards) Rules, 2006, (as amended). Due to losses incurred during the previous period, the Company has net deferred tax assets. Since there is no convincing evidence which demonstrates virtual certainty of realization of such deferred tax assets in the near future, the Company has not recognized the same.
45. The Board of Directors in its meeting held on June 28, 2013 decided to close down both the manufacturing units of the Company (i.e Unit I & Unit II) at Baddi (Himachal Pradesh), which were predominantly for manufacturing feature phone handsets, with immediate effect.
46. The Company has entered into an agreement to sale for Land and Building at Baddi at a consideration of Rs 35,000 thousand, having net written down value of Rs. 16,485 thousand as on June 30, 2013. Company has received Rs. 17,500 thousand as advance against such sale as at year end.
47. Loans and advances in the nature of loans given to subsidiaries and companies in which directors are interested

Name of the Company	Balance as on June 30, 2013 (Rs. '000)	Balance as on June 30, 2012 (Rs. '000)	Maximum amount outstanding during the year ended June 30, 2013 (Rs. '000)	Maximum amount outstanding during the period ended June 30, 2012 (Rs. '000)
Hindustan Retail Private Limited	1,903,590	1,837,090	1,903,590	1,837,090
Spice Retail Limited	502,000	545,000	545,000	550,000
Spice Distribution Limited	-	-	-	191,440
Kimaan Exports Private Limited	-	88,550	88,550	93,550

Note: Loans are repayable on demand and are interest free.



NOTES TO FINANCIAL STATEMENTS

for year ended June 30, 2013

48. Independent Non-Promoter (Spice Employee Benefit) Trust ('Trust') holds 11,901,752 Equity Shares of the Company as on 30th June, 2013, for the benefit of the employees of the Company, its associates and subsidiaries. These equity shares were transferred to the Trust pursuant to the Scheme of amalgamation of Spice Televentures Private Limited ('STPL'), at a value at which these equity shares were held in the books of STPL. During the year, the Trust has framed Share Reward Rules whereby certain shares held by the Trust may be transferred to eligible employees. The Company has been legally opined that the Share Reward Rules framed by the Trust are not covered under the ambit of employee welfare schemes of the Company as the said Rules have been framed by the Trust and not by the Company. Hence, the disclosure requirement under the Guidance Note on Accounting for Employee Share based payments issued by the Institute of the Chartered Accountants of India is not applicable to the Company.
49. Current year's accounts are prepared for the twelve months period from July 1, 2012 to June 30, 2013. However, the Statement of profit and loss and cash flow of the Company for the last year was of fifteen months period from April 1, 2011 to June 30, 2012. Hence, current year's figures are not comparable with those of the previous period.

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 : New Delhi

Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi

Director

Preeti Malhotra

Director

Subroto Chattopadhyay

Director

R S Desikan

Chief Executive Officer and Manager

Subramanian Murali

Chief Financial Officer

M R Bothra

Vice President- Corporate Affairs and Company Secretary

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of S Mobility Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of S Mobility Limited (“the Company”) and its subsidiaries (collectively “the Spice Group” or “Group”), which comprise the consolidated Balance Sheet as at June 30, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matter of Emphasis

We draw attention to Note No. 46 of the consolidated financial statements. The group has recognized and is carrying forward a goodwill of Rs. 2,089,328 thousand in respect of Hindustan Retail Private Limited, a wholly owned subsidiary of the Company and its three subsidiaries. Based on the financial statements of these subsidiaries, their net worth is substantially lower than the group’s investment in these companies. No provision for impairment has been made against the above in view of strategic long term investment of the Group in these subsidiaries, their future profitable projections and / or the fair value of these companies as at 30 June 2013. Our opinion is not qualified in respect of this matter.

Opinion

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

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at June 30, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of 21 subsidiaries, whose financial statements reflect total assets of Rs. 1,067,597 thousand as at 30 June 2013, total revenue of Rs. 1,062,735 thousand and net cash outflows amounting to Rs. 73,140 thousand for the year then ended, included in the accompanying consolidated financial statements. In respect of 15 subsidiaries, financial statements and other financial information have been audited / reviewed by other auditors and reports have been furnished to us and for 6 subsidiaries, financial statements and other financial information are based on management accounts. Our opinion, in so far as it relates to the affairs of such subsidiaries is based solely on the report of other auditors / management accounts. Our opinion is not qualified in respect of this matter.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E

per Anil Gupta

Partner

Membership Number: 87921

Place: New Delhi

Date: August 26, 2013



CONSOLIDATED BALANCE SHEET

as at June 30, 2013

	Notes	30-Jun-13 Rs. 000	31-Jun-12 Rs. 000
Equity and liabilities			
Shareholders' funds			
Share capital	4	714,259	714,259
Reserves and surplus	5	6,755,581	7,147,503
		7,469,840	7,861,762
Minority Interest	6	310,312	565,122
Non-current liabilities			
Trade payables	7	1,144	367
Long-term liabilities	7	71,599	82,824
Long-term provisions	8	23,560	35,578
Deferred tax liabilities (net)	14	9,345	6,371
		105,648	125,140
Current liabilities			
Short-term borrowings	9	31,103	20,272
Trade payables	10	2,294,809	2,800,904
Other current liabilities	10	270,085	212,111
Short-term provisions	8	627,233	596,422
		3,223,230	3,629,709
TOTAL		11,109,030	12,181,733
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	1,667,215	1,723,492
Intangible assets	12	132,680	138,605
Capital work-in-progress		132,613	129,250
Intangible assets under development		1,588	22,779
Goodwill on Consolidation		2,618,596	2,655,863
Non-current investments	13	403,466	451,108
Long-term loans and advances	15	356,059	693,737
Amount recoverable from Employee Benefit Trust	48	126,052	126,052
Other non-current assets	16.2	2,301	11,195
		5,440,570	5,952,081
Current assets			
Current investments	17	459,652	701,265
Inventories	18	851,562	1,117,430
Trade receivables	16.1	924,458	1,571,864
Cash and bank balances	19	1,931,329	1,174,226
Short-term loans and advances	15	1,039,041	1,149,782
Other current assets	16.2	462,418	515,085
		5,668,460	6,229,652
TOTAL		11,109,030	12,181,733
Summary of significant accounting policies	3.1		

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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Subroto Chattopadhyay
Director

Subramanian Murali
Chief Financial Officer

Preeti Malhotra
Director

R S Desikan
Chief Executive Officer and Manager

M R Bothra
Vice President- Corporate Affairs and Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended June 30, 2013



	Notes	For the year ended June 30, 2013 (Rs. '000)	For the Fifteen months period ended June 30, 2012 (Rs. '000)
Income			
Revenue from operations (gross)	20	18,689,724	27,402,505
Less: excise duty		168	23,250
Revenue from operations (net)		18,689,556	27,379,255
Other income	21	155,372	249,367
Total revenue (I)		18,844,928	27,628,622
Expenses			
Cost of raw material and components consumed	22	184	1,634,713
Purchase of traded goods		13,692,407	19,398,764
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	23	266,992	(66,006)
Employee benefits expense	24	1,197,016	1,681,945
Connectivity and content cost	25	894,546	1,284,893
Other expenses	26.1	2,105,845	3,180,733
Exceptional items	26.2	127,326	23,514
Total (II)		18,284,316	27,138,556
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)		560,612	490,066
Depreciation and amortization expense	27	362,548	413,504
Finance costs	28	10,331	3,189
Profit before tax		187,733	73,373
Tax expenses			
- Current Income Tax		142,016	107,093
- MAT Credit Entitlement for the current year		(7,640)	(3,671)
- MAT Credit Entitlement written off		8,978	-
- Income tax credit for earlier years (net)		(4,779)	(373)
- Deferred tax charge		2,449	5,885
Total tax expense		141,024	108,933
Profit / (Loss) for the year		46,709	(35,560)
Share of Minority in profits / (losses)		(7,821)	61,538
Profit / (Loss) for the year attributable to equity shareholders		54,530	(97,098)
Earnings per equity share [nominal value of share Rs. 3 (30 June 2012: Rs. 3)]	29		
Basic and diluted (Rs.)		0.23	(0.41)
Summary of significant accounting policies	3.1		

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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Subroto Chattopadhyay
Director

Subramanian Murali
Chief Financial Officer

Preeti Malhotra
Director

R S Desikan
Chief Executive Officer and Manager

M R Bothra
Vice President- Corporate Affairs and Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 30, 2013



	Notes	For the year ended June 30, 2013 (Rs. '000)	For the Fifteen months period ended June 30, 2012 (Rs. '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit before taxation		187,733	73,373
Adjustment for :			
- Depreciation / amortization		362,548	413,504
- (Profit) / Loss on disposal of fixed assets (net)		2,207	(12,205)
- Interest expense		10,331	3,189
- Interest income		(101,882)	(172,179)
- Dividend Income		(20,145)	(57,134)
- Provision and unclaimed balances written back (net)		-	(41,391)
- Equity shares issued to employees as bonus		10,327	3,669
- Income from Investment in fixed maturity plan investments		-	(275)
- Impairment of Goodwill		104,537	-
- Diminution in the value of non-current investments		-	23,514
- Diminution in the value of current investments		(2,550)	3,515
- (Profit)/ Loss on sale of current investments (net)		-	834
- Profit from sale of Units in Mutual Funds		(12,572)	(3,302)
- Provision for doubtful debts and advances (net)		(116,046)	62,333
- Impairment loss on fixed assets		1,717	-
- Bad debts and advances written off		203,188	53,948
Operating profit before working capital changes		629,393	351,393
Movements in working capital:			
Decrease in inventories		267,027	38,228
Decrease / (Increase) in trade receivables		498,043	(108,973)
Decrease / (Increase) in loans and advances		129,404	(309,471)
Decrease in other current assets		58,765	14,352
(Decrease) / Increase in long term / current liabilities		(485,050)	161,717
(Decrease) in provisions		(13,725)	(55,362)
Cash generated from Operations		1,083,857	91,884
Direct taxes paid (net of refunds)		(18,542)	(156,372)
Net cash from operating activities	(A)	1,065,315	(64,488)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (including capital work in progress and capital advances)		(342,156)	(1,382,253)
Purchase of Investment in Subsidiaries		(28,333)	(69,310)
Buy Back of Shares by a Subsidiary Company		(333,701)	-
Proceeds from sale of fixed assets		9,755	88,795
Capital advance received back		319,436	-
Purchase of investments		(429,963)	(4,420,742)
Redemption of Investment		735,448	4,809,496

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 30, 2013



	Notes	For the year ended June 30, 2013 (Rs. '000)	For the Fifteen months period ended June 30, 2012 (Rs. '000)
Advance for investment		-	56,440
Interest received		111,400	192,751
Dividend Received		20,760	56,590
Cash and cash equivalents of subsidiaries acquired during the year on the date of acquisition		3,435	6,963
Fixed Deposit refunded with banks		5,213,464	1,177,981
Fixed deposits made with banks (including those pledged with banks and others)		(5,739,692)	(222,999)
Net cash from / (used in) investing activities	(B)	(460,147)	293,712
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Short Term Borrowings		10,831	20,272
Loans taken from body corporate		-	1,500,000
Loans repaid to body corporate		-	(1,500,000)
Interest paid		(10,331)	(6,191)
Dividend paid		(341,133)	(302,837)
Taxes on dividend paid		(55,363)	(49,345)
Net cash (used in) financing activities	(C)	(395,996)	(338,101)
Net (decrease) / increase in cash and cash equivalents (A + B + C)		209,172	(108,877)
Foreign Currency Translation reserve		12,654	80,373
Cash and cash equivalents at the beginning of the year		473,823	502,326
Cash and cash equivalents at the end of the year		695,649	473,823
Components of cash and cash equivalents:			
Cash on hand		30,246	17,643
Cheques on hand		108	-
Balances with scheduled banks:			
On current accounts		627,157	359,870
On Deposits with original maturity of less than three months		32,534	91,944
On unpaid dividend accounts*		5,604	4,366
		695,649	473,823

*The Group can utilize these balances only toward settlement of the unpaid dividend.

Note: The above cash flow statement has been prepared under the "Indirect Method" as stated in the Accounting Standard 3 on Cash Flow Statement notified by Accounting Standards Rules, 2006 (as amended).

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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Preeti Malhotra
Director

Subroto Chattopadhyay
Director

R S Desikan
Chief Executive Officer and Manager

Subramanian Murali
Chief Financial Officer

M R Bothra
Vice President- Corporate Affairs and Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



1. Nature of Operations

The Group is primarily engaged in the trading of Mobile handsets, IT products and their accessories and the Information and Communication Technology business providing Value Added Services to the Telecom Operators. It also undertakes development and sale of telecom related software.

2. Principles of Consolidation

The Consolidated Financial Statements relate to S Mobility Limited (hereinafter referred as “Parent Company” or “the Company”) and its subsidiary companies (hereinafter together referred as the “Spice Group” or “the Group”).

