

**AUDITORS' REPORT**

To

**The Members of Spice Mobiles Limited (formerly Spice Limited)**

1. We have audited the attached Balance Sheet of Spice Mobiles Limited (formerly Spice Limited) ('the Company') as at March 31, 2007 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. 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;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**S. R. BATLIBOI & CO.**  
Chartered Accountants

**per Raj Agrawal**  
Partner  
Membership No.: 82028

Place : Noida  
Dated : July 20, 2007

## Annexure referred to in paragraph 3 of our report of even date Re: Spice Mobiles Limited (formerly Spice 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 and 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-d) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b), (c) and (d) of the Order, are not applicable to the Company.
- (e) The Company had taken loan from two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 168,000 thousand and the year-end balance of loans taken from such parties was Rs. Nil.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) Purchases of components for manufacturing passbook printers and a major portion of the traded goods including mobile handsets are stated to be of a proprietary nature, and hence, in such cases, the comparison of prices with the market rates or with purchases from other parties cannot be made. Read with the 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 inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system 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 Act 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 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.
- (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, 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, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in deposit 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 undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (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	Period to which the amount relates Assessment period	Nature of dues	Amount of Demand Rs.'000	Before whom pending
Tamil Nadu General Sales Tax Act, 1959	1993-94 & 1996-97	Tax on transfer/replacement of material under Annual Maintenance Contract	814	High Court, Chennai
Karnataka Sales Tax Act, 1957	2003-04	Disallowance of exemption on second sales of software	11,803	Jt. Commissioner (Appeals), Bangalore
West Bengal Sales Tax Act, 1994	2000-01 & 2002-03	Demand for Disallowance of Expenses incurred on Annual Maintenance Contract/treating service income as sales	116	Asst. Commissioner of Commercial Taxes, Kolkata
Central Sales Tax Act, 1956 read with the West Bengal Sales Tax Act, 1994	2000-01 to 2003-04	Demand against non submission of Form "C"	111	Asst. Commissioner of Commercial Taxes, Kolkata
Delhi Sales Tax Act, 1975	2002-03	Demand against non submission of Form "C" and treating exempted sales as sales	408	Additional Commissioner Appeals, Delhi
Central Sales Tax Act, 1956 read with the Delhi Sales Tax Act, 1975	2002-03 & 2003-04	Demand against non submission of Form "C"	3,289	Additional Commissioner Appeals, Delhi
Customs Tariff Act, 1975	1999-2000	Demand against short levy of SAD on certain consignments	129	Commissioner of Customs (Appeals), New Delhi

- (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 and immediately preceding financial period.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The Company has no outstanding dues in respect of financial institutions and has not issued any debentures.
- (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 Order 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 Order 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 bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (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.
- (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) We have verified that the end use of money raised by rights issue is as disclosed in note no. 11 of Schedule 24 to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**S. R. BATLIBOI & CO.**  
Chartered Accountants

**per Raj Agrawal**  
Partner  
Membership No.: 82028

Place : Noida  
Dated : July 20, 2007

**Spice Mobiles Limited (Formerly Spice Limited)**  
**Balance Sheet as at March 31, 2007**

Particulars	Schedules	As at March 31, 2007 Rs.'000	As at March 31, 2006 Rs.'000
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	223,914	111,957
Reserves and surplus	2	448,947	197,309
		<b>672,861</b>	<b>309,266</b>
<b>Loan Funds</b>			
Secured loans	3	64,151	21,496
Unsecured loans	4	–	50,000
		<b>64,151</b>	<b>71,496</b>
	<b>TOTAL</b>	<b>737,012</b>	<b>380,762</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	5	60,605	76,386
Less : Accumulated depreciation		19,307	27,452
Net block		41,298	48,934
Capital-work-in progress		–	2,823
		<b>41,298</b>	<b>51,757</b>
<b>Investments</b>	6	50	50
<b>Deferred Tax Assets (net)</b>	7	–	9,863
<b>Current Assets, Loans and Advances</b>			
Inventories	8	236,798	176,056
Sundry debtors	9	279,407	228,476
Cash and bank balances	10	283,334	219,386
Other current assets	11	12,506	3,256
Loans and advances	12	237,282	47,107
		<b>1,049,327</b>	<b>674,281</b>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	13	315,820	338,846
Provisions	14	37,843	16,343
		<b>353,663</b>	<b>355,189</b>
<b>Net Current Assets</b>		<b>695,664</b>	<b>319,092</b>
	<b>TOTAL</b>	<b>737,012</b>	<b>380,762</b>
<b>Notes to Accounts</b>	24		

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

As per our report of even date

**S.R. BATLIBOI & CO.**  
Chartered Accountants

per **Raj Agrawal**  
Partner  
Membership No. 82028

Place : Noida  
Dated : July 20, 2007

**For and on behalf of the Board of Directors of Spice Mobiles Limited**

**Dr. Bhupendra Kumar Modi**  
Chairman

**Ram Nath Bansal**  
Director

**Ashok Kumar Goyal**  
Director

**Kunal Ahooja**  
Manager & CEO

**Dilip Modi**  
Vice Chairman

**Umang Das**  
Director

**Manish Pengoriya**  
Head - Finance

**Radha Krishna Pandey**  
Director

**Suresh Kumar Jain**  
Director

**Renu Gupta**  
Company Secretary

**spice**

## Spice Mobiles Limited (Formerly Spice Limited)

### Profit and Loss Account for the year ended March 31, 2007

Particulars	Schedules	For the year ended March 31, 2007 Rs. '000	For the period ended March 31, 2006 Rs. '000
<b>INCOME</b>			
Turnover (Gross)	15	1,970,410	1,171,027
Less: Excise duty		(15)	(31)
Less: Service tax		(1,006)	(2,260)
Less: Discounts		(61,068)	(5,618)
Turnover (Net)		1,908,321	1,163,118
Other income	16	136,101	11,914
	<b>TOTAL</b>	<b>2,044,422</b>	<b>1,175,032</b>
<b>EXPENDITURE</b>			
Purchase of goods for trading (including service components and spares)		1,403,317	605,416
Service components and spares consumed for servicing		9,922	8,471
Raw materials and components consumed	17	339,723	356,828
Personnel expenses	18	66,539	46,307
Operating and other expenses	19	238,911	151,939
(Increase) in inventories	20	(88,483)	(49,846)
Depreciation		4,768	3,340
Financial expenses	21	23,074	13,603
	<b>TOTAL</b>	<b>1,997,771</b>	<b>1,136,058</b>
<b>Profit before tax and prior period adjustments</b>		<b>46,651</b>	<b>38,974</b>
Prior period adjustments	22	2,161	–
<b>Profit before tax (after adjusting loss of Rs. 63,134 thousand (Previous period profit of Rs. 26,533 thousand) relating to discontinuing operations-Refer note no.7 in Schedule 24)</b>		<b>44,490</b>	<b>38,974</b>
<b>Provision for tax</b>			
– Current tax (including Rs. 174 thousand, Previous period Rs. Nil for previous period)		7,174	3,200
– Less: MAT credit entitlement (including Rs. Nil, Previous period Rs. 1,448 thousand pertaining to earlier period)		–	(4,648)
– Excess tax provision of earlier years written back		(338)	–
– Deferred tax charge/ (credit)		9,863	(2,702)
– Reversal of MAT credit entitlement		2,684	–
– Fringe benefit tax		1,243	1,410
<b>Total tax expense / (credit) (including Rs. 4,875 thousand (Previous period tax credit of Rs. 2,929 thousand) relating to discontinuing operations - Refer note no. 7 in Schedule 24)</b>		<b>20,626</b>	<b>(2,740)</b>
<b>Net profit for the year/ period (after adjusting loss of Rs. 68,009 thousand (Previous period profit of Rs.29,462 thousand) relating to discontinuing operations- Refer note no.7 in Schedule 24)</b>		<b>23,864</b>	<b>41,714</b>
Balance brought forward from previous period		85,570	56,622
<b>Profit available for appropriation</b>		<b>109,434</b>	<b>98,336</b>
<b>Appropriations:</b>			
Proposed dividend		22,391	11,196
Tax on dividend		3,805	1,570
<b>Surplus carried to Balance Sheet</b>		<b>83,238</b>	<b>85,570</b>
<b>Earnings per share (in Rs.)</b>	23	<b>0.56</b>	<b>1.12</b>
Basic & Diluted (Nominal value of shares Rs.3 (Previous period : Rs.3))			
<b>Notes to Accounts</b>	24		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date

**S.R. BATLIBOI & CO.**  
Chartered Accountants

per Raj Agrawal  
Partner  
Membership No. 82028

Place : Noida  
Dated : July 20, 2007

**For and on behalf of the Board of Directors of Spice Mobiles Limited**

**Dr. Bhupendra Kumar Modi**  
Chairman

**Ram Nath Bansal**  
Director

**Ashok Kumar Goyal**  
Director

**Kunal Ahooja**  
Manager & CEO

**Dilip Modi**  
Vice Chairman

**Umang Das**  
Director

**Manish Pengoriya**  
Head - Finance

**Radha Krishna Pandey**  
Director

**Suresh Kumar Jain**  
Director

**Renu Gupta**  
Company Secretary

**Spice Mobiles Limited (Formerly Spice Limited)**  
**Cash Flow Statement for the year ended March 31, 2007**

Particulars	For the year ended March 31, 2007 (Rs. '000)	For the period ended March 31, 2006 (Rs. '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation	44,490	38,974
<b>Adjustment for :</b>		
Depreciation	4,768	3,340
Loss on sale / discard of assets (net)	3,069	100
Unrealised exchange (gain) (net)	(4,475)	(201)
Interest expense (including discounting charges)	18,131	8,318
Interest income	(9,322)	(7,204)
Profit on sale of current investments	-	(250)
Profit on sale of long term investments	(105,950)	-
Balances/provisions not required written back	(1,650)	(3,464)
Provision for doubtful debts / advances (net)	8,781	4,764
Bad debts and advances written off	3,911	4,890
<b>Operating (loss)/profit before working capital changes</b>	<b>(38,247)</b>	<b>49,267</b>
<b>Movements in working capital:</b>		
(Increase) in inventories	(60,742)	(57,373)
(Increase)/Decrease in sundry debtors	(168,918)	44,848
(Increase) in loans and advances	(78,694)	(27,254)
Increase in current liabilities and provisions	85,981	119,795
Cash (used in)/generated from Operations	(260,620)	129,283
Direct taxes paid (Including fringe benefit tax) (net of refunds)	(4,361)	(6,630)
<b>Net cash (used in)/from operating activities</b>	<b>(264,981)</b>	<b>122,653</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital work in progress)	(10,933)	(7,514)
Proceeds from sale of fixed assets	3,483	141
Loans repaid by body corporate	-	3,897
Proceeds from sale of investments in subsidiary	-	300
Interest received	8,419	6,974
Movement in fixed deposits with banks (including those pledged with banks and others)	(79,277)	(125,748)
<b>Net cash (used in) investing activities</b>	<b>(78,308)</b>	<b>(121,950)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital (including share premium Rs. 261,233 thousand but excluding loans of Rs.137,000 thousand converted into equity)	236,190	-
Proceeds from short term borrowings (net) (excluding repayment of Rs.137,000 thousand converted into equity)	131,618	47,528
Payment of share issue expenses	(7,263)	-
Proceeds from long term borrowings	-	2,271
Repayment of long term borrowings	(1,963)	(308)
Interest paid (including discounting charges)	(18,140)	(8,310)
Dividend paid	(10,912)	(10,892)
Taxes on dividend paid	(1,570)	(1,570)
<b>Net cash from financing activities</b>	<b>327,960</b>	<b>28,719</b>
<b>Net (decrease)/increase in cash and cash equivalents (A + B + C)</b>	<b>(15,329)</b>	<b>29,422</b>
<b>Cash and cash equivalents at the beginning of the year/period</b>	<b>54,132</b>	<b>24,710</b>
<b>Cash and cash equivalents at the end of the year/period</b>	<b>38,803</b>	<b>54,132</b>
<b>Components of cash and cash equivalents:</b>		
Cash on hand (including Stamps in hand Rs. 85 thousand, Previous period Rs. 85 thousand)	347	333
Cheques on hand	-	15,882
Balances with scheduled banks:		
On collection accounts	2,520	2,431
On current accounts	35,349	35,182
On unpaid dividend accounts	587	304
	<b>38,803</b>	<b>54,132</b>

**Notes:**

- a) The Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.  
b) Negative figures have been shown in brackets.

As per our report of even date

**S.R. BATLIBOI & CO.**  
Chartered Accountants

per **Raj Agrawal**  
Partner  
Membership No. 82028

Place : Noida  
Dated : July 20, 2007

**For and on behalf of the Board of Directors of Spice Mobiles Limited**

**Dr. Bhupendra Kumar Modi**  
Chairman

**Ram Nath Bansal**  
Director

**Ashok Kumar Goyal**  
Director

**Kunal Ahooja**  
Manager & CEO

**Dilip Modi**  
Vice Chairman

**Umang Das**  
Director

**Manish Pengoriya**  
Head - Finance

**Radha Krishna Pandey**  
Director

**Suresh Kumar Jain**  
Director

**Renu Gupta**  
Company Secretary

**spice**

## Spice Mobiles Limited (Formerly Spice Limited) Schedules to the Balance Sheet

Particulars	As at March 31, 2007 Rs.'000	As at March 31, 2006 Rs.'000
<b>Schedule 1 : Share Capital</b>		
<b>Authorised</b> 100,000,000 equity shares of Rs. 3/- each.	300,000	300,000
<b>Issued, subscribed &amp; paid up</b> 74,638,000 (Previous period 37,319,000) equity shares of Rs. 3/- each fully paid-up.	223,914	111,957
<b>Notes:</b> i) 29,060,270 (Previous period 22,060,270) shares are held by Mcorp Global Private Limited, the holding company. ii) During the year, the Company has issued 37,319,000 shares on rights basis.		
<b>Schedule 2: Reserves and surplus</b>		
<b>Securities Premium Account</b> Balance as per last account	34,110	34,110
Add : Received during the year	261,233	–
Less : Adjusted against the expenses incurred on issue of shares	(7,263)	–
General Reserve	77,629	77,629
Profit and Loss Account	83,238	85,570
	448,947	197,309
<b>Schedule 3: Secured loans</b>		
<b>Loans and advances from banks</b> – Cash credit facilities	64,151	19,533
<b>Hire purchase loans</b> – From a bank	–	1,963
	64,151	21,496
<b>Notes:</b> i) Cash credit facilities taken from consortium of banks led by State Bank of India are secured by hypothecation of inventories, book debts and other movable assets, both present and future. The above facilities are further secured by mortgage by way of deposit of the title deeds of the Company's immovable properties at Rampur. ii) Hire purchase loans were secured by way of hypothecation of the respective vehicles.		
<b>Schedule 4: Unsecured loans</b>		
<b>Short term loans and advances</b> – From holding company	–	50,000
	–	50,000

## Spice Mobiles Limited (Formerly Spice Limited)

### Schedules to the Balance Sheet

#### Schedule 5: Fixed Assets

(Amount in Rs. '000)

Particulars	TANGIBLES								Total	Previous Period
	Freehold Land	Factory Building	Plant & Machinery	Furniture & Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements		
<b>Gross Block :</b>										
At April 1, 2006	10,256	38,160	12,073	694	1,096	9,652	3,613	842	76,386	70,212
Additions	–	–	7,171	36	437	2,575	–	384	10,603	6,674
Deductions	800	20,417	152	14	156	1,996	2,849	–	26,384	500
<b>At March 31, 2007</b>	<b>9,456</b>	<b>17,743</b>	<b>19,092</b>	<b>716</b>	<b>1,377</b>	<b>10,231</b>	<b>764</b>	<b>1,226</b>	<b>60,605</b>	<b>76,386</b>
<b>Depreciation:</b>										
At April 1, 2006	–	12,558	8,029	377	267	4,482	899	840	27,452	24,371
Additions	–	1,630	1,190	47	249	1,451	91	110	4,768	3,340
Reversals	–	11,145	148	14	93	1,287	226	–	12,913	259
<b>At March 31, 2007</b>	<b>–</b>	<b>3,043</b>	<b>9,071</b>	<b>410</b>	<b>423</b>	<b>4,646</b>	<b>764</b>	<b>950</b>	<b>19,307</b>	<b>27,452</b>
<b>Net Block:</b>										
<b>At March 31, 2007</b>	<b>9,456</b>	<b>14,700</b>	<b>10,021</b>	<b>306</b>	<b>954</b>	<b>5,585</b>	<b>–</b>	<b>276</b>	<b>41,298</b>	<b>48,934</b>
At March 31, 2006	10,256	25,602	4,044	317	829	5,170	2,714	2	48,934	45,841
<b>Capital work in progress</b>										
Software (Intangibles)	–	–	–	–	–	–	–	–	–	2,823

#### Notes:

- Vehicles include Rs. Nil (Previous period Rs. 2,850 thousand; WDV Rs. 2,714 thousand) acquired on hire purchase basis.
- Freehold land and factory building at Rampur amounting to Rs. 800 thousand (WDV Rs. 800 thousand) and Rs. 20,417 thousand (WDV Rs. 9,272 thousand) respectively have been transferred to Assets held for Sale as the management has decided to dispose off the same.
- Freehold land, Factory Building and Plant and Machinery at Baddi of Rs. 9,456 thousand (WDV Rs. 9,456 thousand); Rs. 17,743 thousand (WDV Rs. 14,700 thousand) and Rs. 4,570 thousand (WDV Rs. 3,052 thousand) respectively pertains to the IT business which, the Company has decided to discontinue. The management proposes to put the same to alternative business use in future.
- Software in progress as at March 31, 2006 has been discarded during the current year.
- Fixed assets include the following assets given on operating lease :

(Amount in Rs. '000)

Particulars	Gross Block		Depreciation for		Accumulated Depreciation	
	As at March 31, 2007	As at March 31, 2006	Year ended March 31, 2007	Period Ended March 31, 2006	As at March 31, 2007	As at March 31, 2006
Factory Building	6,920	6,920	495	371	1,167	672
<b>GRAND TOTAL</b>	<b>6,920</b>	<b>6,920</b>	<b>495</b>	<b>371</b>	<b>1,167</b>	<b>672</b>