The Consolidated Financial Statements have been prepared on the following basis:

- (i) The financial statements of the Parent Company and its subsidiary companies have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances, intra group transactions and unrealized profits or losses, if any, as per Accounting Standard – 21, Consolidated Financial Statements, notified under the Companies (Accounting Standards) Rules, 2006 (as amended).
- (ii) The subsidiary companies which are included in the consolidation and the Parent Company’s holding therein is as under:

S. No.	Name	Country Name	Holding %	
			As at June 30, 2013	As at June 30, 2012
1	Spice Digital Limited	India	89.19%	82.19%
2	Spice Retail Limited (Refer (a))	India	100.00%	100.00%
3	Spice Distribution Limited (Refer (a) and (e))	India	-	100.00%
4	Mobisoc Technology Private Limited (Refer (b))	India	99.90%	99.90%
5	Spice Labs Private Limited (Refer (b))	India	99.90%	99.90%
6	Spice Digital Bangladesh Limited (Refer (b))	Bangladesh	99.99%	-
7	Kimaan Exports Private Limited	India	100.00%	100.00%
8	Hindustan Retail Private Limited	India	100.00%	100.00%
9	Cellucom Retail India Private Limited (Refer (a))	India	100.00%	100.00%
10	Spice Online Retail Private Limited (Refer (a))	India	100.00%	-
11	S Mobile Devices Ltd	India	100.00%	-
12	S GIC Pte Limited (formerly Spice Mobile VAS Pte. Ltd.) (Refer (b))	Singapore	100.00%	100.00%
13	Spice VAS (Africa) Pte Limited (Refer (c))	Africa	73.16%	77.50%
14	Beoworld Sdn.Bhd (Refer (c),(f) and (g))	Republic of Malaysia	100.00%	100.00%
15	Spice VAS Kenya Limited (Refer (d), (h) and (g))	Republic of Kenya	100.00%	100.00%
16	Spice Digital Nigeria Limited (Refer (d), (f) and (g))	Nigeria	100.00%	100.00%
17	Spice VAS Uganda Limited (Refer (d) and (g))	Uganda	75.00%	75.00%
18	Spice VAS Ghana Limited (Refer (d) and (g))	Ghana	100.00%	100.00%
19	S Mobility Pte. Limited (Refer (f))	Singapore	100.00%	100.00%
20	S Mobility (HK) Limited (Refer (f))	Hong Kong	100.00%	100.00%
21	S Retail Middle East FZE (Refer (a))	Dubai	100.00%	100.00%
22	S Retail General Trading LLC (Refer (a), (f) and (j))	Dubai	49.00%	49.00%
23	Spice VAS Zambia Limited (Refer (d) and (g))	Zambia	100.00%	100.00%
24	Spice VAS Tanzania Limited (Refer (d), (f), (g) and (i))	Tanzania	100.00%	100.00%
25	Spice Digital South Africa Pty Ltd (Refer (d) and (g))	South Africa	100.00%	100.00%

(a) Subsidiary through Hindustan Retail Private Limited

(b) Subsidiary through Spice Digital Limited

(c) Subsidiary through S GIC Pte Ltd. (formerly Spice Mobile VAS Pte. Ltd.)

(d) Subsidiary through Spice VAS (Africa) Pte Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



- (e) Pursuant to amalgamation of Spice Distribution Limited (SDL) with Spice Retail Limited (SRL) with effect from July 31, 2012 (appointed date April 1, 2011), the Parent Company has received 794,262 equity shares of SRL against the shares of SDL in the ratio of one share of SRL for every five shares held in SDL.
Audited financial statements for the fifteen months period ended June 30, 2012 have been considered for consolidation except as stated in Note (f) and (g) below.
- (f) Management financial statements (unaudited) have been considered for consolidation
- (g) Financial statements for the year ended June 30, 2013 considered for consolidation have been derived by deducting three months period figures of reviewed financial statements for the quarter ended June 30, 2012 and adding three months figures of reviewed financial statements for the quarter ended June 30, 2013 to the figures of twelve months audited financial statement of the entities for the year ended March 31, 2013.
- (h) An equity interest of 20% in the Company is held by a third party on behalf of Spice VAS (Africa) Pte Limited
- (i) An equity interest of 35% in the Company is held by a third party on behalf of Spice VAS (Africa) Pte Limited
- (j) Majority composition of the Board of Directors is with the Group, hence, the company has been consolidated as subsidiary company.
- (iii) The difference of the cost to the Parent Company of its investment in Subsidiaries and Joint Venture over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.
- (iv) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Group's shareholders.
- (v) Minorities' interest in net profit / loss of consolidated subsidiaries for the year has been identified and adjusted against the profits in order to arrive at the net profits attributable to the shareholders of the Parent Company. Their share of net assets has been identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same have been accounted for by the Parent Company.
- (vi) As far as possible, the Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements. Differences in the accounting policies, if any, are disclosed separately.
- (vii) The financial statements of the group entities used for the purpose of consolidation are drawn up to same reporting date as that of the Parent Company i.e. period ended June 30, 2013.

3. Basis of preparation

The financial statements of the Group have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Group has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies have been consistently applied by the Group and are consistent with those of previous year.

3.1 Summary of significant accounting policies

(a) 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.

(b) Tangible Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of tangible 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 tangible 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 CONSOLIDATED FINANCIAL STATEMENTS



for the year ended June 30, 2013

(c) Intangible Fixed 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group uses a rebuttable presumption that the useful life of an intangible assets will not exceed 10 years from the date when the asset is available for use. Such intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

In case of a subsidiary, which is engaged in developing computer / mobile softwares for use by mobile / Internet Users, the cost of softwares, developed during the current financial year of Rs 21,190 thousand (Previous period Rs. 19,794 thousand) has been capitalised as Intangible Asset as per Accounting Standard-26 on Intangible Assets notified by Companies Accounting Standard Rules, 2006 (as amended) when the Company can demonstrate all the following :-

1. The technical feasibility of completing the intangible asset so that it will be available for use or sale
2. Its intention to complete the asset
3. Its ability to use or sell the asset
4. How the asset will generate future economic benefits
5. The availability of adequate resources to complete the development and to use or sell the asset
6. The ability to measure reliably the expenditure attributable to the intangible asset during development

The expenditure have been determined on the basis of actual time spent by the technical persons on each software and technical / marketing evaluation basis. The expenditure have been appropriated from software development account where such cost are being debited when incurred by way of Salaries and other administrative expenses.

(d) Goodwill

Goodwill represents the difference between the Parent Company's share in the net worth of the subsidiary company and the cost of acquisition at the time of making the investment in the subsidiary company. For this purpose, the Parent Company's share of net worth of the subsidiary company is determined on the basis of the latest financial statements of the subsidiary company prior to acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

(e) Depreciation on fixed assets and amortisation on intangible fixed assets

- i) Cost of leasehold land is amortised on straight line basis over the period of lease ranging from 18 - 90 years or their useful lives whichever is lower.
- ii) Leasehold improvements are depreciated on straight line basis over the period of lease ranging from 1 - 7 years or their useful lives whichever is lower.
- iii) Intangibles including computer software (excluding installed at site as mentioned in (vii) below), trademarks, goodwill and website development costs are amortised over their estimated useful lives of three years on straight line basis.
- iv) In respect of three subsidiaries, accelerated depreciation on leasehold improvements/ furniture and fixtures related to stores/ warehouses under closure is calculated till the notice period of respective lease of the leased premises.
- v) In case of the Parent Company and its Indian subsidiaries, assets costing Rs 5 thousand or less are depreciated fully in the year of purchase.
- vi) Intellectual Property Rights and computer software and hardware installed at site by some of the subsidiaries (including step subsidiaries) are amortised over a period of five years.
- vii) Costs incurred towards in-house Software Development are charged to Statement of Profit and Loss as and when incurred except in case of one subsidiary where it is recognized and capitalized in the books of account as "Intangible

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Assets". The cost of developed software is determined on the basis of actual time spent by the technical persons on each software and capitalized on technical/marketing evaluation basis. Such in-house developed software are amortised on straight line basis over a period of three years. (21.83% (previous period 25.11%) of net block of intangible assets at Spice Group as at June 30, 2013 and 35.30% (previous period 19.17%) of total amortization expense for the Spice Group for the year ended June 30, 2013)

- viii) Depreciation on all fixed assets other than leasehold land, by one subsidiary is provided on written down value basis at the rates prescribed under Schedule XIV of the Companies Act, 1956. (0.43% (previous period 4.65%) of total Net Block of tangible fixed assets at Spice Group as at June 30, 2013 and 1.29% (previous period 1.75%) of total depreciation expenses for the Spice Group for the year ended June 30, 2013)
- ix) Except in case of one subsidiary as mentioned in (viii) above, depreciation on all other assets is provided using the straight line method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.
- x) In the following cases, the depreciation rates of the Parent Company are higher than the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

	Rates (SLM)	Sch XIV Rates (SLM)
Technical equipments (included in Plant and Machinery) and refer note below	10.00%	4.75%
Building at Baddi in the State of Himachal Pradesh	7.27%	3.34%

The Parent Company has on January 1, 2013 reassessed the remaining useful life of certain plant and machinery having gross block of Rs 39,939 thousand as fifteen months and accordingly is depreciating these assets on straight line basis over the remaining useful life of fifteen months. (Refer Note No.41 below)

- xi) In respect of Hindustan Retail Private Limited and its subsidiaries, depreciation is provided on straight line method as per the useful lives of the assets estimated by the management, which are as follows.

Asset Class	Rates (SLM)	Sch XIV Rates (SLM)
Plant and Machinery	10.00%	4.75%
Computers	20.00%	16.21%
Furniture and Fittings	12.50%	6.33%
Office Equipment	10.00%	4.75%
Mobile Handsets (included under office equipments)	50.00%	4.75%
Motor Vehicle	9.50%	9.50%

- xii) In respect of Spice Digital Limited and its subsidiaries including overseas subsidiaries, depreciation is provided on straight line basis as per the useful lives estimated by the management, which are as follows:

Asset Class	Useful Life	Rates (SLM)	Sch XIV Rates (SLM)
Computers	3-5 years	20% - 33%	16.21%
Furniture and Fittings	3-7 years	13.57%-33%	6.33%
Office Equipment	3-7 years	13.57% - 31.67%	4.75%
Vehicle - Motor Bus	7 years	13.57%	11.31%
Motor Vehicle (others)	10 years	9.5%-10%	9.50%

(f) Impairment

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



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

Impairment losses of continuing operations, including impairment on inventories are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(g) Leases

Where the Spice Group is lessee

Leases, where the lessor effectively retains substantially all 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.

Where the Spice Group is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

(h) Investments

Investments that are readily realisable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(i) Borrowing Costs

Borrowing costs 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 period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(j) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on transaction moving weighted average method.

Work-in-progress and finished goods (manufactured) are valued at lower of cost and net realizable value. Cost includes direct materials (determined on transaction moving weighted average basis) and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Traded Goods are valued at lower of cost and net realizable value. Cost is determined on transaction moving weighted average method. In case of a subsidiary company, cost is determined on first in first out basis. (0.04% of total inventories of traded and finished goods at Spice Group as at June 30, 2013)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



(k) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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, which coincides with their delivery to the customers. The Group collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Group. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Sale of Telecom Related Software

Revenue is recognised at the time when the "User Acceptance Test Certificate" is received from the customer.

Income from Services

Revenue from value added services are recognized at the end of each month in which the services are rendered. The Group collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

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.

Dividend

Revenue is recognised when the Group's right to receive dividend is established by the balance sheet date.

Income on Fixed Maturity Plan Investments

Income on investments made in the units of fixed maturity plans of various schemes of mutual funds is recognised based on reasonable certain yield as at the balance sheet date.

(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 Group's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognised as income or as expenses in the period 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 year 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.

(v) Translation of integral and non-integral foreign operation

The Group classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations."

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operations have been those of the Group itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the year ended June 30, 2013

date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(m) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group 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.

- (i) In respect of the Group, retirement benefit in the form of gratuity 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. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

The Parent Company and two of the subsidiaries have taken insurance policy under the Gratuity scheme with the Insurers to cover the gratuity liability of the employees. The liability as at the year end in respect of these companies represents the difference between the actuarial valuation of the gratuity liability of continuing employees and fair value of plan assets with the insurers as at the end of the year.

- (ii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group 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 Group 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 Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

(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 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. 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 timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situation where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the Group is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing differences originate. However, the Group restricts recognition of 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 assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Group 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,

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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.

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 taxes relate to the same taxable entity and the same taxation authority

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the period in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

(o) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

(p) Provisions

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

(q) Warranty

Warranty costs on mobile handsets are provided on an accrual basis, taking into account the past trend of warranty claims received by the Group, to settle the obligation at the balance sheet date.

(r) Segment reporting

Identification of segments

The Spice Group'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 geographical location of the customers.

Intersegment Transfers

The Spice Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs

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

Unallocated items

The unallocated items include general corporate income and expense items which are not allocated to any business segment.

(s) 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 Group 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 Group does not recognize a contingent liability but discloses its existence in the financial statements.

(t) Cash and cash equivalents

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



(u) 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 statement of profit and loss. Net gains are ignored.

(v) Government Grants and Subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attached conditions will be complied with.

Government grants of the nature of promoter's contribution are credited to capital reserve and treated as a part of the shareholder's funds.

(w) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Group 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 Group measures EBITDA on the basis of profit/ (loss) from operations. In its measurement, the Group does not include depreciation and amortization expense, finance costs and tax expense.

4. Share Capital

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Authorized		
330,000,000 (Previous period: 330,000,000) equity shares of Rs. 3 each	990,000	990,000
Issued, subscribed and fully paid-up		
238,086,285 (Previous period 238,086,285) equity shares of Rs. 3 each	714,259	714,259
Total issued, subscribed and fully paid-up	714,259	714,259

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	30-Jun-13		30-Jun-12	
	Nos.	(Rs. '000)	Nos.	(Rs. '000)
At the beginning of the year	238,086,285	714,259	238,086,285	714,259
Issued during the year	-	-	-	-
Outstanding at the end of the year	238,086,285	714,259	238,086,285	714,259

(b) Terms/ rights attached to equity shares

The Group has only one class of equity shares having par value of Rs. 3 per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 30 June 2013, the amount of dividend per share recognized as distributions to equity shareholders is Rs. 1.50 (30 June 2012: Rs. 1.50).

In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding company

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

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Holding Company		
S i2i Mobility Private Limited now (Smart Ventures Private Limited)		
169,447,570 (30 June 2012: 169,365,976) equity shares of Rs. 3 each fully paid up	508,343	508,098

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for the year ended June 30, 2013



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

	30-Jun-13 Nos.	30-Jun-12 Nos.
Equity shares allotted as fully paid-up pursuant to the Scheme of amalgamation for consideration other than cash	163,448,285	163,448,285

- (e) **Details of shareholders holding more than 5% shares in the Parent Company**

Name of the shareholders	As at 30 June 2013		As at 30 June 2012	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of Rs. 3 each fully paid up				
S i2i Mobility Private Limited, the holding company	169,447,570	71.17%	169,365,976	71.14%
Independent Non Promoter Trust	35,301,215	14.83%	35,301,215	14.83%

As per records of the Parent 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.

5. Reserves and Surplus

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Securities premium account		
Balance as per the last financial statements	576,150	576,150
Less: Adjustment during the year*	(111,000)	-
Closing Balance	465,150	576,150
General reserve		
Balance as per the last financial statements	4,181,802	4,103,677
Add: Amount transferred from surplus balance in the statement of profit and loss	62,575	78,125
Closing Balance	4,244,377	4,181,802
Foreign Currency Translation Reserve		
Balance as per last financial statements	89,859	(1,890)
Add: Created during the year	9,891	91,749
	99,750	89,859
Capital Reserve		
<i>On consolidation</i>		
Balance as per last financial statements	40,097	57,378
Less: Adjustment during the year**	(7,122)	17,281
	47,219	40,097
<i>Capital Investment Subsidy</i>		
Balance as per last financial statements	2,465	2,417
Add: Transferred from Minority Interest	210	48
	2,675	2,465
Surplus in the statement of profit and loss		
Balance as per last financial statements	2,257,130	2,752,928
Profit/(Loss) for the year	54,530	(97,098)
Reversal of proposed dividend on equity shares	-	52,952

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Reversal of corporate dividend tax***	28,771	8,590
Profit available for appropriation:	2,340,431	2,717,371
Less: Appropriations		-
Proposed final equity dividend (amount per share Rs. 1.50 (30 June 2012: Rs. 1.50))***	300,273	304,178
Tax on proposed equity dividend	81,172	77,938
Transfer to general reserve	62,575	78,125
Total appropriations	444,020	460,241
Net surplus in the statement of profit and loss	1,896,411	2,257,130
Total reserves and surplus	6,755,581	7,147,503

* During the year, Spice Digital Limited, a subsidiary of the Company bought back equity shares from its shareholders resulting in increase in Company's shareholding in the subsidiary. The amount paid over and above minority interest has been adjusted from securities premium account in the financial statements. (Refer Note 39(b))

** During the year, the Parent Company acquired further equity shares in a subsidiary company, Spice Digital Limited. Proportionate additional share acquired in the equity of the company over and above the consideration paid for acquisition has been added to capital reserve. Last year, excess of consideration paid for acquisition of further shares in above company over the proportionate additional shares acquired in the equity of the company was adjusted from capital reserve recognised earlier on acquisition of shares of the subsidiary company.

*** The reversal of corporate dividend tax during the current year represent corporate dividend tax paid by subsidiary company on dividend paid to the Parent company during the current year. The Parent company has taken the credit of the same while paying the corporate dividend tax on dividend paid during the current year. Accordingly, corporate dividend tax to this extent, accrued in previous period, has been reversed.

**** Independent non-promoter trust which holds 35,301,215 equity shares of the Company has/had waived off its right to receive dividend on 34,100,000 equity shares proposed during the current year and 35,301,215 in the previous period. Accordingly, dividend proposed excludes dividend in respect of such equity shares respectively held by the trust. Further refer to note 39(a).

6. Minority Interest

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Share in :		
Equity Share Capital	89,617	112,507
Securities Premium Account	5,947	63,665
General Reserve	13,729	19,826
Foreign Currency Translation Reserve	16,546	19,459
Capital Investment Subsidy	324	534
Statement of Profit and Loss *	184,149	349,131
	310,312	565,122

* Net of proposed dividend (including tax) of Rs 25,156, (previous period Rs. 44,384 thousand)

7. Trade Payables and Other Long Term Liabilities

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Trade payables (including acceptances)	1,144	367
	1,144	367
Other liabilities		
Security deposits	71,599	79,824
Creditors for capital goods	-	3,000
	71,599	82,824
	72,743	83,191

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



8. Provisions

	Long-term		Short-term	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Provision for employee benefits				
Provision for gratuity (Note 30)	20,301	14,098	12,828	13,691
Provision for leave benefits	-	-	37,735	44,007
	20,301	14,098	50,563	57,698
Other provisions				
Provision for warranties	3,259	21,480	114,736	88,316
Provision for Contingencies	-	-	-	20,000
Provision for Income Tax	-	-	55,333	3,903
Proposed equity dividend	-	-	321,775	342,371
Provision for tax on proposed equity dividend	-	-	84,826	84,134
	3,259	21,480	576,670	538,724
	23,560	35,578	627,233	596,422

Provision for warranties

A provision is recognized for expected warranty claims on mobile handsets sold during last one year by the Parent Company, 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.

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
At the beginning of the year	109,796	170,160
Arising during the year	236,050	284,712
Utilized during the year	227,851	345,076
At the end of the year	117,995	109,796
Current portion	114,736	88,316
Non-current portion	3,259	21,480

Provision for contingencies

Provision for contingencies represents provision made in respect of a legal claim filed by a vendor against usage of content.

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
At the beginning of the year	20,000	-
Arising during the year	-	20,000
Utilized during the year	11,934	-
Reversed during the year	8,066	-
At the end of the year	-	20,000
Current portion	-	20,000
Non-current portion	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



9. Short-term borrowings

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Interest free loan and advances from others repayable on demand (unsecured)	31,103	20,272
The above amount includes		
Unsecured borrowings	31,103	20,272

10. Trade Payables and Other Current Liabilities

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Trade payables (including acceptances)	2,294,809	2,800,904
Other liabilities		
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	5,604	4,366
Unaccrued Income	2,237	12,288
Advances from customers and their credit balances	124,813	57,198
Creditors for Capital Goods	16,429	46,631
Advance against sale of fixed assets (Refer Note No.44)	17,500	-
Others		
Indirect Taxes and Duties Payable	78,064	55,238
Employee Statutory Deductions	7,290	12,786
TDS payable	17,007	23,604
Others	641	-
	270,085	212,111
	2,564,894	3,013,015

11. Fixed Assets

Particulars	(Amount in Rs. '000)									
	Free-hold Land	Lease-hold Land	Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Lease-hold Improvements	Total
Gross Block:										
At April 1, 2011	9,456	73,879	226,620	62,630	164,817	151,017	426,385	23,511	301,245	1,439,560
Adjustments	-	-	-	-	554	497	24,350	3,418	-	28,819
Foreign Currency Translation Reserve	-	-	-	-	333	267	7,841	853	-	9,294
Additions	91,545	14,050	419,072	52,669	69,098	69,321	193,444	8,497	384,342	1,302,038
Disposals	-	-	32,166	115	42,656	22,239	7,840	8,109	76,692	189,817
At June 30, 2012	101,001	87,929	613,526	115,184	192,146	198,863	644,180	28,170	608,895	2,589,894
Adjustments*	-	-	-	-	-	17	621	-	-	638
Foreign Currency Translation Reserve	-	-	-	-	(371)	83	4,455	(232)	-	3,935

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(Amount in Rs.'000)

Particulars	Free-hold Land	Lease-hold Land	Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Lease-hold Improvements	Total
Additions	-	2,724	70,035	1,112	10,644	12,943	120,994	248	35,732	254,432
Disposals	-	300	-	3,850	27,716	1,391	10,015	3,449	61,191	107,912
Transferred to assets held for sale	(9,456)	-	(19,644)	-	-	-	-	-	-	(29,100)
At June 30, 2013	91,545	90,353	663,917	112,446	174,703	210,515	760,235	24,737	583,436	2,711,887
Depreciation:										
At April 1, 2011	-	8,580	33,247	17,193	58,078	59,382	260,212	5,373	226,604	668,669
Adjustments	-	-	-	-	173	151	7,540	466	-	8,330
Foreign Currency Translation Reserve	-	-	-	-	86	171	3,785	94	-	4,136
Charge for the period	-	3,428	19,790	10,302	46,578	24,585	99,179	2,860	91,810	298,532
Disposals	-	-	5,351	39	31,712	11,189	5,318	3,983	55,673	113,265
At June 30, 2012	-	12,008	47,686	27,456	73,203	73,100	365,398	4,810	262,741	866,402
Adjustments*	-	-	-	-	-	1	84	-	-	85
Foreign Currency Translation Reserve	-	-	83	-	(3)	10	3,313	7	50	3,460
Impairment Loss	-	-	-	-	30	104	166	-	1,220	1,520
Charge for the year	-	2,885	19,456	17,071	35,060	21,686	98,426	2,492	84,694	281,770
Disposals	-	-	-	2,229	26,695	557	6,981	546	58,942	95,950
Transferred to assets held for sale	-	-	(12,615)	-	-	-	-	-	-	(12,615)
At June 30, 2013	-	14,893	54,610	42,298	81,595	94,344	460,406	6,763	289,763	1,044,672
Net Block:										
At June 30, 2012	101,001	75,921	565,840	87,728	118,943	125,763	278,782	23,360	346,154	1,723,492
At June 30, 2013	91,545	75,460	609,307	70,148	93,108	116,171	299,829	17,974	293,673	1,667,215

Notes:

1. Fixed assets include following assets given on operating lease :

(Amount in Rs.'000)

Particulars	Gross Block		Depreciation		Accumulated Depreciation	
	As at June 30, 2013	As at June 30, 2012	For the year ended June 30, 2013	For the Fifteen Months period ended June 30, 2012	As at June 30, 2013	As at June 30, 2012
Factory Building	-	6,920	495	619	-	2,527
Total	-	6,920	495	619	-	2,527

- * Adjustments in the current year represent fixed assets / accumulated depreciation of subsidiary company, Spice Online Retail Private Limited acquired during the current year.
- Deletions from Computers include tangible fixed assets of the cost of Rs 2,649 thousand, WDV of Rs. 1,370 thousand (Previous period Rs.1,724 thousand and Rs. 1,365 thousand respectively) transferred to Cost of goods sold.
- Addition includes tangible assets of the cost of Rs.6,793 thousand (Previous period Rs.9,398 thousand), bills of which are in the name of agency.

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12. Intangible Assets

(Amount in Rs.'000)

Particulars	Computer Softwares	Intellectual Property Right	Web site Development Cost	Trade mark	Goodwill	Total
Gross Block:						
At April 1, 2011	392,821	-	811	10,764	15,000	419,396
Additions	62,922	2,201	-	-	-	65,123
Disposals	224	-	-	-	-	224
At June 30, 2012	455,519	2,201	811	10,764	15,000	484,295
Adjustments*	-	-	8,311	-	-	8,311
Additions	68,276	700	(36)	-	-	68,940
At June 30, 2013	523,795	2,901	9,086	10,764	15,000	561,546
Amortisation:						
At April 1, 2011	220,134	-	533	4,286	5,973	230,926
Foreign Currency Translation Reserve	5	-	-	-	-	5
Charge for the period	103,899	104	217	4,492	6,260	114,972
Disposals	213	-	-	-	-	213
At June 30, 2012	323,825	104	750	8,778	12,233	345,690
Adjustments*	-	-	2,193	-	-	2,193
Foreign Currency Translation Reserve	8	-	-	-	-	8
Impairment Loss	197	-	-	-	-	197
Charge for the year	73,908	506	1,611	1,986	2,767	80,778
At June 30, 2013	397,938	610	4,554	10,764	15,000	428,866
Net Block:						
At June 30, 2012	131,694	2,097	61	1,986	2,767	138,605
At June 30, 2013	125,857	2,291	4,532	-	-	132,680

Notes :

- *Adjustments in the current year represent intangible assets / accumulated depreciation of subsidiary company, Spice Online Retail Private Limited acquired during the current year.
- Addition includes intangible assets of the cost of Rs.9,268 thousand (Previous period Rs.4,123 thousand), bills of which are in the name of agency.

13. Non Current Investments

	30-Jun-13 (Rs.'000)	30-Jun-12 (Rs.'000)
Trade investments (valued at cost unless stated otherwise)		
Investment in equity instruments (quoted)		
Godfrey Philips India Limited 17,300 (Previous period 17,300) equity shares of Rs.10 each fully paid up	24,925	24,925
Spicejet Limited 140,288 (Previous period 140,288) equity shares of Rs.10 each fully paid up*	4,693	4,693
(at cost less provision for other than temporary diminution in value Rs. 3,096 thousand (Previous period Rs 3,096 thousand))	29,618	29,618
Non Trade investments (unquoted) (valued at cost unless stated otherwise)		
In Other Company		

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	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Plus Paper Foodpac Limited *		
Nil (Previous period 3,403,000) equity shares of Rs.10 each fully paid up (at cost less provision for other than temporary diminution in value Rs.Nil (previous period Rs. 20,418 thousand))	-	47,642
In Government Security		
5 (Previous period 5) National Saving Certificates of Rs.10,000 each (Purchased in the name of an employee of the Company and pledged with sales tax department)	50	50
In a Trust		
Interest as sole beneficiary in an Independent Non Promoter Trust **	373,798	373,798
	373,848	421,490
	403,466	451,108
Aggregate amount of quoted investments (Market value: Rs. 53,977 thousand (30 June 2012: Rs. 65,502 thousand))	29,618	29,618
Aggregate amount of unquoted investments	373,848	421,490
* Aggregate provision for diminution in value of investments	3,096	23,514

**The trust is holding 35,301,215 equity shares of the Company, the sole beneficiary of which is the Company.

14. Deferred tax liabilities (net)

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Deferred tax liabilities		
- Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	29,786	27,591
Gross deferred tax liabilities	29,786	27,591
Deferred tax assets		
- Effect of expenditure debited to Statement of Profit and Loss in the current / earlier periods but allowable for tax purposes in following years	-	5,967
- Provision for doubtful debts and advances	14,961	15,253
- Others	5,480	-
Gross deferred tax assets	20,441	21,220
Deferred tax liabilities (net)	9,345	6,371

15. Loans and advances

	Non-current		Current	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Capital advances				
Unsecured, considered good	6,238	322,262	-	-
	6,238	322,262	-	-
Security deposits				
Unsecured, considered good	156,356	186,606	10,502	8,609
Unsecured, considered doubtful	131	35,336	-	-
	156,487	221,942	10,502	8,609
Provision for doubtful security deposits	131	35,336	-	-
	156,356	186,606	10,502	8,609

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	Non-current		Current	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Loan and advances to related parties (note 36)				
Unsecured, considered good	-	-	44,291	62,714
Advances recoverable in cash or kind				
Unsecured considered good	-	-	258,766	162,538
Unsecured, considered doubtful	-	-	4,162	34,571
	-	-	307,219	259,823
Provision for doubtful advances	-	-	4,162	34,571
	-	-	303,057	225,252
Other loans and advances				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	-	-	389,087	453,816
Prepaid expenses	12,259	187	63,398	69,432
MAT Credit Entitlement (note 42)	178,615	182,491	-	-
Loans to employees	576	125	6,281	7,472
Balances with statutory / government authorities	2,015	2,066	266,716	385,201
	193,465	184,869	725,482	915,921
	356,059	693,737	1,039,041	1,149,782

16. Trade Receivables and Other Assets

16.1. Trade Receivables*

	Non-current		Current	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Secured, considered good	-	-	8,647	3,554
Unsecured, considered good	-	-	137,796	82,941
Unsecured, considered doubtful	-	-	79,752	86,965
	-	-	226,195	173,460
Provision for doubtful receivables	-	-	79,752	86,965
	-	-	146,443	86,495
Other receivables				
Secured, considered good	-	-	25,172	26,945
Unsecured, considered good	-	-	752,843	1,458,424
Unsecured, considered doubtful	-	-	20,182	62,418
	-	-	798,197	1,547,787
Provision for doubtful receivables	-	-	20,182	62,418
	-	-	778,015	1,485,369
	-	-	924,458	1,571,864

* Net of debts of Rs.72,424 thousand (Previous period Nil) discounted from bank.