Particulars	As at March 31, 2007 Rs.'000	As at March 31, 2006 Rs.'000
-------------	---------------------------------	---------------------------------

#### Schedule 6: Investments

##### Long Term Investments (at cost)

##### a) Trade, quoted

Spice Systems Limited (a company under the same management)  
Nil (Previous period 8,150,000) equity shares of Rs.10 each fully paid up, acquired for a consideration of US\$1)  
(Market value was not readily available in the previous period)

##### b) Other than trade, unquoted

Government securities  
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 the sales tax department)

–	–
50	50
<b>50</b>	<b>50</b>



## Spice Mobiles Limited (Formerly Spice Limited)

### Schedules to the Balance Sheet

Particulars	As at March 31, 2007 Rs.'000	As at March 31, 2006 Rs.'000
<b>Schedule 7: Deferred Tax Assets (net)</b>		
<b>Deferred Tax Assets</b>		
– Provision for doubtful debts and advances	–	10,377
– Effect of expenditure debited to Profit and Loss Account in the current/earlier periods but allowed for tax purposes in following periods	–	1,956
<b>Deferred Tax Assets</b>	–	12,333
<b>Deferred Tax Liabilities</b>		
– Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	–	2,470
<b>Deferred Tax Liabilities</b>	–	2,470
<b>Net Deferred Tax Assets</b>	–	9,863
<b>Schedule 8: Inventories</b>		
Raw materials and components	29,805	57,546
Service components and spares	9,909	3,142
Work-in-progress	4,485	21,121
Finished goods and traded goods	192,599	94,247
	236,798	176,056
<b>Schedule 9: Sundry debtors</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Secured, considered good	22	–
Unsecured, considered good	1,080	52,455
Unsecured, considered doubtful	35,453	27,309
<b>Other debts</b>		
Secured, considered good	157	–
Unsecured, considered good*	278,148	176,021
Unsecured, considered doubtful	74	408
	314,934	256,193
Less : Provision for doubtful debts	35,527	27,717
	279,407	228,476
* Includes Rs. 105,950 thousand (Previous period Rs. Nil) in respect of sale of investments to MCorp Global Private Limited, in which some of the directors of the Company are directors/ members.		
<b>Schedule 10: Cash and bank balances</b>		
Cash on hand (including Stamps in hand Rs. 85 thousand, Previous period Rs. 85 thousand)	347	333
Cheques on hand	–	15,882
Balances with scheduled banks:		
On collection accounts	2,520	2,431
On current accounts	35,349	35,182
On unpaid dividend accounts	587	304
On fixed deposit accounts* (Receipts pledged with banks and others Rs. 140,032 thousand, Previous period Rs. 165,254 thousand)	244,531	165,254
	283,334	219,386
* Including unutilised monies from the rights issue Rs. 90,584 thousand (Previous period Rs. Nil).		

## Spice Mobiles Limited (Formerly Spice Limited)

### Schedules to the Balance Sheet

Particulars	As at March 31, 2007 Rs.'000	As at March 31, 2006 Rs.'000
<b>Schedule 11: Other Current Assets</b>		
Fixed Assets held for sale (at net book value or estimated net realisable value, whichever is lower)	10,280	208
Accrued maintenance service revenue	–	1,725
Interest receivable on fixed deposits	2,226	1,323
	<b>12,506</b>	<b>3,256</b>
<b>Schedule 12: Loans and advances</b>		
<b>Unsecured, considered good</b>		
Loans to employees	3,078	85
Advances recoverable in cash or kind or for value to be received	229,356	34,547
Balances with customs, excise, etc	15	15
MAT credit entitlement	4,648	4,648
Less: Written off during the year	(2,684)	–
Less: Utilised during the year	(1,964)	–
Security deposits	4,833	7,583
Advance Income Tax/Tax deducted at source	–	11,061
Less: Provision for income tax	–	(10,832)
<b>Considered doubtful</b>		
Advances recoverable in cash or kind or for value to be received	3,748	2,283
Security deposits	333	827
	<b>241,363</b>	<b>50,217</b>
Less: Provision for doubtful loans and advances	4,081	3,110
	<b>237,282</b>	<b>47,107</b>
Included in Loans & Advances are:		
i) Dues from a company under the same management:		
– Spice Systems Limited	–	–
– included under loan to a body corporate	–	3,897
– included under advance recoverable in cash or in kind or value to be received	–	–
– Maximum amount outstanding during the period	–	300
– Spice Net Limited	–	–
– included under loan to a body corporate	–	–
– Maximum amount outstanding during the period	–	20,000
ii) Dues from holding company :		
– Maximum amount outstanding during the period	–	33
<b>Schedule 13: Liabilities</b>		
Acceptances	–	69,476
Sundry creditors	293,719	255,587
Advances from customers	4,226	2,125
Unexpired maintenance / service contracts	11	890
Security deposits	5,595	2,268
Interest accrued but not due on loans	–	8
Unpaid dividend - to be transferred to Investor Education and Protection Fund (as and when due)	587	304
Other liabilities	11,682	8,188
	<b>315,820</b>	<b>338,846</b>
Included in Sundry creditors are:		
i) Dues to small scale industrial undertakings	–	142
ii) Dues to other than small scale industrial undertakings	293,719	255,445

## Spice Mobiles Limited (Formerly Spice Limited)

### Schedules to the Balance Sheet

Particulars	As at		As at	
	March 31, 2007		March 31, 2006	
	Rs.'000		Rs.'000	
<b>Schedule 14: Provisions</b>				
Provision for Income Tax	12,960	–	–	–
Less: Advance Tax/Tax deducted at source	(11,432)	1,528	–	–
Provision for Fringe benefit tax	3,367		2,124	–
Less: Fringe benefit tax paid	(3,356)	11	(2,110)	14
Proposed dividend		22,391		11,196
Tax on proposed dividend		3,805		1,570
Provision for leave encashment		844		2,083
Provision for warranties				
– Opening balance	1,480		10,665	
– Additions during the period	15,444		5,758	
– Amount used / adjusted during the period	(7,660)		(14,943)	
– Unused amount reversed during the period	–	9,264	–	1,480
		37,843		16,343

### Schedules to the Profit & Loss Account

Particulars	For the		For the	
	year ended		period ended	
	March 31, 2007		March 31, 2006	
	Rs. '000		Rs. '000	
<b>Schedule 15: Turnover (Gross)</b>				
Sales of manufactured goods	370,151		446,113	
Sales of trading goods	1,591,818		696,372	
Maintenance service revenue	8,441		28,542	
	1,970,410		1,171,027	
<b>Schedule 16: Other Income</b>				
Interest				
– On Bank deposits (Tax deducted at source Rs.1,982 thousand, Previous period Rs. 1,399 thousand)	8,987		5,853	
– On Loans to bodies corporate (Tax deducted at source Rs. Nil, Previous period Rs. 299 thousand)	–		1,330	
– On Income tax refund (Tax deducted at source Rs. Nil)	335		–	
– Others (Tax deducted at source Rs.Nil, Previous period Rs.Nil)	–		21	
Commission income	690		664	
Exchange difference (net)	17,686		–	
Profit on sale of long term investments (Refer note no.12 in schedule 24)	105,950		–	
Profit on sale of current investments	–		250	
Miscellaneous income	2,453		3,796	
	136,101		11,914	
<b>Schedule 17: Raw materials and components consumed</b>				
Inventories as at March 31, 2006	57,546		50,019	
Add : Purchases	311,982		364,355	
Less : Inventories as at March 31, 2007	(29,805)		(57,546)	
	339,723		356,828	
<b>Schedule 18: Personnel expenses</b>				
Salaries, wages and bonus	56,054		38,331	
Contribution to provident fund and other funds	2,642		2,262	
Leave encashment expenses	506		1,275	
Gratuity expenses	1,607		207	
Workmen and staff welfare expenses	5,730		4,232	
	66,539		46,307	

## Spice Mobiles Limited (Formerly Spice Limited)

### Schedules to the Profit & Loss Account

Particulars	For the year ended March 31, 2007 Rs. '000	For the period ended March 31, 2006 Rs. '000
<b>Schedule 19: Operating and Other Expenses</b>		
Consumption of stores and other consumables	499	780
Power and fuel	488	586
Rent	11,626	6,147
Rates and taxes (net of recoveries Rs.1,457 thousand, Previous period Rs. 795 thousand)	5,615	3,534
Insurance	1,846	1,404
Repairs and maintenance		
– Buildings	–	31
– Plant & Machinery	–	3
– Others	926	603
Freight and forwarding charges	12,311	7,719
Advertisement and sales promotion	121,904	55,428
Commission on sales - other than sole selling agent	58	444
Travelling and conveyance	14,689	12,683
Directors' sitting fees	255	225
Legal and professional expenses	7,692	5,432
Customer service expenses	26,218	29,742
Provision for doubtful debts / advances	11,365	9,347
Bad debts and advances written off	3,911	4,890
Less : Adjusted against provision for doubtful debts and advances	(2,584)	(4,583)
Exchange difference (net)	–	2,840
Loss on sale / discard of fixed assets (net)	3,069	100
Miscellaneous expenses	19,023	14,584
	<b>238,911</b>	<b>151,939</b>
<b>Schedule 20: (Increase) in inventories</b>		
<b>Inventories as at March 31, 2007</b>		
Work-in-progress	4,485	21,121
Finished goods and Traded goods	192,599	94,247
Service components and spares	9,909	3,142
	<b>206,993</b>	<b>118,510</b>
<b>Inventories as at March 31, 2006</b>		
Work-in-progress	21,121	10,738
Finished goods and Traded goods	94,247	55,607
Service components and spares	3,142	2,319
	<b>118,510</b>	<b>68,664</b>
(Increase) in inventories	<b>(88,483)</b>	<b>(49,846)</b>
<b>Schedule 21: Financial expenses</b>		
Interest		
– to banks (including Rs. 41 thousand on fixed loans, Previous period Rs. 81 thousand)	3,833	3,829
– others	13,028	4,489
Discounting charges to a body corporate	1,270	–
Guarantee charges	983	1,094
Bank charges	3,960	4,191
	<b>23,074</b>	<b>13,603</b>
<b>Schedule 22: Prior period adjustments</b>		
Leave encashment expenses	1,053	–
Gratuity expenses	945	–
Legal and professional expenses	163	–
	<b>2,161</b>	<b>–</b>
<b>Schedule 23: Earnings per share (EPS)</b>		
Net profit as per profit and loss account	23,864	41,714
Number of equity shares at the beginning of the year/period	37,319,000	37,319,000
Number of equity shares at the end of the year/period	74,638,000	37,319,000
Weighted average number of equity shares in calculating basic and diluted EPS	42,533,436	37,319,000
<b>Basic and Diluted Earnings per share (in Rs.)</b>	<b>0.56</b>	<b>1.12*</b>

\*Not annualised

## Spice Mobiles Limited (Formerly Spice Limited)

### Schedule 24

### Notes to Accounts

#### 1. Nature of Operations

The Company is in the business of manufacturing, trading, installation/ erection, networking and maintenance and servicing of computer hardware and trading of mobile handsets. However, as discussed in note no. 7 below, the Company has decided to discontinue its operations in the IT segment.

#### 2. Statement of Significant Accounting Policies

##### a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### b) Changes in Accounting Estimates

Adoption of Accounting Standard AS-15 (Revised 2005) Employee Benefits.

In the current year, the Company has gone for an early adoption of the Accounting Standard 15 (Revised 2005) Employee Benefits which is mandatory from accounting periods starting after December 7, 2006 as against the hitherto followed practice of accounting the same on the basis of Accounting Standard 15 – Accounting for Retirement Benefits in the Financial Statements. Accordingly, the discount rates and other assumptions for computing the gratuity and leave liabilities, have been considered as per the requirements of AS-15 (Revised 2005). This change does not have a material impact either on the profits for the current year or on the liability as at April 1, 2006.

##### c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### d) Depreciation

i) Depreciation 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. In the following cases, the depreciation rates are greater than the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

	Rates (SLM)	Sch XIV Rates (SLM)
Technical equipments (included in Plant & Machinery)	10.00%	4.75%
Building at Baddi in the State of Himachal Pradesh	7.14%	3.34%

ii) Leasehold improvements are depreciated over the primary lease period or its useful life whichever is lower.

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

iv) Depreciation on additions to fixed assets is provided for the full month in which the additions take place.

##### 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 at the weighted average cost of capital.

##### f) Leases

*Where the Company is the lessee*

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges

and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

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 Profit and Loss Account on a straight-line basis over the lease term.

*Where the Company is lessor*

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

**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) Inventories**

Inventories are valued as follows:	
Raw materials and components, service components and spares and traded goods	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 monthly weighted average basis. Cost of raw material and components lying in bonded warehouse includes custom duty accounted for on accrual basis.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and components and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.
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.	

**i) 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.

***Sale of Goods***

*Computer Hardware*

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, although the goods may be pending installation at the customer's site in some of the cases, the nature of installation being very simple. Sales are recorded at invoice value, net of trade discount.

*Mobile Handsets*

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.

***Revenue from Maintenance Contracts***

Revenues from maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered.

***Interest***

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**j) Foreign Currency Translation**

*Foreign currency transactions*

**(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 reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

**(iii) Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from a country outside India, are capitalized as a part of fixed assets.

**k) Retirement and other employee benefits**

(i) Provident fund is a defined benefit obligation. The Company has a private provident fund trust to whom provident fund contributions are made as and when due. The Company presently does not have any other obligation towards the trust.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year. The liability as at the year end represents the difference between the actuarial valuation of the future gratuity liability of continuing employees and actual liability of the employees who have resigned from the Company and the fair value of the plan assets with the Life Insurance Corporation of India (LIC) as at the end of the year.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation.

(iv) Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

**l) Income Taxes**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier periods are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternate Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified year.

**m) 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

**n) 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 adjusted to reflect the current best estimates.

**o) Warranty**

Warranty costs are provided on accrual basis on the total sales under warranty on the following basis:

*Computer Hardware*

Warranty costs are provided at the specific rates agreed with the authorised service providers.

*Mobile Handsets*

Warranty costs 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.

**p) Segment Reporting Policies**

*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 geographical location of the customers.

*Intersegment Transfers*

The Company generally accounts for intersegment 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 Corporate and Other segment includes general corporate income and expense items which are not allocated to any business segment.

**q) Cash and cash equivalent**

Cash and cash equivalents in the cash flow statement comprise cash at bank and cash in hand.

**3. Segment Information**

*Primary segments: Business Segments*

The Company has two business segments, IT and Mobile handsets. IT segment is primarily engaged in the business of manufacturing, trading, installation/ erection and networking of computer hardware, including maintenance and servicing thereof. However as discussed in note no. 7 below, the Company has decided to discontinue its operations in the IT segment. Mobile segment represents the business of trading in mobile handsets.

*Secondary Segments: Geographical Segment*

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



*Segment information*

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

(Amount in Rs. '000)

Business Segments						
	IT Segment (Discontinuing Operations)		Mobile Segment (Continuing Operations)		Consolidated Total	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
<b>Revenue</b>						
External Revenue/Sales	521,912	579,278	1,407,238	588,300	1,929,150	1,167,578
Unallocated corporate revenue					115,272	7,454
Total revenue					2,044,422	1,175,032
<b>Results</b>						
Segment Result	(65,903)	24,043	17,284	24,012	(48,619)	48,055
Unallocated corporate expenses					(4,032)	(8,217)
Operating (Loss)/ Profit					(52,651)	39,838
Income on sale of investments					105,950	250
Interest Income					9,322	7,204
Interest expense					(18,131)	(8,318)
Net Profit before tax					44,490	38,974
Income tax (expense) / credit					(9,520)	1,448
Fringe benefit tax					(1,243)	(1,410)
Deferred tax (charge)/ credit					(9,863)	2,702
Net Profit after tax					23,864	41,714
<b>Other Information</b>						
Segment Assets	225,789	398,758	501,262	160,309	727,051	559,067
Unallocated corporate assets					363,624	176,884
Total Assets					1,090,675	735,951
Segment Liabilities	20,733	161,574	293,177	177,077	313,910	338,651
Unallocated corporate liabilities					103,904	88,034
Total Liabilities					417,814	426,685
Capital Expenditure	1,334	6,498	9,269	1,016	10,603	7,514
Depreciation	3,540	3,250	1,228	90	4,768	3,340
<b>Other non cash expenses</b>						
Provision for doubtful debts and advances	7,959	4,764	822	–	8,781	4,764
Sundry balances written off	3,911	4,890	–	–	3,911	4,890

*Secondary Segment Reporting (by Geographical Segments)*

The following table shows the distribution of the Company's consolidated revenue and debtors by geographical market, regardless of where the goods were produced:

(Amount in Rs. '000)

Geographical Segment	March 31, 2007	March 31, 2006
Revenue from the Domestic market	2,044,422	1,174,051
Revenue from the Overseas markets	–	981
Total Revenue	2,044,422	1,175,032
Debtors of Domestic market	279,407	228,476
Debtors of Overseas markets	–	-
Total Debtors	279,407	228,476

**Notes:**

- The Company has common assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for assets/ additions to fixed assets cannot be furnished.
  - Domestic debtors includes Rs. 105,950 thousand (Previous period Rs. Nil) on account of sale of investments.
4. During the year, the Company has entered into transactions with certain related parties. The balances of these related parties as at March 31, 2007 and March 31, 2006 and aggregate of transactions for the year/period then ended are presented herein below:

**List of related parties (As certified by the management)**

Relation	Name of the related party
Holding Company	: MCorp Global Private Limited
Fellow Subsidiary	: Harjas Logic Systems Private Limited GM Modi Hospital Corporation Private Limited Spice Net Limited
Associates	: Spice Systems Limited
Individuals having significant influence over the Company	: Mr. Dilip Modi
Key Management Personnel (KMP)	: Mr. Arun Seth - Manager & CEO (IT Business) Ms. Preeti Malhotra - Director (Till May 26, 2006) Mr. Kunal Ahojja - CEO (Mobile Handset Business)
Relatives of KMP	: Mrs. Kamla Malhotra (Mother of Ms. Preeti Malhotra)
Enterprises over which individuals having significant influence over the company is/are able to exercise significant influence	: Bougainvillea Multiplex & Entertainment Center Pvt. Ltd. Hotspots Retails Private Limited Omnia BPO Services Limited Spice Global Private Limited Omnia Investments Private Limited Indian Televentures Private Limited Plus Paper Foodpac Limited Spice Communications Limited Modi Wellvest Private Limited Super Infosys Private Limited Spice Impex Private Limited Cellebrum.com Private Limited MobiSoc Technology Private Limited Tuberose Investment Private Limited

**Note:** The names of the related parties and nature of the relationships where control exists are disclosed irrespective of whether or not there have been transactions between the related parties. For others, the names and the nature of relationships is disclosed only when the transactions were entered into by the Company with the related parties during the existence of the related party relationship.