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16.2. Other assets

	Non-current		Current	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Unsecured, considered good				
Non-current bank balances (note 19)	2,146	11,195	-	-
Unamortized expenditure				
Unamortized premium on forward contract	-	-	5,281	10,617
	-	-	5,281	10,617
Others				
Interest accrued on fixed deposits with banks	155	-	19,784	15,257
Interest receivable on Income Tax Refund	-	-	-	19,092
Interest accrued on loan to others	-	-	6,200	1,308
Receivable against forward contract	-	-	26,548	-
Income accrued on Fixed Maturity Plan Investments	-	-	17	1,125
Dividend receivable on current investments	-	-	-	615
Unbilled Revenue	-	-	359,257	437,301
Incentive Receivable on purchases	-	-	15,000	15,194
Rent Receivable	-	-	1,406	-
Inventory of Promotional items	-	-	2,160	4,296
Fixed assets held for sale (at lower of net book value and estimated net realizable value)*	-	-	26,765	10,280
	155	-	457,137	504,468
	2,301	11,195	462,418	515,085
* Balance as per the last financial statement			10,280	
Add : Transferred during the year (Refer Note 11 above)			16,485	
Total**			26,765	

** comprising of Freehold Land, Buildings and other fixed assets of Rs. 10,256 thousand, Rs. 16,301 thousand and Rs. 208 thousand respectively.

17. Current investments

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Current investments (unquoted) (valued at lower of cost and fair value, unless stated otherwise)		
Units in Mutual Funds of Rs 10 each		
Nil (Previous period 43,976,788) units of Birla Sunlife Dynamic Bond Fund-Retail Plan-Monthly Dividend *	-	461,695
1,757,160 (Previous period Nil) units of Reliance Income Fund-Growth Plan-Bonus Option	20,000	-
1,856,861 (Previous period Nil) units of HSBC Flexi Debt Fund - Growth-Retail Plan	30,000	-

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	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
696,840 (Previous period Nil) units of SBI Magnum Income Fund- Regular Plan- Growth-Retail Plan	20,000	-
1,121,932 (Previous period Nil) units of Rs. 10 each of HDFC Income Fund - Growth-Retail Plan	30,000	-
490,192 (Previous period Nil) Reliance Income Fund-Growth Plan	19,599	-
2,352,074 (Previous period Nil) Birla Sun Life Income Plus- Quarterly Dividend Regular Plan	30,000	-
1,674,145 (Previous period Nil) ICICI Prudential Regular Saving Fund Monthly Dividend	20,000	-
507,997 (Previous period Nil) ICICI Prudential Income Regular Plan Growth	19,612	-
1,963,766 (Previous period Nil) HDFC Liquid Fund Direct Plan Dividend daliy Reinvestment	20,027	-
1,671,039 (Previous period Nil) SBI Magnum Income-Fund Dividend	20,000	-
1,344,311 (Previous period Nil) SBI Magnum Income-Fund Regular Plan Growth	40,000	-
3,478,912 (Previous period Nil) IDFC Super Saver Income Fund- Quarterly dividend Regular Plan	60,000	-
Nil (Previous period 1,040,357) HDFC Cash Management Fund Treasury Advantage Plan- Wholesale - Daily Dividend, Option Reinvest	-	10,436
Nil (Previous period 3,739,102) K Multi Asset Allocation Fund-Quarterly Dividend	-	40,000
880,716 (Previous period 3,417,768) SBI Dynamic Bond Fund - Dividend	10,000	49,563
Nil (Previous period 1,026,021) Religare credit opportunities Fund - Institutional Daily Dividend	-	10,263
Nil (Previous period 1,946,814) Religare credit opportunities Fund - Regular Monthly Dividend	-	19,883
Nil (Previous period 697,005) Reliance Regular Saving Fund-Debt Plan-Growth option	-	10,000
Nil (Previous period 835,995) UTI Bond Fund Dividend Plan Payout	-	9,963
Nil (Previous period 559,538) Birla Sun Life Dynamic Bond Fund -Retail- Growth	-	10,000
Units in Mutual Funds of Rs 10 each		
Nil (Previous period 884,580) Tata MIP Plus Dividend- Quarterly	-	9,773
1,519,295 (Previous period 1,937,046) ICICI Prudential Regular Saving Fund Quarterly Dividend	20,000	19,689
Nil (Previous period 89,111) Birla Sun Life Dynamic Bond Fund - Quarterly Dividend	-	10,000
Units in Mutual Funds of Rs 1000 each		
46,053 (Previous period Nil) Reliance Liquid Fund Treasury Plan - Direct Daily Dividend Reinvestment	70,404	-
12,601 (Previous period Nil) L&T Cash Fund Direct Plan- Growth	20,000	-
10,004 (Previous period Nil) Baroda Pioneer Liquid Fund Plan B Daily Dividend Reinvestment	10,010	-
Nil (Previous period 8,733) Templeton India Short Term Income Plan - quarterly dividend	-	10,000
Current portion of long-term investments (unquoted) (valued at cost)		
Units in Mutual Funds of Rs 10 each		
Nil (Previous period 2,000,000) DWS Fixed Maturity Plan - Series 5 - Growth Plan	-	20,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Nil (Previous period 1,000,000) IDFC FMP-periodLY SERIES-50-Quarterly Dividend	-	10,000
	459,652	701,265
Aggregate amount of unquoted investments in units of Mutual Funds [Net Asset Value Rs. 465,238 thousand, (Previous period Rs.704,645 thousand)]	459,652	701,265
* Aggregate provision for diminution in the value of investments	-	3,515

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

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Raw materials and components	-	158
Work-in-progress	-	259
Traded goods (Including stock in transit Rs. 43,616 thousand, Previous period Rs. 10,082 thousand)	801,012	1,050,162
Finished goods	-	10,949
Service components and spares (Including stock in transit Rs. 260 thousand, Previous period Rs. 739 thousand)	50,550	55,902
	851,562	1,117,430

19. Cash and bank balances

	Non-current		Current	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Cash and cash equivalents				
<i>Balances with banks:</i>				
- On current accounts	-	-	627,157	359,870
- Deposits with original maturity of less than three months	-	-	32,534	91,944
- On unpaid dividend account	-	-	5,604	4,366
Cheques/ drafts on hand	-	-	108	-
Cash on hand	-	-	30,246	17,643
	-	-	695,649	473,823
Other bank balances				
- Deposits with original maturity for more than 12 months	-	-	-	358
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	256,131	417,313
- Margin money deposit	2,146	11,195	979,549	282,732
	2,146	11,195	1,235,680	700,403
Amount disclosed under non-current assets (note 16.2)	(2,146)	(11,195)		
	-	-	1,931,329	1,174,226

Margin money deposits given as security

Margin money deposits with a carrying amount of Rs. 975,219 thousand (30 June 2012: Rs. 286,147 thousand) are subject to first charge to secure the Company's letter of credits/bank guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



20. Revenue from operations

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Revenue from operations		
Sales of finished goods	13,498	2,010,234
Sales of traded goods	16,300,403	22,379,034
Sale of telecom related software	293,072	23,801
Value Added Service Revenue	1,973,193	2,817,757
Income from other services	109,558	171,679
Revenue from operations (gross)	18,689,724	27,402,505
Less: Excise duty #	168	23,250
Revenue from operations (net)	18,689,556	27,379,255

Excise duty on sales amounting to Rs. 168 thousand (Previous period Rs. 23,250 thousand) has been reduced from sales in Statement of profit and loss.

21. Other income

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Interest income on		
Bank deposits	93,835	140,465
Loan to employees and bodies corporates	5,321	11,164
Income tax and VAT refunds	2,726	20,550
Income on Long-term investments in Fixed maturity plan (other than trade)	-	275
Dividend income on		
Current investments (non- trade)	19,115	52,356
Long-term investments (trade)	1,030	606
Long-term investments (non trade)	-	4,173
Exchange difference (net)	7,242	-
Provisions and unclaimed balances written back (net)	-	-
Rent Received	8,336	4,145
Profit on sale of Current Investments in units of mutual fund (other than trade) (net)	12,572	2,468
Profit on disposal of Fixed Assets (net)	-	12,205
Reversal of provision for dimunition in the value of current investments	2,550	-
Miscellaneous income	2,645	960
	155,372	249,367

22. Cost of raw materials and components consumed

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Inventory at the beginning of the year	158	104,739
Add: Purchases	26	1,530,132
	184	1,634,871
Less: inventory at the end of the year	-	158
Cost of raw material and components consumed	184	1,634,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



23. (Increase)/ decrease in inventories

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)	(Increase) / decrease
Inventories at the end of the year			30-Jun-13
Traded goods	801,012	1,050,162	249,150
Finished goods	-	10,949	10,949
Work-in-progress	-	259	259
Service components and spares	50,550	55,902	5,352
	851,562	1,117,272	265,710
Inventories at the beginning of the year			30-Jun-12
Traded goods	1,050,162	956,066	(94,096)
Finished goods	10,949	17,665	6,716
Work-in-progress	259	1,601	1,342
Service components and spares	55,902	75,587	19,685
Foreign Currency Translation Reserve	(33)	347	380
	1,117,239	1,051,266	(65,973)
Add: Acquired during the year- traded goods	1,315	-	
	266,992	(66,006)	

24. Employee benefit expense

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Salaries, wages and bonus	1,063,469	1,513,293
Contribution to provident and other funds	56,701	86,586
Leave encashment	6,741	7,342
Gratuity expense (note 30)	13,370	(5,010)
Staff welfare expenses	56,735	79,734
	1,197,016	1,681,945

25. Connectivity and content cost

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Value added service charges	893,902	1,271,903
Sub contract charges	644	12,990
	894,546	1,284,893

26.1 Other expenses

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Power and fuel	1,053	2,281
Rent	456,411	531,348
Rates and taxes	57,403	66,672
Insurance	13,718	19,707
Repairs and maintenance		
- Buildings	5,878	3,052

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
- Plant & Machinery	74	636
- Others	85,440	95,546
Freight and forwarding charges	80,140	98,573
Advertisement and sales promotion	412,637	961,186
Commission on sales - other than sole selling agent	44,365	61,521
Travelling and conveyance	190,531	304,976
Director's Commission	2,629	-
Directors' sitting fees	890	2,255
Payment To Auditors (Refer details below)	21,316	24,549
Legal and professional expenses	107,883	135,192
Customer service expenses	236,050	284,712
Donation and contributions to charitable institutions	289	360
Impairment Loss on fixed assets	1,717	-
Provision for doubtful debts and advances	-	62,333
Irrecoverable balances written off (net) 203,188	87,142	12,557
Less :Adjusted against provision for doubtful debts and advances 116,046		
Exchange difference (net)	-	87,324
Diminution in the value of current investments	-	3,515
Software Development Expenses Written off	-	5,954
Loss on disposal of fixed assets (net)	2,207	-
Credit Card Charges	38,760	42,360
Bank charges	13,073	15,577
Miscellaneous expenses	246,239	358,547
	2,105,845	3,180,733
Payment to statutory auditors		
As auditor:		
Statutory Audit fee	9,682	9,499
Tax audit fee	1,577	1,612
Audit of tax accounts	1,896	-
Limited review	5,987	10,800
In other capacity:		
Other services (certification fees)	1,004	1,248
Reimbursement of expenses	1,170	1,391
	21,316	24,549

26.2 Exceptional items

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Provision for diminution in value of long term investments	-	23,514
Impairment of Goodwill*	104,537	-
Customer's claims for earlier periods	22,789	-
	127,326	23,514

*Represents Impairment of Goodwill of a subsidiary of the Company through Spice Digital Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



27. Depreciation and amortization expense

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Depreciation of tangible assets	281,770	298,532
Amortization of intangible assets	80,778	114,972
	362,548	413,504

28. Finance costs

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Interest Cost (including Rs. 1,854 thousand (Previous period Rs. 2,285 thousand) on Income Tax)	10,331	3,189
	10,331	3,189

29. Earnings per share (EPS)

The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Total operations for the year		
Profit/(loss) after tax	54,530	(97,098)
	-	-
Net profit/(loss) for calculation of basic and diluted EPS	54,530	(97,098)
	Nos.	Nos.
Weighted average number of equity shares in calculating basic EPS	238,086,285	238,086,285
Weighted average number of equity shares in calculating diluted EPS	238,086,285	238,086,285

30. Disclosure under accounting Standard-15(revised) on 'Employee Benefits'

a) Defined Contribution Plan

Particulars	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Contribution to provident fund	39,179	77,398
	39,179	77,398

b) Details of employee benefits

The Parent Company and its Indian subsidiaries have 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 six months.