## Spice Mobiles Limited (Formerly Spice Limited)

### Details of related party transactions for the year ended March 31, 2007 (Amount in Rs. '000)

Particulars		Holding Company	Subsidiary	Fellow Subsidiary			Associates	KMP		
		M Corp Global Pvt. Ltd.	Spice Net Ltd.*	Spice Communications Ltd.**	GM Modi Hospital Corporation Pvt. Ltd.	Spice Net Ltd.	Spice Systems Ltd.	Arun Seth	Kunal Ahooja***	Preeti Malhotra
<b>Transactions during the year</b>										
Sales of Finished and Traded Goods	March 31, 2007	286	ñ	ñ	ñ	4,541	ñ	ñ	ñ	ñ
	March 31, 2006	(199)	ñ	(880)	(16)	(24,926)	(90)	ñ	ñ	(3)
Sales of Spares	March 31, 2007	ñ	ñ	ñ	ñ	11,036	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	(2,031)	ñ	ñ	ñ	ñ
Sales of Fixed Assets	March 31, 2007	ñ	ñ	ñ	ñ	520	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Purchases of traded goods and spares	March 31, 2007	ñ	ñ	ñ	ñ	1,122	11	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	(837)	(468)	ñ	ñ	ñ
Investment sold	March 31, 2007	105,950	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	(300)	ñ	ñ	ñ
Interest Expense	March 31, 2007	7,785	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	(3,642)	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Guarantee	March 31, 2007	983	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Commission Paid	March 31, 2006	(619)	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Equity Shares	March 31, 2007	70,000	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Allotted	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Interest Income	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	(59)	ñ	ñ	(884)	(388)	ñ	ñ	ñ
Remuneration	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	2,806	4,614	485
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	(2,173)	(2,861)	(1,194)
Customer Service Expenses	March 31, 2007	ñ	ñ	ñ	ñ	16,724	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	(11,929)	ñ	ñ	ñ	ñ
Miscellaneous Expenses	March 31, 2007	334	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Rent Expense	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	(1,465)	ñ	ñ	ñ	ñ	ñ	ñ
Rent Income	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Dividend paid	March 31, 2007	6,618	ñ	ñ	ñ	ñ	ñ	15	ñ	ñ
	March 31, 2006	(6,618)	ñ	ñ	ñ	ñ	ñ	(15)	ñ	(16)
Bonus Provision	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Written Back	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	(1,340)	ñ	(284)
Loans taken during the period	March 31, 2007	65,000	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	(60,000)	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Loans given during the period	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	3,000	ñ
	March 31, 2006	ñ	(10,000)	ñ	ñ	(10,000)	ñ	ñ	ñ	ñ
Loans repaid during the period	March 31, 2007	115,000	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	(13,500)	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Loan received back during the period	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	(20,000)	(3,897)	ñ	ñ	ñ
<b>Outstanding Balances at the end of year</b>										
Receivables	March 31, 2007	105,950	ñ	ñ	ñ	237	ñ	ñ	ñ	ñ
Considered Good	March 31, 2006	(1)	ñ	(2)	ñ	(11,862)	ñ	ñ	ñ	ñ
Payables	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	107	1,000	ñ
	March 31, 2006	ñ	ñ	(47)	ñ	ñ	ñ	(841)	(15)	(463)
Loan receivable (interest free)	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	3,000	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Loan payable	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	(50,000)	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ

\* Was a subsidiary till September 30, 2005.

\*\* Ceased to be a fellow subsidiary on December 28, 2005.

\*\*\* Was also a director and manager from June 27, 2006 to September 08, 2006

**Notes :** a) The above transactions and outstanding balances do not include reimbursement of official and common expenses to/by related party  
b) Previous period figures have been given in bracket.

## Spice Mobiles Limited (Formerly Spice Limited)

### Details of related party transactions for the year ended March 31, 2007 (Amount in Rs. '000)

Particulars		Relative of KMP	Individuals having significant influence over the Company	Enterprises over which individual having significant influence over the Company is /are able to exercise significant influence						Total
				Kamla Malhotra	Dilip Modi	Spice Communications Ltd.	Bougain villiea Multiplex & Entertainment Centre Pvt. Ltd.	Plus Paper Footpac Ltd.	Omnia investments Pvt. Ltd.	
<b>Transactions during the year</b>										
Sales of Finished and Traded Goods	March 31, 2007	ñ	ñ	63,760	ñ	ñ	ñ	8,271	2,407	79,264
	March 31, 2006	ñ	ñ	ñ	(28)	ñ	ñ	ñ	ñ	(26,142)
Sales of Spares	March 31, 2007	ñ	ñ	1	ñ	ñ	ñ	97	ñ	11,134
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(2,031)
Sales of Fixed Assets	March 31, 2007	ñ	ñ	2,747	ñ	ñ	ñ	ñ	ñ	3,267
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Purchases of traded goods and spares	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	20	ñ	1,153
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(1,305)
Investment sold	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	105,950
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(300)
Interest Expense	March 31, 2007	ñ	ñ	ñ	ñ	ñ	4,636	ñ	ñ	12,421
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(3,642)
Guarantee	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	983
Commission Paid	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(619)
Equity shares allotted	March 31, 2007	ñ	ñ	ñ	ñ	ñ	67,000	ñ	ñ	137,000
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Interest Income	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(1,331)
Remuneration	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	7,905
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(6,228)
Customer Service Expenses	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	16,724
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(11,929)
Miscellaneous Expenses	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	334
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Rent Expense	March 31, 2007	ñ	ñ	5,861	ñ	ñ	ñ	ñ	ñ	5,861
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(1,465)
Rent Income	March 31, 2007	ñ	ñ	ñ	ñ	300	ñ	ñ	ñ	300
	March 31, 2006	ñ	ñ	ñ	ñ	(300)	ñ	ñ	ñ	(300)
Dividend paid	March 31, 2007	ñ	300	ñ	ñ	ñ	ñ	ñ	ñ	6,933
	March 31, 2006	(15)	(300)	ñ	ñ	ñ	ñ	ñ	ñ	(6,964)
Bonus Provision Written Back	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(1,624)
Loans taken during the period	March 31, 2007	ñ	ñ	ñ	ñ	ñ	89,000	ñ	ñ	154,000
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(60,000)
Loans given during the period	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	3,000
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(20,000)
Loans repaid during the period	March 31, 2007	ñ	ñ	ñ	ñ	ñ	89,000	ñ	ñ	204,000
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(13,500)
Loan received back during the period	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(23,897)
Outstanding balances at the end of year										
Receivables	March 31, 2007	ñ	ñ	13,494	ñ	39	ñ	ñ	ñ	119,720
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(11,865)
Considered Good	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	309	ñ	1,416
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(1,366)
Loan receivable (interest free)	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	3,000
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
Loan payable	March 31, 2007	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ
	March 31, 2006	ñ	ñ	ñ	ñ	ñ	ñ	ñ	ñ	(50,000)

spice

## 5. Leases

## a) Assets taken under Finance Leases

The Company had acquired vehicles under finance lease, the cost of which was included in the gross block of Vehicles, under Fixed Assets. The lease term was for 3 years, after which the legal title was to pass on to the Company. However, the Company has foreclosed the lease, and upon passage of the legal title to the assets, disposed off the same. There was no escalation clause in the lease agreements. There were no restrictions imposed by lease arrangements. There were no sub leases:

(Amount in Rs. '000)

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Gross Amount	Nil	2,849
Less: Accumulated depreciation	Nil	135
<b>Net Block</b>	<b>Nil</b>	<b>2,714</b>
<b>Finance Lease liabilities - minimum lease payments:</b>		
Not later than one year	Nil	882
Later than one year but not later than five years	Nil	1,249
Total minimum lease payments	Nil	2,131
Less: Future finance charges on Finance Leases	Nil	168
Present value of Finance Lease liabilities	Nil	1,963
<b>The present value of Finance Lease liabilities is as follows:</b>		
Not later than one year	Nil	774
Later than one year but not later than five years	Nil	1,189
	Nil	1,963

## b) 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 1-3 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. There are no subleases and all the leases are cancelable in nature.