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



Statement of profit and loss

Net employee benefit expense (recognized in the employee cost) for gratuity

	Gratuity	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Current service cost	11,368	15,270
Interest cost on benefit obligation	3,909	5,528
Expected return on plan assets	(1,696)	(1,228)
Net actuarial(gain) / loss recognized in the year	(211)	(24,581)
Past Service Cost	-	-
Net benefit expense	13,370	(5,010)
Actual return on plan assets	1,622	1,210

Balance sheet

Detail of Provision for Gratuity - Funded

	Gratuity	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Present value of defined benefit obligation	29,866	29,008
Fair value of plan assets	15,120	18,514
Plan asset / (liability)*	(14,746)	(10,494)

* Net of Gratuity Recoverable of Rs 176 thousand (Previous period Rs 40 thousand)in a subsidiary company, included under loans and advances in Note 15.

Detail of Provision for Gratuity - Non Funded

	Gratuity	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Present value of defined benefit obligation	18,207	17,254
Fair value of plan assets	-	-
Plan asset / (liability)	(18,207)	(17,254)

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

	Gratuity	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Opening defined benefit obligation	46,264	52,033
Acquired during the year	466	-
Current service cost	11,368	15,270
Interest cost	3,909	5,528
Liability transferred from/ (to) another company	-	1,954
Benefits paid	(13,674)	(3,922)
Actuarial (gains) on obligation	(258)	(24,599)
Closing defined benefit obligation	48,075	46,264

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



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

	Gratuity	
	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Opening fair value of plan assets	18,513	10,812
Expected return	1,697	1,228
Contributions by employer	2,037	9,195
Benefits paid	(7,051)	(2,703)
Actuarial (losses)/ gains	(75)	(18)
Closing fair value of plan assets	15,121	18,514

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

	Gratuity	
	30-Jun-13	30-Jun-12
Investments with insurer	100%	100%

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

	Gratuity	
	30-Jun-13	30-Jun-12
Discount rate	8.50%	7.5% - 8.5%
Expected rate of return on assets	8% - 9.25%	8% - 9.15%
Rate of Escalation in salary	8%	8.00%
Employee turnover		
- Upto 30 years	4% - 35%	4% - 25%
- 30-44 years	4% - 35%	4% - 25%
- Above 44 years	1% - 35%	1% - 25%
Mortality rate	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:

	30-Jun-13 Rs` 000	30-Jun-12 Rs` 000	31-Mar-11 Rs` 000	31-Mar-10 Rs` 000	31-Mar-09 Rs` 000
Gratuity					
Defined benefit obligation	48,075	46,264	52,033	39,099	4,127
Plan assets	15,121	18,514	10,812	8,446	3,780
Surplus / (deficit)	32,954	27,751	41,221	30,653	347
Experience adjustments on plan liabilities	(662)	10,536	3,975	Not Available	623
Experience adjustments on plan assets	831	(76)	77	Not Available	(2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the year ended June 30, 2013

31. Leases

Assets taken under Operating Leases

Office premises and office equipments are obtained on operating lease. There are no contingent rents in the lease agreements. The lease terms are for 1-9 years and renewable by mutual agreement of both the parties. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements. The Group has recognised lease expenses of Rs.456,411 thousand (Previous period Rs.531,348 thousand).

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

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Within one year	13,003	20,754
After one year but not more than five years	5,717	12,632
More than five years	-	-
	18,720	33,386

Assets given on Operating Leases

The Parent Company has entered into commercial property leases on its factory building at Baddi in the state of Himachal Pradesh & leasehold improvement carried out at building located in Noida. These non-cancellable leases have remaining terms between 1- 20 years. There are no restrictions imposed by lease agreement and there are no contingent rents.

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Within one year	-	330
After one year but not more than five years	-	12
More than five years	-	-
	-	342

32. Accounting of amalgamation

- a. Pursuant to the Scheme of Amalgamation [“ the Scheme “] U/s 391 to 394 of the Companies Act 1956, Spice Distribution Limited (Transferor Company), a Subsidiary of the Subsidiary (Hindustan Retail Pvt. Ltd.) of the Company stood merged with fellow Subsidiary Spice Retail Limited (Transferee Company) w.e.f. April 1, 2011 [“the appointed date”] in terms of the orders dated July 10, 2012 of the Hon’ble High Court of Himachal Pradesh, sanctioning the Scheme and was effective from July 31, 2012. With effect from the appointed date, all the business undertaking, assets, liabilities, rights and obligations of the Transferor Company stood transferred to and vested in Spice Retail Limited .
- b. The amalgamation was accounted for by applying the pooling of interest method of accounting, where in all the assets and liabilities of the Transferor Company was accounted for at their book values as on April 1, 2011. The accounts of the Transferor Company was merged with the accounts of the Transferee Company w.e.f. April 1, 2011 i.e the appointed date based on the audited accounts for the year ended March 31, 2011 .

33. Segment information

Primary segments: Business Segments

The Spice Group has organized its operations into two primary business segments, -

- (i) Devices – The segment is engaged in trading and manufacturing of mobile handsets, IT products and their accessories.
- (ii) Value Added Services - The segment is engaged in Information and Communication Technology business providing Value Added Services to the Telecom Operators and development and sale of telecom related software.

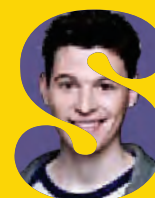
These are the reportable segments as per Accounting Standard-17 on Segment Reporting issued by the Institute of Chartered Accountants of India. These have been identified taking into account the nature of activities carried out.

Secondary Segments: Geographical Segment

The analysis of geographical segment is based on geographical location of the customers. Costs directly attributable to either segment are accounted for in the respective segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



Segment Information

The following table presents segment revenues, results, assets and liabilities in accordance with AS- 17.

Business Segments	Amount in Rs. '000					
	Devices		Value Added Services		Consolidated Total	
	Jun'13	Jun'12	Jun'13	Jun'12	Jun'13	Jun'12
Revenue						
External Revenue / Sales*	16,311,875	24,487,089	2,401,988	2,896,789	18,713,863	27,383,878
Less : Inter Segment Revenue / Sales					14,422	3,663
Net Revenue	16,311,875	24,487,089	2,401,988	2,896,789	18,699,441	27,380,215
Unallocated Corporate Revenue					145,487	248,407
Total Revenue					18,844,928	27,628,622
Results						
Segment result	(4,389)	(450,580)	(1,076)	251,673	(5,464)	(198,907)
Unallocated Corporate Revenue/ (Expenses) (net)					66,380	54,720
Operating Profit					60,915	(144,187)
Interest Income					101,882	172,179
Dividend					20,145	57,134
Reversal of provision for diminution in the value of current investments					2,550	-
Provision for diminution in the value of investments.					-	(23,514)
Income from Investments in Mutual Fund units (net)					12,572	2,743
Profit on disposal of Fixed Assets (net)					-	12,205
Interest Expenses					(10,331)	(3,189)
Net Profit Before Tax					187,733	73,373
Income Tax (Expense)					(138,575)	(103,048)
Deferred Tax Credit/(Charge)					(2,449)	(5,885)
Net Profit / (loss) after Tax					46,709	(35,560)
Other Information						
Segment Assets	5,719,936	6,442,219	1,992,758	2,585,479	7,712,694	9,027,697
Unallocated Corporate Assets					3,396,336	3,154,032
Total Assets					11,109,030	12,181,733
Segment Liabilities	2,440,941	2,612,942	379,951	680,486	2,820,892	3,293,428
Unallocated Corporate Liabilities					818,298	1,026,541
Total Liabilities					3,639,190	4,319,971
Capital Expenditure	104,013	1,131,960	238,143	250,293	342,156	1,382,253
Depreciation/ amortisation	189,250	213,252	169,320	195,015	358,570	408,267
Unallocated Depreciation/ amortization					3,978	5,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



Business Segments	Amount in Rs. '000					
	Devices		Value Added Services		Consolidated Total	
	Jun'13	Jun'12	Jun'13	Jun'12	Jun'13	Jun'12
Other Non Cash Expenses						
Impairment loss of fixed assets	1,717	-	-	-	1,717	-
Impairment of Goodwill	-	-	104,537	-	104,537	-
Provision for Doubtful debts and advances	-	55,945	-	6,379	-	62,333
Bad Debts and Advances Written off (net)	64,151	(18,596)	22,991	31,153	87,142	12,557

*External revenue/sales of a segment also include other operating revenue which are directly attributable to the segments.

Secondary Segment Reporting (by Geographical Segments)

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

Geographical Segment	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Revenue from the Domestic market	17,876,706	26,748,327
Revenue from the Overseas markets	812,850	630,928
Total Revenue	18,689,556	27,379,255
Trade Receivables of Domestic market	776,082	1,531,039
Trade Receivables of Overseas markets	248,310	190,208
Total Trade Receivables	1,024,392	1,721,247

The following table shows the carrying amount of fixed assets and additions to tangible and intangible fixed assets by geographical area in which the assets are located:

Geographical Segment	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Carrying amount of tangible and intangible fixed assets*		
Domestic market	1,610,547	1,820,121
Overseas markets	323,549	194,005
Total	1,934,096	2,014,126
Additions to tangible and intangible fixed assets		
Domestic market	137,466	1,247,588
Overseas markets	185,906	119,573
Total	323,372	1,367,161

* including capital work in progress and intangible assets under development.

34. Capital and other Commitments

	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for.	15,366	10,315

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



35. Contingent Liabilities

Particulars	30-Jun-13 (Rs. '000)	30-Jun-12 (Rs. '000)
Demand and claims from Government Authorities*		
Demand from Excise/ Service Tax Authorities		
a) Demand raised by the Excise Authorities. The Parent Company has deposited Rs. 2,000 thousand (Previous year Rs. 2000 thousand) under protest and the same has been included in note no. 15 under balances with statutory/ government authorities.)	66,263	66,623
b) Demand in respect of non charging the service tax on the Short messaging peer-to-peer service including penalty thereon, (including Rs. 8,600 thousand previous year Rs. 6,000 thousand paid under protest which is appearing in note no. 15 under balances with statutory/ government authorities.) The management is of the view that it is an 'information technology service' and thus is exempt from the service tax. Based on discussions with the solicitors/ legal opinion taken by the subsidiary company, the management believes that the company has a good chance of success in the above mentioned case and hence, no provision there against is considered necessary.	96,617	90,630
c) Demand in respect of non-registration of corporate office as a input service distributor and availment of input service CENVAT credit. The management is of the view that since it is having central registration so there is no requirement for separately registering the corporate office as input service distributor.	24,959	23,063
d) Show cause notice in respect of non-payment of service tax on unbilled revenue The subsidiary company is of the view that the service tax liability becomes payable only on the actual billing	58,430	58,430
e) Show cause notice in respect of wrong availment of input service tax credit on various expenses The subsidiary company is of the view that the service tax are in relation to the output services provided and service tax paid hence can be availed.	5,170	2,068
Demand from Sales Tax Authorities *		
Various Sales Tax Demands	47,827	36,177
Demand from Income Tax Department *		
Income Tax Demand being disputed by the Parent Company. The Income Tax Department has adjusted refund of subsequent year with the demanded amount.	210,501	27,098
Penalty under Foreign Trade (Development and Regulation) Act, 1992, on account of non fulfillment of export obligation *	40,860	40,860
Various other claims against the Parent Company and a subsidiary not acknowledged as debts *	11,384	6,969
Letter of credit discounted with bank, pending realisation	72,424	-

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

36. Related Parties

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

Ultimate Holding Company	Spice Global Investments Private Limited (w.e.f. January 31, 2012)
Holding Company	S i2i Mobility Pvt Limited (now Smart Ventures Private Limited) (w.e.f. January 31, 2012)* Spice Global Investments Private Limited (w.e.f. January 1, 2010 pursuant to Scheme of Amalgamation) till January 30, 2012)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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Names of other related parties with whom transactions have taken place during the year:

Individual having significantly influence on the Company and relatives of such individuals	Mr. Dilip Modi -Director (Ceased to be managing director w.e.f. February 9, 2012)
Enterprises directly or indirectly through one or more intermediaries are under common control with the Company	Spice Enfotainment Limited Wall Street Finance Limited Smartvalue Ventures Pvt. Ltd. (Earlier known as Spice Investment & Finance Advisors Pvt.Ltd) Spice Innovative Technologies Private Ltd. G M Modi Hospitals Corporation Pvt Ltd (till August 23,2012) Harjas Logic Systems Private Limited (ceased w.e.f. June 24, 2011) Modikem Ltd(till October 31, 2012) IO Systems Limited Goldman Securities Private Limited
Key Management Personnel	Ms. Preeti Malhotra- Director (ceased to be executive director w.e.f. February 13, 2013) Mr. Subramanian Murali – CFO Mr. Kunal Ahooja- Global Devices Head (till July 31, 2012) Mr. R S Desikan -CEO & Manager (w.e.f. February 9, 2012) Mr. Saket Agarwal (Director w.e.f. July 4, 2012 & CEO) (Spice Digital Limited) Mr. Vikram Dheer (Director) (w.e.f. July 6, 2012) (Spice Digital Limited) Mr. Shezad Azad (Director) (w.e.f. July 4, 2012) (Spice Digital Limited) Mr. Sunil Kapoor (Director) (w.e.f. July 6, 2012) (Spice Digital Limited) Mr. Palakkal Krishna Kumar (Director) (wef 2nd July 2012) (Spice Retail Limited) Mr. Subhasish Mohanty (Director) (wef 2nd July 2012) (Spice Retail Limited) Mr. Rajneesh Arora (Director) (wef 2nd July 2012) (Spice Retail Limited)
Relatives of key management personnel	Mrs. Usha Murali Mrs. Kamla Malhotra (till February 13, 2013) Mrs. Jananki Desikan Mrs. Rupali Dheer Mrs. Farhat Azad Mr. Kuldeep Chand Kapoor Ms. Priya Ms. Anjali Patnaik Ms. Anu Arora
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	Spice BPO Services Limited (till October 31,2012) Plus Paper Foodpac Ltd. S i2i Limited PT Selular Media Infotama PT Metrotech Jaya Komunika Indonesia Bharat IT Services Limited V Corp Merchantile Pvt Limited

* S i2i Mobility Pvt Ltd was the fellow subsidiary of the Group for the period January 12, 2012 to January 30, 2012.

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Details of Consolidated related party transactions

(Rs. '000)

Particulars		Ultimate Holding Company	Holding Company	Enterprises directly or indirectly through one or more intermediaries are under common control with the Company					
				Spice Global Investments Private Limited	Smart Ventures Private Limited	Goldman Securities Private Limited	Smartvalue Ventures Pvt. Ltd. (Earlier known as Spice Investment & Finance Advisors Pvt. Ltd)	Spice Innovative Technologies Private Ltd.	Spice Entertainment Limited
Transactions during the period									
Sales of Goods	June 30, 2013		171					38	
	June 30, 2012	51	-	-	-	-	-	42	
Sales of Fixed Assets	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Purchase of Fixed Assets	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Purchases of traded goods and spares	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Interest Expense	June 30, 2013		-						
	June 30, 2012	-	-	-	2,260	-	-	-	
Interest Income	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Security Deposits/Refund	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Remuneration paid	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Customer Service Expenses	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Legal and Professional charges	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
AMC for SAP maintenance reimbursement	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Advertisement and sales promotion	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Miscellaneous Expenses	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Rent Expense	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Rent Income	June 30, 2013	728	1,946	397	98	420	238	140	140
	June 30, 2012	-	-	470	-	-	-	-	
Dividend paid	June 30, 2013	-	254,142						
	June 30, 2012	245,172	-	-	-	-	-	-	
Loans taken during the period	June 30, 2013		-						
	June 30, 2012	-	-	-	1,500,000	-	-	-	
Loans/advance given during the period	June 30, 2013		-						
	June 30, 2012	4,430	-	-	1,500,000	-	-	-	
Loans/advance repaid during the period	June 30, 2013		-						
	June 30, 2012	1,059	-	-	-	-	-	-	
Advance against land & Building	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Sale of investments	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Provision in value of investments	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Loan received back during the period	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Reimbursement of Expenses (recovered)	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Reimbursement of Expenses (provided)	June 30, 2013		-	120					
	June 30, 2012	-	-	150	-	-	-	-	
Outstanding balances at the end of period									
Receivables Considered Good	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Payables	June 30, 2013		-						
	June 30, 2012	-	-	63	-	-	-	-	
Loan/advances receivable	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Provision in value of investments	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	
Interest Receivable	June 30, 2013		-						
	June 30, 2012	-	-	-	-	-	-	-	

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Details of Consolidated related party transactions

(Rs. '000)

Particulars		Enterprises directly or indirectly through one or more intermediaries are under common control with the Company			KMP				
		Wall Street Finance Limited	G M Modi Hospitals Corporation Pvt Limited	Harjas Logic Systems Private Limited	Mr. Kunal Ahoja	Mr. R S Desikan	Ms. Preeti Malhotra	Mr. Subramanian Murali	Mr. Saket Agarwal
Transactions during the period									
Sales of Goods	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Sales of Fixed Assets	June 30, 2013								
	June 30, 2012	-	441	-	-	-	-	-	-
Purchase of Fixed Assets	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Purchases of traded goods and spares	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Interest Expense	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Interest Income	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Security Deposits/Refund	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Remuneration paid	June 30, 2013				2,341	5,192	909	14,920	12,321
	June 30, 2012	-	-	-	13,148	1,596	6,000	18,612	15,625
Customer Service Expenses	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Legal and Professional charges	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
AMC for SAP maintenance reimbursement	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Advertisement and sales promotion	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Miscellaneous Expenses	June 30, 2013	1,047							
	June 30, 2012	2,257	10	-	-	-	-	-	-
Rent Expense	June 30, 2013								
	June 30, 2012	-	-	2,527	-	-	-	-	-
Rent Income	June 30, 2013	2,835	56						
	June 30, 2012	1,363	-	-	-	-	-	-	-
Dividend paid	June 30, 2013						123		
	June 30, 2012	-	-	-	-	-	324	-	-
Loans taken during the period	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Loans/advance given during the period	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Loans/advance repaid during the period	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Advance against land & Building	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Sale of investments	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Provision in value of investments	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Loan received back during the period	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	June 30, 2013	66							
	June 30, 2012	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Outstanding balances at the end of period									
Receivables Considered Good	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Payables	June 30, 2013	184							6,216
	June 30, 2012	265	-	-	-	-	-	-	-
Loan/advances receivable	June 30, 2013	391							
	June 30, 2012	-	-	-	-	-	3,640	-	-
Provision in value of investments	June 30, 2013								
	June 30, 2012	-	-	-	-	-	-	-	-
Interest Receivable	June 30, 2013								
	June 30, 2012	-	-	-	1,666	-	-	-	-

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Details of Consolidated related party transactions

(Rs. '000)

Particulars		KMP						Relatives of key management personnel	
		Mr. Vikram Dheer	Mr. Shezad Azad	Mr. Sunil Kapoor	Mr. Palakkal Krishna Kumar	Mr. Subhasish Mohanty	Mr. Rajneesh Arora	Mrs. Usha Murali	Mrs. Kamla Malhotra
Transactions during the period									
Sales of Goods	June 30, 2013								
	June 30, 2012							–	–
Sales of Fixed Assets	June 30, 2013								
	June 30, 2012							–	–
Purchase of Fixed Assets	June 30, 2013								
	June 30, 2012							–	–
Purchases of traded goods and spares	June 30, 2013								
	June 30, 2012							–	–
Interest Expense	June 30, 2013								
	June 30, 2012							–	–
Interest Income	June 30, 2013								
	June 30, 2012							–	–
Security Deposits/Refund	June 30, 2013								
	June 30, 2012							–	–
Remuneration paid	June 30, 2013	2,300	5,227	2,081	3,830	2,383	4,656		
	June 30, 2012	–	–	–	–	–	–		
Customer Service Expenses	June 30, 2013								
	June 30, 2012							–	–
Legal and Professional charges	June 30, 2013								
	June 30, 2012							–	–
AMC for SAP maintenance reimbursement	June 30, 2013								
	June 30, 2012							–	–
Advertisement and sales promotion	June 30, 2013								
	June 30, 2012							–	–
Miscellaneous Expenses	June 30, 2013							–	
	June 30, 2012							135	–
Rent Expense	June 30, 2013								
	June 30, 2012							–	–
Rent Income	June 30, 2013								
	June 30, 2012							–	–
Dividend paid	June 30, 2013								62
	June 30, 2012							–	–
Loans taken during the period	June 30, 2013								
	June 30, 2012							–	–
Loans/advance given during the period	June 30, 2013								
	June 30, 2012							–	–
Loans/advance repaid during the period	June 30, 2013								
	June 30, 2012							–	–
Advance against land & Building	June 30, 2013								
	June 30, 2012							–	–
Sale of investments	June 30, 2013								
	June 30, 2012							–	–
Provision in value of investments	June 30, 2013								
	June 30, 2012							–	–
Loan received back during the period	June 30, 2013								
	June 30, 2012							–	–
Reimbursement of Expenses (recovered)	June 30, 2013								
	June 30, 2012							–	–
Reimbursement of Expenses (provided)	June 30, 2013								
	June 30, 2012							–	–
Outstanding balances at the end of period									
Receivables Considered Good	June 30, 2013								
	June 30, 2012							–	–
Payables	June 30, 2013	1,204	2,719	1,173					
	June 30, 2012	–	–	–				–	–
Loan/advances receivable	June 30, 2013								
	June 30, 2012							–	–
Provision in value of investments	June 30, 2013								
	June 30, 2012							–	–
Interest Receivable	June 30, 2013								
	June 30, 2012							–	–

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Details of Consolidated related party transactions

(Rs. '000)

Particulars		Relatives of key management personnel							Individuals having significant influence over the company and their relatives
		Mrs. Janaki Desikan	Mr. Kuldeep Chand Kapoor	Mrs. Rupali Dheer	Mrs. Farhat Azad	Mrs. Priya	Mrs. Anjali Patnaik	Mrs. Anu Arora	
Transactions during the period									
Sales of Goods	June 30, 2013								
	June 30, 2012								
Sales of Fixed Assets	June 30, 2013								
	June 30, 2012								
Purchase of Fixed Assets	June 30, 2013								
	June 30, 2012								
Purchases of traded goods and spares	June 30, 2013								
	June 30, 2012								
Interest Expense	June 30, 2013								
	June 30, 2012								
Interest Income	June 30, 2013								
	June 30, 2012								
Security Deposits/Refund	June 30, 2013								
	June 30, 2012								
Remuneration paid	June 30, 2013								
	June 30, 2012								3,600
Customer Service Expenses	June 30, 2013								
	June 30, 2012								
Legal and Professional charges	June 30, 2013								
	June 30, 2012								
AMC for SAP maintenance reimbursement	June 30, 2013								
	June 30, 2012								
Advertisement and sales promotion	June 30, 2013								
	June 30, 2012								
Miscellaneous Expenses	June 30, 2013	300	40	372	120	156	179	440	
	June 30, 2012								
Rent Expense	June 30, 2013								
	June 30, 2012								
Rent Income	June 30, 2013								
	June 30, 2012								
Dividend paid	June 30, 2013								1,500
	June 30, 2012								1,500
Loans taken during the period	June 30, 2013								
	June 30, 2012								
Loans/advance given during the period	June 30, 2013								
	June 30, 2012								
Loans/advance repaid during the period	June 30, 2013								
	June 30, 2012								
Advance against land & Building	June 30, 2013								
	June 30, 2012								
Sale of investments	June 30, 2013								
	June 30, 2012								
Provision in value of investments	June 30, 2013								
	June 30, 2012								
Loan received back during the period	June 30, 2013								
	June 30, 2012								
Reimbursement of Expenses (recovered)	June 30, 2013								
	June 30, 2012								
Reimbursement of Expenses (provided)	June 30, 2013								
	June 30, 2012								
Outstanding balances at the end of period									
Receivables Considered Good	June 30, 2013								
	June 30, 2012								
Payables	June 30, 2013								
	June 30, 2012								
Loan/advances receivable	June 30, 2013								
	June 30, 2012								15,174
Provision in value of investments	June 30, 2013								
	June 30, 2012								
Interest Receivable	June 30, 2013								
	June 30, 2012								

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for the year ended June 30, 2013



Details of Consolidated related party transactions

(Rs. '000)

Particulars		Enterprises over which individual having significant influence over the Company is able to exercise significant influence							Total
		V Corp Mercantile Private Limited	Plus Paper Foodpac Limited	Spice BPO Services Limited	Bharat IT Services Ltd.	PT Metrotech Jaya Komunika Indonesia	PT Selular Media Infotama	S i2i Limited	
Transactions during the period									
Sales of Goods	June 30, 2013							162	371
	June 30, 2012	-	-	-	-	-	-	-	93
Sales of Fixed Assets	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	441
Purchase of Fixed Assets	June 30, 2013								-
	June 30, 2012	-	-	-	13,510	-	-	48	13,558
Purchases of traded goods and spares	June 30, 2013								-
	June 30, 2012	-	1,551	-	-	-	-	1,110,880	1,112,430
Interest Expense	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	2,260
Interest Income	June 30, 2013				5,268				5,268
	June 30, 2012	-	-	-	6,581	-	-	-	6,581
Security Deposits/Refund	June 30, 2013								-
	June 30, 2012	-	-	4,472	-	-	-	-	4,472
Remuneration paid	June 30, 2013								56,160
	June 30, 2012	-	-	-	-	-	-	-	58,581
Customer Service Expenses	June 30, 2013								-
	June 30, 2012	-	-	6,862	-	-	-	-	6,862
Legal and Professional charges	June 30, 2013							17,942	17,942
	June 30, 2012	-	-	-	-	-	-	1,130	1,130
AMC for SAP maintenance reimbursement	June 30, 2013								-
	June 30, 2012	-	-	-	2,978	-	-	-	2,978
Advertisement and sales promotion	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	-
Miscellaneous Expenses	June 30, 2013	177							2,831
	June 30, 2012	682	-	-	22	-	-	-	3,106
Rent Expense	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	2,527
Rent Income	June 30, 2013		554						7,552
	June 30, 2012	-	662	-	-	-	-	-	2,495
Dividend paid	June 30, 2013								255,827
	June 30, 2012	-	-	-	-	-	-	-	246,997
Loans taken during the period	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	1,500,000
Loans/advance given during the period	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	1,504,430
Loans/advance repaid during the period	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	1,059
Advance against land & Building	June 30, 2013		17,500						17,500
	June 30, 2012	-	-	-	-	-	-	-	-
Sale of investments	June 30, 2013		47,642						47,642
	June 30, 2012	-	-	-	-	-	-	-	-
Provision in value of investments	June 30, 2013								-
	June 30, 2012	-	20,418	-	-	-	-	-	20,418
Loan received back during the period	June 30, 2013								-
	June 30, 2012	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	June 30, 2013					1,286	837		2,189
	June 30, 2012	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	June 30, 2013								120
	June 30, 2012	-	-	-	-	-	-	-	150
Outstanding balances at the end of period									
Receivables Considered Good	June 30, 2013		838			1,286	837	162	3,123
	June 30, 2012	-	593	-	-	-	-	-	593
Payables	June 30, 2013							7,631	19,126
	June 30, 2012	-	-	-	-	-	-	97,334	97,662
Loan/advances receivable	June 30, 2013				43,900				44,291
	June 30, 2012	-	-	-	43,900	-	-	-	62,714
Provision in value of investments	June 30, 2013								-
	June 30, 2012	-	20,418	-	-	-	-	-	20,418
Interest Receivable	June 30, 2013				6,072				6,072
	June 30, 2012	-	-	-	-	-	-	-	1,666

Note : No amount has been provided as doubtful debts or advances/written off or written back in respect of debts due from/to above parties except as disclosed above.