## c) Assets given on Operating Leases

(Amount in Rs. '000)

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Uncollectible minimum lease payments receivable at the Balance sheet date	Nil	Nil
<b>Future minimum lease payments</b>		
Not later than one year	88	300
Later than one year but not later than five years	Nil	88
Later than five years	Nil	Nil
<b>Total</b>	<b>88</b>	<b>388</b>

6. The Company has not taken any derivative instruments as at March 31, 2007. The amount of foreign currency exposures that are not hedged by a derivative instrument or otherwise as on March 31, 2007 are as under :

Particulars	March 31, 2007			March 31, 2006		
	Amt. (Rs.'000)	Foreign currency	Exchange rate	Amt. (Rs.'000)	Foreign currency	Exchange rate
Import creditors	192,127	USD 4,419,752	43.47	211,545	USD LC 639,339 USD Non LC 4,078,194	44.92 44.83
Advance to suppliers and other receivables	1,892	USD 43,542	43.46	22,200	USD 500,000	44.40

#### 7. Discontinuing operations

- a) On March 21, 2007, the Company publicly announced the decision of the Board of Directors to discontinue the IT Business and dispose of the same by selling its assets and settling its liabilities piecemeal. The decision of the Board of Directors has been approved by the shareholders of the Company subsequent to the year end. The same is consistent with the Company's long term strategy to concentrate on its operations of the Handset Business only. The operations of the IT business have been disclosed in note no. 3 above and have also been summarised as under:

(Amount in Rs. '000)

	Year ended March 31, 2007	Period ended March 31, 2006
Net Sales	513,630	574,788
Other Income	8,282	3,160
Total revenue	521,912	579,278
Operating costs	587,815	555,235
(Loss)/Profit from operating activities	(65,903)	24,043
Interest income	2,769	2,490
(Loss)/Profit before tax	(63,134)	26,533
Tax expenses/(credit) (including fringe benefit tax)	4,875	(2,929)
(Loss)/Profit after tax	(68,009)	29,462

The carrying amounts of the total assets and liabilities to be disposed are as follows:

(Amount in Rs. '000)

	As at March 31, 2007	As at March 31, 2006
Total assets	190,279	345,621
Total liabilities	32,164	161,574
Net assets	158,115	184,047

The net cash flows attributable to the IT Division are as follows:

(Amount in Rs. '000)

	Year ended March 31, 2007	Period ended March 31, 2006
Net cash from/(used in) Operating activities	(54,547)	46,759
Net cash from/(used in) Investing activities	40,074	(37,544)
Net cash from/(used in) Financing activities	(8)	(300)
Net cash inflows/(outflows)	(14,481)	8,915

- b) Advances recoverable in cash or in kind or for value to be received as shown under schedule 12 to the financial statements include Rs. 120,645 thousand (Previous period Rs. Nil) receivable from a company with whom a binding sale agreement has been entered into for sale/transfer of some of the assets/liabilities of the IT Business.

#### 8. Capital commitments

(Amount in Rs. '000)

Particulars	March 31, 2007	March 31, 2006
Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for.	Nil	6,762

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

(Amount in Rs. '000)

	Year ended March 31, 2007	Period ended March 31, 2006
(i) Pending Sales Tax forms to be deposited against demand raised by the Uttar Pradesh Sales Tax Authority vide its order dated June 15, 2005 for the assessment period 2003-04.	Nil	1,593
(ii) Various Sales Tax Demands for the assessment periods 1991-92 to 2004-05 being disputed by the Company. The Company has deposited Rs. 2,953 thousand (Previous period Rs. 2,053 thousand) under protest and the same has been included under Loans and Advances. As per the management, the Company has fair chances of success in such cases and hence no liability in respect thereof has been provided for in the books.	20,132	9,548
(iii) Demand raised by Commissioner of Customs (Import & General) in respect of short levy of special additional duty against which the Company has filed an appeal. The management is hopeful of a favourable decision and therefore no liability there against is provided for in the books.	129	129
(iv) Various other claims against the Company not acknowledged as debts. As per the management, the Company has fair chances of success in all these cases and hence no provision in respect thereof is made in the books of account.	2,810	2,952

Provision for Income tax upto the financial period 2003-04 has been made on the basis that the appeals made by the Company against various disallowances made by the Income tax authorities in earlier periods will be decided in its favour. In case these appeals are decided against the Company, the Company will have exposure of additional Income tax liability for the aforesaid period, the amount whereof is presently not ascertainable.

#### 10. 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. The scheme is funded with an insurance company in the form of a qualifying insurance policy. Unavailed leaves can be accumulated upto a maximum of 81 days. Leave balances in excess of 15 days can be encashed by the employees.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

**Profit and Loss account**

Net employee benefit expense (recognised in Employee Cost)

(Amount in Rs. '000)

	<b>Gratuity</b>
Current service cost	417
Interest cost on benefit obligation	246
Expected return on plan assets	(162)
Net actuarial (gain) / loss recognised in the year	1,106
Past service cost	Nil
Net benefit expense	1,607
Actual return on plan assets	Not readily available

**Balance sheet**

**Details of Provision for Gratuity**

(Amount in Rs. '000)

	<b>Gratuity</b>
Defined benefit obligation	3,646
Fair value of plan assets	2,138
Less: Unrecognised past service cost	Nil
Plan (liability)	(1,508)

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

(Amount in Rs. '000)

	<b>Gratuity</b>
Opening defined benefit obligation	3,125
Current service cost	417
Interest cost	246
Benefits paid	(1,180)
Actuarial (gains) / losses on obligation	1,038
Closing defined benefit obligation	3,646

**Note:** Closing obligation of gratuity includes Rs.3,042 thousand in respect of employees who have resigned from the Company and liability whereof has been determined on actual basis.

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

(Amount in Rs. '000)

	<b>Gratuity</b>
Opening fair value of plan assets	2,952
Expected return	162
Contributions by employer	272
Benefits paid	(1,180)
Actuarial gains / (losses)	(68)
Closing fair value of plan assets	2,138

The Company's expected contribution to the fund in the next year is not presently ascertainable.

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

	<b>Gratuity</b>
Investments with insurer	100%

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.



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

Discount rate	7.5%
Expected rate of return on assets	8.9%
<b>Employee turnover</b>	
– Upto 30 years	3.0%
– 30-44 years	2.0%
– Above 44 years	1.0%
Mortality rate	LIC (1994-96) duly modified

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

Gratuity liability as at the year end is as follows:

(Amount in Rs. '000)

	<b>Gratuity</b>
Defined benefit obligation	3,646
Plan assets	2,138
Surplus / (deficit)	(1,508)

**Notes:**

- The Company has gone for an early adoption of AS 15 (Revised 2005) Employee Benefits, during the year. Since similar valuations for previous years ended March 31, 2006; March 31, 2005; March 31, 2004 and March 31, 2003 are not readily available with the Company, disclosures as required by paragraph 120(n) of AS 15 (Revised 2005) have not been furnished in respect of those years.
- The Company has never had any obligation towards the provident fund trust except for the contributions due to the trust. Accordingly no additional disclosures as required by paragraph 120 of AS 15 (revised 2005) have been furnished.
- This, being the first year for the adoption of Revised Accounting Standard 15 "Employees Benefits", no comparative figures are available in respect of the previous period.

**11. Details of utilisation of proceeds raised through rights issue during the year**

(Amount in Rs. '000)

Particulars		Projected as per the Letter of Offer	Actual till March 31, 2007
Proceeds from Right Issue (including securities premium)	<b>(a)</b>		<b>373,190</b>
<b>Utilizations</b>			
Repayment of unsecured loans		137,000	178,100*
General Corporate purposes		Upto 79,600	32,240
Share issue expenses		Upto 7,500	7,263
Working capital requirements		180,600	65,003
	<b>(b)</b>		<b>282,606</b>
<b>Unutilised balance at bank</b>	<b>(a-b)</b>		<b>90,584</b>

\*Including Rs.137,000 thousand converted into Equity.

- The Company has sold 8,150,000 shares of Spice Systems Limited for a total consideration of Rs. 105,950 thousand during the year to MCorp Global Private Limited, a company in which some of the directors of the Company are interested as directors or members. The Company has been advised that the said transaction does not relate to goods/services, and hence is not covered under section 297 of the Companies Act, 1956. However, there may be contrary views to this and therefore, the Company has decided to move to the competent authority within the Central Government to seek compounding as a matter of abundant caution and accordingly, an application has been filed with the Registrar of Companies on July 6, 2007 for compounding of the offence, if any.

13. Details of loans and advances given to associates and subsidiaries in which directors are interested:

(Amount in Rs.'000)

Particulars	Amount outstanding		Maximum amount outstanding during the year/period ended	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
<b>Associate companies</b>				
<b>Spice Systems Limited</b>				
– Loans	–	–	–	3,897
– Advances*	–	–	–	300
<b>Subsidiary company</b>				
<b>Spice Net Limited**</b>				
– Loans	–	–	–	20,000

\*Non interest bearing.

\*\*Subsidiary till September 30, 2005.