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for the year ended June 30, 2013



37. Derivative Instruments and Unhedged Foreign Currency Exposure as at the reporting date (A)

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 18,445,464 (Previous period US\$ 17,888,373)	Hedge of Import Creditors / pending purchase commitments

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

Particulars	Currency	30-Jun-13	
		Amount in FC	Amount (in ₹000)
Payable to suppliers	USD	128,488	7,631
Payable to suppliers	USD	356,851	21,080
Payable to suppliers	SGD	67,517	3,180
Receivables	USD	75,730	4,498
Receivables	USD	1,583,467	94,052
Receivables	MYR	37,509	708
Receivables	AFN	1,903,261	2,018
Receivables	Taka	66,094,127	49,571
Receivables	IDR	308,861,569	1,864
Unbilled Revenue	USD	348,931	20,723
Unbilled Revenue	AFN	11,473,201	12,047
Unbilled Revenue	Taka	11,320,866	8,491
Unbilled Revenue	Euro	78	6
Cash	USD	1,196	71
Balance with banks	USD	765,281	45,414

Particulars	Currency	30-Jun-12	
		Amount in FC	Amount (in `000)
Payable to suppliers	USD	36,198	2,013
Advance to suppliers and other receivable	USD	1,746,538	94,946
Receivables	USD	703,829	39,901
Receivables	MYR	525,130	914
Receivables	SGD	100,000	5,375
Receivables	Euro	16,034	1,130
Receivables	Taka	64,349,770	43,355
Receivables	IDR	94,543,075	583
Unbilled Revenue	USD	12,467	669
Unbilled Revenue	MYR	12,672	23
Unbilled Revenue	Taka	10,173,035	6,868
Unbilled Revenue	Euro	1,510	118
Balance with banks	USD	116,115	4,440
Balance with banks	SGD	94,823	4,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



38. Consequent to the adoption of the Accounting Standard 22 'Accounting for taxes on Income', the Parent Company and some of the subsidiary companies have a net deferred tax asset comprising of carry forward of losses and unabsorbed depreciation under tax laws. However, as the subsequent realization of such asset is not virtually certain in the near future, the management is of the view that it is prudent not to recognize deferred tax assets. Accordingly, no deferred tax asset has been recognised.

39. Buyback of shares

- a) The board of directors in the meeting held on June 19, 2013 have approved the buy back of the Company's fully paid up equity shares of face value of Rs 3/- each from the open market through Stock Exchange mechanism at a price not exceeding Rs 75/- per share for an aggregate amount not exceeding Rs 600,000 thousand, subject to a maximum of 11,000 thousand equity shares. In pursuance to above approval, buy back has commenced on July 10, 2013 and Company has bought back 3,817,037 equity share of face value of Rs 3 each and out of them 3,804,416 equity shares of face value of Rs 3 each has been extinguished till date. For the purpose of providing dividend at the year end, these extinguished shares have not been considered.
- b) A Subsidiary Company (Spice Digital Limited) has, during the year, pursuant to share buyback offer, approved by the Board of Directors in the meeting held on August 23, 2012, bought back 3,118,701 Equity Shares of Rs. 10 each at an average price of Rs. 107 per share resulting in increase in Company's shareholding in the subsidiary from 82.70% to 89.19%. The amount of Rs. 111,000 thousand paid over and above minority interest has been adjusted from securities premium account in the financial statements.

40. Remuneration paid to Whole Time Directors of a Subsidiary Company (Spice Digital Limited) is in excess of limits specified in Schedule XIII of the Companies Act, 1956 by Rs. 6,057 thousand in view of inadequacy of profits. The Company has made applications seeking approval from Central Government for payment of remuneration to the Whole Time Directors in excess of the limits specified under The Companies Act, 1956, for the financial year ended June 30th, 2013, Approval is awaited.

41. During the year, the Parent Company has revised the estimated useful life of certain plant and machinery w.e.f. January 1, 2013 based on technical estimates made by the management. Accordingly additional depreciation of Rs 9,671 thousand has been accounted for in the financial statement. Had the Company continued to use the earlier basis of providing depreciation, the charge to the statement of profit and loss for the current year would have been lower by Rs 7,644 thousand (net of tax of Rs 2,027 thousand) and the net block of fixed assets would correspondingly have been higher by Rs 9,671 thousand.

42. The asset of Rs. 178,615 thousand (Previous Year Rs. 182,491 thousand) recognized by some of the subsidiaries of the Company as 'MAT Credit Entitlement' under 'Loans and Advances', in respect of MAT payment for earlier years, represents that portion of MAT liability which can be recovered and set off in subsequent periods based on the provisions of Section 115JAA of the Income Tax Act, 1961. The management based on the present trend of profitability and also the future profitability projections, is of the view that there would be sufficient taxable income in foreseeable future, which will enable the respective group companies to utilize MAT credit assets.

43. The Board of Directors in its meeting held on June 28, 2013 decided to close down both the manufacturing units of the Company (i.e Unit I & Unit II) at Baddi (Himachal Pradesh), which were predominantly for manufacturing feature phone handsets, with immediate effect.

44. The Company has entered into an agreement to sale for Land and Building at Baddi at a consideration of Rs 35,000 thousand, having net written down value of Rs. 16,485 thousand as on June 30, 2013. Company has received Rs. 17,500 thousand as advance against such sale as at year end.

45. In pursuance to the approval obtained from the members of Company by way of postal ballot, the Board of Directors of the Company in its meeting dated June 28, 2013 has decided to sell/transfer the Mobile Handset Business of the Company to Spice Retail Limited (SRL), a wholly owned Subsidiary of the Company, as a going concern w.e.f. 1st July, 2013 by way of slump sale.

46. The Group has recognized and is carrying forward a goodwill of Rs. 2,089,328 thousand (Previous period Rs. 2,026,269 thousand) in respect of Hindustan Retail Private Limited, a wholly owned subsidiary of the Parent Company and its three subsidiaries. Based on the financial statements of these subsidiaries, their net worth is substantially lower than the group's investment in these companies.

In respect of these entities, such goodwill has been tested for impairment using the cash flow projections, which are based on most recent financial budgets/ forecasts approved by the management and/ or the fair value of the companies as on June 30, 2013, hence no impairment is required.

47. During the current year, the Group has acquired Spice Online Retail Private Limited which has effect of increase in assets and liabilities by Rs. 16,501 thousand and Rs. 59,642 thousand respectively and decrease in net profit attributable to shareholders by Rs. 28,718 thousand in Consolidated Financial Statements. Further, during the year, the Group has floated Spice Digital Bangladesh Limited and S Mobile Devices Limited.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2013



48. Independent Non-Promoter (Spice Employee Benefit) Trust ('Trust') holds 11,901,752 Equity Shares of the Company as on 30th June, 2013, for the benefit of the employees of the Company, its associates and subsidiaries. These equity shares were transferred to the Trust pursuant to the Scheme of amalgamation of Spice Televentures Private Limited ('STPL'), at a value at which these equity shares were held in the books of STPL. During the year, the Trust has framed Share Reward Rules whereby certain shares held by the Trust may be transferred to eligible employees. The Company has been legally opined that the Share Reward Rules framed by the Trust are not covered under the ambit of employee welfare schemes of the Company as the said Rules have been framed by the Trust and not by the Company. Hence, the disclosure requirement under the Guidance Note on Accounting for Employee Share based payments issued by the Institute of the Chartered Accountants of India is not applicable to the Company.
49. Previous period's figures were for fifteen months period ended June 30, 2012, whereas current year's figures are for twelve months period ended June 30, 2013. Hence, the current year's figures are not strictly comparable with those of the previous period. Previous period figures have been regrouped/rearranged wherever considered necessary, to conform to current year's classifications.

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 : New Delhi
Date : August 26, 2013

For and on behalf of the board of directors of S Mobility Limited

Dilip Modi
Director

Subroto Chattopadhyay
Director

Subramanian Murali
Chief Financial Officer

Preeti Malhotra
Director

R S Desikan
Chief Executive Officer and Manager

M R Bothra
Vice President- Corporate Affairs and Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of Subsidiary Company	Reporting Currency	Exchange Rate (Rs.)	Capital	Reserves	Total Assets	Total Liabilities	Details Of Investments (Except Investment in case of Subsidiary Company)	Turnover/ Total Income	Profit Before Taxation	Provision For Taxation	Profit After Taxation	Proposed Dividend	Country
1	Spice Digital Limited	INR	-	397,710	2,169,695	3,030,265	3,030,265	299,263	1,647,611	175,801	19,470	156,332	198,855	India
2	Hindustan Retail Pvt Limited	INR	-	705,300	(15,202)	2,594,217	2,594,217	-	3,233	1,450	280	1,170	-	India
3	Kimaan Export Pvt Limited	INR	-	200	15,233	122,202	122,202	-	30,023	13,808	6,791	7,017	-	India
4	S Mobility Pte. Limited	SGD	46.97	12,406	(11,731)	675	675	-	-	(1)	-	(1)	-	Singapore
5	S Mobile Devices Limited	INR	-	500	(54)	459	459	-	-	(54)	-	(54)	-	India
6	S Mobility (HK) Limited	USD	59.60	64	6,506	9,631	9,631	-	42,346	4,993	823	4,170	-	Hong Kong
7	Spice Retail Limited	INR	-	447,174	(359,218)	1,744,139	1,744,139	-	9,577,738	(328,430)	249	(328,679)	-	India
8	Mobisoc Technology Private Limited	INR	-	100,100	(7,434)	113,138	113,138	60,389	405,745	7,376	-	7,376	-	India
9	Spice Labs Private Limited	INR	-	100,500	(39,645)	89,645	89,645	-	75,856	13,645	-	13,645	-	India
10	S GIC Pte Limited	SGD	46.97	741,133	(112,379)	629,690	629,690	-	30,679	(16,017)	-	(16,017)	-	Singapore
11	S RETAIL FZE.	AED	16.29	13,160	(46,951)	6,411	6,411	-	3,422	(32,082)	-	(32,082)	-	Dubai
12	S RETAIL LLC	AED	16.29	4,888	(10,361)	501	501	-	29,843	722	-	722	-	Dubai
13	Cellucom Retail India Pvt Limited	INR	-	200,000	(583,573)	89,297	89,297	-	917,905	(41,986)	-	(41,986)	-	India
14	Spice Online Retail Pvt Limited	INR	-	20,100	(91,779)	29,134	29,134	-	195,571	(33,649)	-	(33,649)	-	India
15	Spice Digital Bangladesh Ltd	BDT	0.75	598	(303)	1,402	1,402	-	37	(303)	-	(303)	-	Bangladesh
16	Spice Vas Africa Pte Limited	SGD	46.97	193,742	48,051	327,885	327,885	-	243,901	81,774	30,587	51,187	-	Singapore
17	Beoworld Sn.Bhd	MYR	18.84	6,557	1,399	18,779	18,779	-	8,529	(28,409)	3	(28,411)	-	Malaysia
18	Spice VAS Kenya Limited	KSH	0.68	68	(72,286)	(63,605)	(63,605)	-	19,664	(7,456)	-	(7,456)	-	Kenya
19	Spice Digital Nigeria Limited	NAIRE	0.36	3,628	(16,012)	3,305	3,305	-	24,266	(9,787)	(2,640)	(7,147)	-	Nigeria
20	Spice VAS Uganda Limited	UGX	0.02	23	18,370	29,385	29,385	-	73,834	11,367	(1,501)	12,868	-	Uganda
21	Spice VAS Ghana Limited	GHC	29.08	2,187	(3,596)	1,252	1,252	-	12,326	(51)	-	(51)	-	Ghana
22	Spice VAS Zambia Limited	ZMK	0.01	54	8,952	24,925	24,925	-	121,230	8,737	2,269	6,468	-	Zambia
23	Spice VAS Tanzania Limited	TZS	0.04	7,171	179	35,765	35,765	-	169,430	2,594	6,671	(4,076)	-	Tanzania
24	Spice Digital South Africa Pty Limited	ZAR	6.02	1	(71,221)	(66,563)	(66,563)	-	5,632	(60,051)	-	(60,051)	-	South Africa

For and on behalf of the Board of Directors of S Mobility Limited

Diip Modi
Director

Preeti Malhotra
Director

Subroto Chattopadhyay
Director

R S Desikan
Chief Executive Officer and Manager

Subramanian Murali
Chief Financial Officer

M R Bothra
Vice President- Corporate Affairs and Company Secretary

Place : New Delhi
Dated : August 26, 2013





LIST OF CLUSTER OFFICES

NOIDA	S Mobility Limited S Global Knowledge Park, 19A & 19B, Sector-125, Noida-201301 delhicluster@smobility.in
JAIPUR	S Mobility Limited A-828-B, Frontier Colony, Opp-Indian Oil Office, Adarsh Nagar, Jaipur-302004 jaipurcluster@smobility.in
KOLKATA	S Mobility Limited Tower B - 0501, 5th Floor, Ecospace Business Park New Town, Kolkata 700156, WB, India. kolkatacluster@smobility.in
MUMBAI	S Mobility Limited Boomerang Building, B-Wing, 1st Floor, Chandivali Farm Road, Chandivali, Near Oberoi Garden, Andheri(E), Mumbai-400072 mumbaicluster@smobility.in
BANGALORE	S Mobility Limited #26,27, Gold Tower, Residency Road, Bangalore 560025 bangalorecluster@smobility.in

**TURNING DREAMS
TO REALITY**
WITH SPICE SMARTPHONES





spice

switch up!

S Mobility Limited

Registered Office: S Global Knowledge Park, 19A & 19B, Sector - 125, Noida - 201 301, U.P.



S Mobility Limited

Registered Office: S Global Knowledge Park, 19A & 19B, Sector 125, Noida, District Gautam Budh Nagar, U.P.-201 301

Notice is hereby given that the Twenty-Fifth Annual General Meeting of S Mobility Limited will be held on Thursday, 20th day of February, 2014 at 10:15 A.M. at Expo Centre, A-11, Sector - 62, NH-24, Noida - 201301 (U.P.) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June, 2013 and the Statement of Profit & Loss for the financial year ended on that date along with the Directors' and Auditors' Report thereon.
2. To declare dividend on Equity Shares for the financial year ended June 30, 2013.
3. To consider and appoint a Director in place of Mr. Kashi Nath Memani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and appoint a Director in place of Mr. Saurabh Srivastava, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and appoint Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/s S. R. Batliboi & Co. LLP, Chartered Accountants, (Firm Regn. No. 301003E), the retiring auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Rajul Garg, who was appointed as an Additional Director and holds office up to the date of this Annual General Meeting pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing, along with requisite deposit under Section 257 of the Companies Act, 1956, as applicable for the time being in force, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Hanif Mohamed Dahya, who was appointed as an Additional Director and holds office up to the date of this Annual General Meeting pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing, along with requisite deposit under Section 257 of the Companies Act, 1956, as applicable for the time being in force, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

By Order of the Board
For S Mobility Limited

(M R Bothra)

Vice President-Corporate Affairs &
Company Secretary

Date : 3rd January, 2014

Place: Noida

NOTES:

1. A Statement as required pursuant to Section 102 (1) of the Companies Act, 2013 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Only registered members carrying the attendance slip and the holders of valid proxies registered with the Company will be permitted to attend the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 14th day of February, 2014 to 20th day of February, 2014 (both days inclusive).
5. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those members whose names appear in the Register of Members as on 20th February, 2014 after giving effect to all valid transfers in physical form lodged on or before 13th February, 2014 with the company and/or its Registrar and Share Transfer Agent and in respect of shares held in electronic mode on the basis of beneficial ownership of shares as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 13th February, 2014.
6. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical mode are requested to intimate the Company's Registrar and Share Transfer Agent, MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020, under the signature of the Sole / First joint holder, the following information to be printed on dividend warrants:
 - (i) Name of the Sole / First joint holder and the Folio number



- (ii) Particulars of Bank Accounts, viz:
- (a) Name of the Bank
 - (b) Name of the Branch
 - (c) Complete address of the Bank with PIN code number
 - (d) Account type, whether Saving Bank (SB) or Current Account (CA)
 - (e) Bank Account Number
- (b) Members who hold shares in dematerialized mode may kindly note that their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrant as per the applicable Regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further instructions, if any, already given by them in respect of shares held in physical mode will not be automatically applicable to shares held in dematerialized mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participant about such change, with complete details of Bank Account.
7. Members are requested to bring their copy of Annual Report with them at the Annual General Meeting. Corporate members intending to send their authorised representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
8. Members holding shares in physical mode are requested to quote their Ledger Folio No. in all their correspondence and intimate the following directly to the Company's Registrar and Share Transfer Agent i.e. MAS Services Ltd.
- i) Changes, if any, in their address with PIN code numbers.
 - ii) Request for Nomination Forms for making nominations as per provisions of the Companies Act, 1956.
- Members holding shares in dematerialized mode are requested to intimate the aforesaid changes directly to their Depository Participant, as applicable.
9. Pursuant to Section 205A and 205C of the Companies Act, 1956, the dividend amount which remains unpaid/ unclaimed for a period of seven years from the date of transfer to unpaid dividend accounts of the Company, is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Accordingly, unpaid or unclaimed amount in respect of dividend for the financial years 2004-05 and 2005-06 have been transferred to IEPF.
- Unclaimed dividends for the financial year 2006-07 and thereafter are still lying in the respective unpaid dividend accounts of the Company. Members who have not encashed their dividend warrants are therefore, requested to contact the Company's Registrar and Transfer Agent, M/s MAS Services Limited, for revalidation/ issue of duplicate dividend warrant. Kindly note that no claim of the members shall lie whatsoever on the unclaimed or unpaid amount of dividend after transfer of the said amount to IEPF.
10. Pursuant to the requirements under Clause 49 of the Listing Agreements entered into with the stock exchanges, the information about the directors proposed to be appointed/ reappointed is given in the Annexure to the Notice.
11. Members desiring any information with regard to Accounts/Reports are requested to submit their queries addressed to the Company Secretary of the Company at least 10 days in advance of the Annual General Meeting so that the information called for can be made available at the Meeting.
12. All documents, including those required to be kept for inspection, referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and holidays, between 11.30 A.M. to 01.30 P.M. up to the date of the Annual General Meeting.
13. As a part of its green initiative in Corporate Governance, the Ministry of Corporate Affairs, Government of India through its Circular Nos. 17 / 2011 and 18/2011 dated 21st April 2011 and 29th April 2011 respectively had allowed companies to send various notices/ documents to their Members through electronic mail. Recognising the spirit of the circulars issued by the MCA, the Annual Report of the Company comprising of Notice, Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Reports, etc. are being sent on the email addresses of the members made available to the Company by the Depositories (NSDL/CDSL) or registered by the Members with the Company or RTA of the Company.
- Members are requested to keep informed to their Depository Participant in case the shares are held in demat mode and to the RTA of the Company or at the Registered Office of the Company in case the shares are held in physical mode, as and when there is any change in their email addresses, to ensure that the documents reach them on their preferred email address.
14. The Annual Report of the Company for the year 2012-13 circulated to the members of the Company is available on the Company's website, viz. www.spice-mobile.com.

STATEMENT PURSUANT TO SECTION 102 (I) OF THE COMPANIES ACT, 2013

Item No. 6

Mr. Rajul Garg was appointed as an Additional Director of the Company by the Board of Directors on 26th August, 2013 and holds office upto the date of this Annual General meeting pursuant to Section 161(1) of the Companies Act, 2013. A Notice under Section 257 of the Companies Act, 1956, as applicable for the time being in force, along with the requisite deposit of Rs. 500/- has been received by the Company from a member signifying his intention to propose the name of Mr. Rajul Garg for appointment as a Director of the Company. It will be in the best interest of the Company if he is appointed as a Director liable to retire by rotation.

No Director (other than Mr. Rajul Garg himself), manager, other key managerial personnel and the relatives of the said persons, is in any way concerned or interested in this resolution.



Item No. 7

Mr. Hanif Mohamed Dahya was appointed as an Additional Director of the Company by the Board of Directors on 26th August, 2013 and holds office upto the date of this Annual General meeting pursuant to Section 161 (1) of the Companies Act, 2013. A Notice under Section 257 of the Companies Act 1956, as applicable for the time being in force, along with the requisite deposit of Rs. 500/- has been received by the Company from a member signifying his intention to propose the name of Mr. Hanif Mohamed Dahya for appointment as a Director of the Company. It will be in the best interest of the Company if he is appointed as a Director liable to retire by rotation.

No Director (other than Mr. Hanif Mohamed Dahya himself), manager, other key managerial personnel and the relatives of the said persons, is in any way concerned or interested in this resolution.

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 IV (G) OF THE LISTING AGREEMENT)

Directors' Profile:

A brief resume and nature of expertise in specific functional areas of all Directors including the Directors seeking appointment/re-appointment in the Annual General Meeting as required under Clause 49 IV (G) of the Listing Agreement is given in the Annual Report.

Date of Birth, Date of Appointment, Shareholding in the company, Directorship in Companies and Chairmanship/ Membership of the Committees:

Name of the Director	Mr. Kashi Nath Memani	Mr. Saurabh Srivastava	Mr. Rajul Garg	Mr. Hanif Mohamed Dahya
Date of Birth	01.01.1939	04.03.1946	11.08.1977	30.09.1955
Date of Appointment	24.04.2010	30.05.2011	26.08.2013	26.08.2013
No. of shares held	Nil	Nil	Nil	Nil
List of Directorship in Companies (Other than S Mobility Limited)	<ol style="list-style-type: none"> 1. Aegon Religare Life Insurance Company Ltd. 2. Chambal Fertilisers and Chemicals Ltd. 3. Great Eastern Energy Corporation Ltd. 4. Emami Ltd. 5. DLF Ltd. 6. ICICI Venture Funds Management Company Ltd. 7. HT Media Ltd. 8. National Engineering Industries Ltd. 9. JK Lakshmi Cement Ltd. 10. Invest India 11. KNM Advisory Private Ltd. 12. S Global Holdings Pte Ltd. 	<ol style="list-style-type: none"> 1. Ascendant Consultancy Services Pvt. Ltd. 2. Infinity Technology Investment Pvt. Ltd. 3. Kaleidoscope Entertainment Pvt. Ltd. 4. Infinity Technology Trustee Pvt Ltd. 5. Media Lab Asia. 6. Indian Angel Network Services Pvt. Ltd. 7. Sanshadow Consultants Pvt Ltd. 8. Rajasthan Projects Pvt. Ltd. 9. Robhatah Robotics Solutions Pvt. Ltd. 10. Indian Innovation Holding MSME Pvt. Ltd. 11. Elara Capital (Singapore) Pte Ltd. 12. Innovation Fund Trustee Pvt. Ltd. 13. IAN Mentoring and Incubation Services 14. India Inclusive Innovation Investment Management 15. Rajasthan Asset Management Company Pvt Ltd. 16. CSIR Tech Private Ltd. 17. Qyuki Digital Media Private Ltd. 18. Leeway Logistics Ltd. 19. Info edge (India) Ltd. 20. Mountain Promoters Pvt. Ltd. 21. National Association of Software and Service Companies 22. Spice Digital Ltd. 23. Xchanging UK Ltd. 	<ol style="list-style-type: none"> 1. Anytime Learning Private Limited 2. Knowlarity Communications Private Limited 	<ol style="list-style-type: none"> 1. New York Community Bank. 2. S i2i Limited



<p>Chairman/ Member of the Committees of the Board of Directors of Companies (Other than S Mobility Limited) on which he is a director</p>	<p>Audit Committee</p> <ol style="list-style-type: none"> Great Eastern Energy Corporation Ltd. – Chairman HT Media Ltd – Chairman DLF Ltd – Chairman ICICI Venture Funds Management Company Ltd. – Chairman National Engineering Industries Ltd – Member Aegon Religare Life Insurance Company Ltd – Member Chambal Fertilisers and Chemicals Ltd – Member <p>Shareholders Grievance Committee</p> <ol style="list-style-type: none"> Great Eastern Energy Corporation Ltd – Member <p>Remuneration/ Compensation/ Nomination Committee</p> <ol style="list-style-type: none"> Aegon Religare Life Insurance Company Ltd – Chairman Great Eastern Energy Corporation Ltd – Member HT Media Ltd – Member ICICI Venture Funds Management Company Ltd. - Member Chambal Fertilisers and Chemicals Ltd – Member <p>Corporate Governance Committee</p> <ol style="list-style-type: none"> DLF Ltd – Member ICICI Venture Funds Management Company Ltd- Member <p>IPO Committee</p> <ol style="list-style-type: none"> Great Eastern Energy Corporation Ltd – Member <p>Risk Management Committee</p> <ol style="list-style-type: none"> HT Media Ltd – Chairman <p>Policy Holder Protection Committee</p> <ol style="list-style-type: none"> Aegon Religare Life Insurance Company Ltd – Member <p>Ethics & Compliance Committee</p> <ol style="list-style-type: none"> Aegon Religare Life Insurance Company Ltd – Member 	<p>Audit Committee</p> <ol style="list-style-type: none"> Info edge (India) Ltd – Member 	<p>Audit Committee</p> <ol style="list-style-type: none"> Anytime Learning Private Limited – Member 	<p>Audit Committee</p> <ol style="list-style-type: none"> S i2i Limited – Chairman <p>Performance Review Committee</p> <ol style="list-style-type: none"> S i2i Limited – Member
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Disclosure of Inter se relationship of Directors:

None of the directors other than Mr. Dilip Kumar Modi, who is son of Dr. B K Modi, has any relationship with other directors.



S MOBILITY LIMITED

Regd. Office: S Global Knowledge Park, 19A & 19B, Sector-125, Noida, Distt. Gautam Budh Nagar, U.P.-201301

Attendance Slip

(THIS ATTENDANCE SLIP, DULY FILLED IN, IS TO BE HANDED OVER AT THE MEETING)

Master Folio No.		D.P.ID*	
No. of Shares held		Client ID*	

Name of attending member _____
(in block letters)

Name of Proxy (s) _____
(in block letters)
(to be filled in, if a Proxy attends instead of the member)

I/We hereby record my / our presence at the Annual General Meeting of S Mobility Limited held on Thursday, the 20th day of February, 2014 at 10:15 A.M. at Expo Centre, A-11, Sector - 62, NH-24, Noida - 201301 (U.P.).

Member's/Proxy's Signature

*Applicable for investors holding shares in electronic form.

(to be signed at the time of handing over this slip)

S MOBILITY LIMITED

Regd. Office : S Global Knowledge Park, 19A & 19B, Sector 125, Noida, Distt. Gautam Budh Nagar, U.P. - 201301

Proxy Form

Master Folio No.		D.P.ID*	
No. of Shares held		Client ID*	

I/ We _____ of _____ in the district of _____
_____ being a member / members of S Mobility Limited, hereby appoint Mr./Miss/Mrs. _____
_____ of _____ in the district of _____ or failing him /
her, Mr./Miss/Mrs. _____ of _____ in the district of _____
_____ as my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held
on Thursday, the 20th day of February, 2014 at 10:15 A.M. at Expo Centre, A-11, Sector - 62, NH-24, Noida - 201301 (U.P.) or at any
adjournment thereof.

I wish my above proxy to vote in the manner as indicated in the box given below:

	Resolutions	For	Against
1.	Adoption of Accounts, Reports of Board of Directors and Auditors		
2.	Declaration of Dividend on Equity Shares		
3.	Re-appointment of Mr. Kashi Nath Memani, Director retiring by rotation		
4.	Re-appointment of Mr. Saurabh Srivastava, Director retiring by rotation		
5.	Appointment of Statutory Auditors		
6.	Appointment of Mr. Rajul Garg as Director liable to retire by rotation		
7.	Appointment of Mr. Hanif Mohamed Dahya as Director liable to retire by rotation		

Signed this _____ Day of _____ 2014

Please affix
Rs 1/-
Revenue
Stamp

Specimen Signature of the Proxy _____

Note: The Proxy Form must be duly signed and deposited at the Registered office of the Company not later than 48 hours before the time for holding the Meeting.

*Applicable for investors holding shares in electronic form.