14. The Company has reviewed its net deferred tax assets and MAT credit entitlement as at March 31, 2006 and in view of the operating losses in the current year, has decided not to recognise/carry forward the same due to lack of reasonable certainty of realising these assets against future taxable income. Accordingly, net deferred tax assets of Rs. 9,863 thousand and the unutilised portion of MAT credit entitlement of Rs. 2,684 thousand recognised as at March 31, 2006 have been reversed during the year.
15. The Company is a subsidiary of MCorp Global Private Limited within the meaning of section 4(1)(a) of the Companies Act, 1956.
16. The Company has changed its name from Spice Limited to Spice Mobiles Limited w.e.f. April 26, 2007.
17. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

Particulars	Amount in Rs. '000
i) the principal amount and the interest due thereon remaining unpaid to any supplier –Principal amount –Interest thereon	Nil
ii) the amount of interest paid by the buyer in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day	Nil
iii) the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil
iv) the amount of interest accrued and remaining unpaid	Nil
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small investor	Nil

## 18. Supplementary Statutory Information

## i) Remuneration to Directors &amp; Managers

(Amount in Rs. '000)

Particulars	Director, Manager & CEO		Director*		Director & Manager**	
	Year ended March 31, 2007	Period ended March 31, 2006	Year ended March 31, 2007	Period ended March 31, 2006	Year ended March 31, 2007	Period ended March 31, 2006
Salaries	2,594	2,051	451	1,111	688	Nil
Contribution to Provident Fund	196	104	11	65	29	Nil
Perquisites (at actual)	16	18	23	18	9	Nil
<b>Total</b>	<b>2,806</b>	<b>2,173</b>	<b>485</b>	<b>1,194</b>	<b>726</b>	<b>Nil</b>

\* Resigned on May 26, 2006.

\*\* Appointed w.e.f. June 27, 2006 and resigned on September 08, 2006.

**Note:** Payments/provision on account of gratuity and leave encashment have not been included above, as the same are actuarially determined for the Company as a whole and thus not separately ascertainable for the Directors and Managers.

## ii) Legal and professional expenses include remuneration to the auditors of the Company:

(Amount in Rs. '000)

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Audit fee	1,291	842
Limited Reviews	168	165
Tax Audit Fee	281	281
Certification and other services	56	406
Out of pocket expenses	34	43
<b>Total</b>	<b>1,830</b>	<b>1,737</b>

**Note:** In addition to the above, a sum of Rs. 2,622 thousand (Previous period Rs. Nil) has been paid to the auditors for certification of information for Rights Issue which has been adjusted against the securities premium received from the Rights Issue.

## 19. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART- II OF SCHEDULE - VI TO THE COMPANIES ACT, 1956.

## i) Capacity: Information with regard to licensed capacity and installed capacity of minicomputers and microprocessor based systems (as certified by the management):

	March 31, 2007	March 31, 2006
Licensed Capacity	N.A.	N.A.
Installed Capacity		
– Rampur Plant (in Rs. thousand)	1,100,000	1,100,000
– Baddi Plant		
System (in units)	24,000	24,000
Printers (in units)	8,000	8,000
Software ( in Rs. thousand)	25,000	25,000

ii) Particulars in respect of Production, Sales and Stocks for each class of goods manufactured by the Company:

(Amount in Rs. '000)

	Passbook printers		Computer Systems		Total
	Units	Amount	Units	Amount	Amount
<b>Opening stock</b>					
April 1, 2006	65	1,579	38	844	2,423
July 1, 2005	61	1,484	109	2,385	3,869
<b>Production</b>					
March 31, 2007	9,768		5,119		
March 31, 2006	10,531		3,446		
<b>Sales</b> (Including excise duty)					
March 31, 2007	9,761	234,423	4,873	135,728	370,151
March 31, 2006	10,526	325,219	3,444	120,894	446,113
<b>Transferred to Service Stock</b>					
March 31, 2007	-	-	46	-	-
March 31, 2006	-	-	46	-	-
<b>In house Capitalisation</b>					
March 31, 2007	-	-	30	-	-
March 31, 2006	-	-	14	-	-
<b>Written off</b>					
March 31, 2007	-	-	-	-	-
March 31, 2006	1	-	12	-	-
<b>Damaged/ Insurance claim</b>					
March 31, 2007	-	-	-	-	-
March 31, 2006	-	-	1	-	-
<b>Closing stock</b>					
March 31, 2007	72	1,409	208	4,916	6,325
March 31, 2006	65	1,579	38	844	2,423

iii) Particulars in respect of Purchases, Sales and Stocks of goods traded (including service components and spares) by the Company:

(Amount in Rs. '000)

	Passbook printers		Computer Systems		IT Peripherals and spare parts	Mobile Handsets		Blue Tooth		Spare parts of Mobile Handsets	Total
	Units	Amt.	Units	Amt.	Amt.	Units	Amt.	Units	Amt.	Amt.	Amt.
<b>Opening Stock</b>											
April 1, 2006	5	3	29	878	16,353	42,485	76,536	-	-	1,196	94,966
July 1, 2005	7	29	17	633	40,763	4,988	12,632	-	-	-	54,057
<b>Purchases</b>											
March 31, 2007	-	-	2,726	75,744	51,179	539,433	1,262,260	1,632	3,384	10,750	1,403,317
March 31, 2006	-	-	581	15,130	53,364	281,687	535,102	-	-	1,820	605,416
<b>Sales</b>											
March 31, 2007	-	-	2,444	77,463	58,596	495,221	1,450,000	302	956	4,803	1,591,818
March 31, 2006	-	-	557	15,614	86,810	240,415	592,841	-	-	1,107	696,372
<b>Transferred to service stock</b>											
March 31, 2007	-	-	-	-	-	8,904	-	-	-	-	-
March 31, 2006	-	-	3	-	-	-	-	-	-	-	-
<b>In house capitalisation</b>											
March 31, 2007	-	-	4	-	-	-	-	-	-	-	-
March 31, 2006	-	-	8	-	-	-	-	-	-	-	-
<b>Written off</b>											
March 31, 2007	-	-	-	-	-	-	-	-	-	-	-
March 31, 2006	2	-	1	-	-	-	-	-	-	-	-
<b>Closing stock</b>											
March 31, 2007	5	1	307	7,813	9,135	77,793	166,681	1,330	2,644	9,909	196,183
March 31, 2006	5	3	29	878	16,353	42,485	76,536	-	-	1,196	94,966

**Note:** As there are large number of items of IT peripherals & spare parts and spares parts of mobile handsets and there are no individual items accounting for 10 per cent or more of the value, the quantitative details in respect thereof have not been furnished.

iv) Consumption of Raw Materials and Components:

(Amount in Rs. '000)

Particulars	Year ended March 31, 2007		Period ended March 31, 2006	
	Quantity (in units)	Amount	Quantity (in units)	Amount
Central Processing Units (C.P.U.)	5,064	26,770	3,538	22,307
Kits for Passbook Printers	9,503	176,116	10,531	190,707
Others*		136,837		143,814
<b>Total</b>		<b>339,723</b>		<b>356,828</b>

\* It is not practicable to furnish quantitative information in view of the large number of items, which differ in size and nature, each being less than 10% in value of the total.

- v) Value of Imported and Indigenous Raw Materials and Components consumed and percentage thereof:  
(Amount in Rs. '000)

Particulars	Year ended March 31, 2007		Period ended March 31, 2006	
	Value	%	Value	%
– Imported	194,905	57	234,966	66
– Indigenous	144,818	43	121,862	34
<b>Total</b>	<b>339,723</b>		<b>356,828</b>	

- vi) Value of Imported and Indigenous stores and consumables consumed and percentage thereof:  
(Amount in Rs. '000)

Particulars	Year ended March 31, 2007		Period ended March 31, 2006	
	Value	%	Value	%
– Imported	–	–	–	–
– Indigenous	499	100	780	100
<b>Total</b>	<b>499</b>	<b>100</b>	<b>780</b>	<b>100</b>

- vii) Value of Imports on C.I.F. Basis:  
(Amount in Rs. '000)

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Traded and Service Goods	1,226,792	542,639
Raw Materials and Components	160,428	220,331
<b>Total</b>	<b>1,387,220</b>	<b>762,970</b>

- viii) Earning in Foreign Currency (accrual basis):  
(Amount in Rs. '000)

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
FOB Value of Export	–	981
Commission Income	–	554
Discount on purchases	11,013	22,200
<b>Total</b>	<b>11,013</b>	<b>23,735</b>

- ix) Expenditure in Foreign Currency (accrual basis):  
(Amount in Rs. '000)

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Travelling and Conveyance	712	1,219
Legal and Professional Expenses	131	66
<b>Total</b>	<b>843</b>	<b>1,285</b>

x) Net dividend remitted in foreign exchange\*

Particulars	Year ended March 31, 2007	Period ended March 31, 2006
Period to which it relates	1.7.2005 to 31.3.2006	1.1.2004 to 30.6.2005
– Number of non-resident shareholders	1	1
– Number of equity shares held on which dividend was due	2,000,000	2,000,000
– Amount remitted (Rs. in thousand)	600	600
– Currency in which dividend was remitted	USD	USD

\* Excluding dividend credited to FCNR/NRE account of NRI's and also payments of Dividend to Foreign Institutional Investors on repatriation basis.

**20. Previous period comparatives**

- i) Previous period figures have been regrouped where necessary to conform to current year's classification.
- ii) The previous period figures in the Profit and Loss Account are for a nine months period as against a twelve months period in the current year. Hence the same are not comparable.

**Signatures to Schedules 1 to 24**

As per our report of even date

**S.R. BATLIBOI & CO.**  
Chartered Accountants

**per Raj Agrawal**  
Partner  
Membership No. 82028

Place : Noida  
Dated : July 20, 2007

**For and on behalf of the Board of Directors of Spice Mobiles Limited**

**Dr.Bhupendra Kumar Modi**  
Chairman

**Ram Nath Bansal**  
Director

**Ashok Kumar Goyal**  
Director

**Kunal Ahooja**  
Manager & CEO

**Dilip Modi**  
Vice Chairman

**Umang Das**  
Director

**Manish Pengoriya**  
Head - Finance

**Radha Krishna Pandey**  
Director

**Suresh Kumar Jain**  
Director

**Renu Gupta**  
Company Secretary





## List of Regional Distributors of Spice Mobiles Limited

### ANDHRA PRADESH

**Hyderabad** : Anu Distributors  
7-1-27/2, Flat No. 401, Suraj Mansion,  
Opp. Divya Shakti Apts Ameerpet, Hyderabad-16  
Phone : 080-26607993, 26607994, 9908491777,  
9900103111, 9900297047  
Fax : 080-26607994

### ASSAM

**Guwahati** : K B Internatinal  
Shop No. 5, Yasodanandan Market,  
S J Road, Athgaon, Guwahati - 781001  
Phone : 033-2606850, 9435044116, 9954024365  
Fax : 033-22687862

### BENGAL

**Kolkata** : Saraswati Enterprises  
31, Burtolla Street, Kolkata - 700 007  
Phone : 033-22687862, 9831816016  
Fax : 033-22698968

### CHATTISGARH

**Raipur** : Suchita Enterprises  
Plot No. B-3, Radha Swami Nagar,  
Bhata Gaon Raipur, Chattisgarh  
Phone : 0512-3013569, 9839556633

### DELHI

Taneja Electronics  
J-1/134, J.J. Colony Wazirpur, Ashok Vihar, Delhi  
Phone : 9818385520, 9210027777

Kwality Telecom  
1/4650, Ram Nagar Extn., Mandoli Road, Shahdara, Delhi  
Phone : 9312233236

Electronics Villa  
D-138, Raj Nagar-II, Palam Colony, New Delhi - 110 045  
Phone : 9811525222, 9810250307

### GUJARAT

**Palanpur** : Joyous Electronics  
1st Floor, Gurunanak Chowk,  
Palanpur - 385001, North Gujrat  
Phone : 02742-251363, 9824020729  
Fax : 02742-2570807

**Ahmedabad** : Dawar Radios  
28, Rajtilak Row Houses  
B/S, Chanakya Tower, Nr. Sandesh Press, Bodakdev  
Vastrapur, Ahmedabad - 380 054  
Phone : 079-22131829, 26851898, 9825033777, 9924449700  
Fax : 079-22170715

### HARYANA

**Faridabad** : SPG Distributions.  
B-311, First floor  
Nehru ground, N.I.T., Faridabad  
Phone : 0129-4037282, 9899297282  
Fax : 0129-4037282

**Karnal** : Sach Telecom  
SCO-3-4, First Floor, Sanjiv Hospital Market  
Railway Road, Karnal  
Phone : 9215810000, 9215210000

### HIMACHAL PRADESH

**Dharamshala** : Tripat Enterprises  
Near Employment Exchange, Jawahar Nagar,  
Nehru Yuva Kendra, Dharamshala  
Phone : 01892-222361, 9816315347, 9816119130

**Nahan** : Amit Agencies  
Katcha Tank, Nahan, Himachal Pradesh - 173 001  
Phone : 01702-222477, 9418074308

**Shimla** : In touch Communications  
3, Regal Building, Lakkar Bazar, Shimla  
Phone : 9817023000, 988203000

### JAMMU & KASHMIR

**Jammu** : J&K Media Network Pvt. Ltd.  
7-B/C, Gandhi Nagar, Jammu Tawi, Jammu  
Phone : 0191-2439962, 941911840, 9419196183

### JHARKHAND

**Ranchi** : Saraswati Enterprises  
Shop No. 5, 1st Floor, AC Market,  
G.E.L. Church Complex,  
Main Road, Ranchi - 834 001  
Phone : 0651-2360364, 3299722, 9931102629, 9931128849

### KARNATAKA

**Bangalore** : Anu Distributors  
"Srinivasa Niyalam"  
#37, Sannidhi Road, Basavanagudi,  
Bangalore - 560 004  
Phone : 080-26607993, 26607994, 9880311777,  
9900297047, 9900103111  
Fax : 080-26607994

### MADHYA PRADESH

**Bhopal** : Meera's  
1, New Market, Hanuman Mandir Lane  
Bhopal - 462003  
Phone : 0755-2579178, 5220725, 9826074422  
Fax : 0755-2570807

**Indore** : Kamal Associates

101, 2nd Floor, Maurya Heritage, 10/5,  
New Palasia, Indore - 452 001 M.P.  
Phone : 0731-3014390, 9893077599  
Fax : 0731-2538297

**Jabalpur** : Modern Electronics

4, Nigam Market, Tulram Chowk  
Opp. State Bank of India Jabalpur, M.P.  
Phone : 0761-2310885, 4019888, 9425153383  
Fax : 0761-4017888

**MAHARASHTRA****Mumbai** : Alka Telecommunications

D-6, Bonanza IND. Estate, AC Road,  
Kandivali (E) Mumbai - 400 101  
Phone : 022-28877170, 9820051906  
Fax : 022-28873366

**Pune** : KC Marketing

Office No. 13, Symphony-C,  
Ashok Nagar, Pune 411 020  
Phone : 020-25534198, 9890999666

**ORISSA**

**Cuttack** : Paras Commercial Corp. Haripur Road,  
Kailash Bhawan, Near Lord's Hotel Cuttack - 753 001  
Phone : 0671-2424328, 9437023771

**PUNJAB****Bathinda** : S R Communications

Shop No. 4693, Hospital Bazar, Bathinda  
Phone : 0164-2250040, 9814600066  
Fax : 0164-2250040

**Chandigarh** : Electronic Plaza

SCO 319-320, Sector 35-B, Chandigarh  
Phone : 0172-5005883, 9814011863, 9216211866

**Jalandhar** : Jiya Communication

1st Floor, Mobile House, Opp. Old Division-3,  
Phagwara Gate, Jalandhar  
Phone : 9815542798

**Ludhiana** : Darshan Watch Comp

Shop No. 71, Kamla Nehru Market, G T Road  
Near Railway Station, Ludhiana  
Phone : 0161-6575619, 9814393333, 9814200090

**RAJASTHAN****Jaipur** : Delta Marketing

372/1, Opp. Ram Chandra Marriage Caterer,  
Raja Park Jaipur - 302004  
Phone : 0141-5549871, 9828154545, 9828024848  
Fax : 0141-5114488

**UTTARANCHAL****Dehradun** : Wadhwa Traders

30, Chakrata Road,  
Dehradun - 248 001  
Phone : 0135-3252991, 9719203781, 9837604500

**Rudrapur** : Mobile Planet

127, Bhagat Singh Chowk, Rudrapur,  
US Nagar, Uttaranchal  
Phone : 05944-246259, 9412090722

**UTTAR PRADESH****Agra** : Maa Ambuja Sales

6/260 Ram Bhawan, Barapura,  
Belanganj, Agra - 282004  
Phone : 0562-2623703, 2621044, 9412256835  
Fax : 0562-2621044

**Bareilly** : Ram Rikh Dass Khiali Ram

22, Marwadi Ganj, Bareilly,  
Uttar Pradesh - 243 005  
Phone : 0581-2540247, 9927088557, 9219507469

**Kanpur** : Suchita Enterprises

49/62, Bangla Building,  
Nayaganj, Kanpur - 208 001  
Phone : 0512-3953635, 9839556633, 9838106272

**Lucknow** : Chandra Telecom

11nd Floor, Aaj Press Building,  
Jopling Road, Lucknow - 226 001  
Phone : 0522-2206929, 9839212348  
Fax : 0522-2207790

**Moradabad** : Gupta Agencies

Katranaz, Moradabad  
Phone : 9837066100, 9837020500  
Fax : 0591-2314472, 2328612

**Muzzaffar Nagar** : Ashoka Stores & Company

184, South Civil Lines, Muzzaffar Nagar  
Phone : 9837077447, 9837077448, 9927123456,  
9837085985

**Noida** : Office Point

137, 1st Floor, Jaipuria Shopping Complex  
Sector-26, Noida U.P.  
Phone : 0120-26442300, 26472300, 9810040653  
Fax : 0120-26452907

**Saharanpur** : Vansh Traders

More Ganj, Saharanpur  
Phone : 9837050335, 9837039790



### S-404n

- 500 Phonebook and 200 SMS
- Singtones
- Speaker phone



### S-700

- 262K TFT Color display
- Smart FM Recording
- 64 MB Internal Memory



### S-535

- Dual tone Metallic design
- 500 phonebook & 200 SMS
- Speakerphone



### S-8

- Mega Slim (11,5 mm)
- 2 MP camera with Flash
- Expandable Memory (up to 2GB)



### S-5

- Super Slim 10,8 mm
- Super 65K colours
- Speakerphone



### S-920

- Pranktones  
(In Call Background Sound Effects)
- 2 MP camera
- Large 262K QVGA Display



### S-600

- One Touch Mp3 player
- 128 MB Internal Memory
- 65K Colors



### Dual D-88

- India's first Dual mode phone  
GSM + CDMA
- 2-inch screen with  
262K TFT colour display
- 1.3 MP camera



Presenting India's first  
**GSM + CDMA**  
Dual Mode Phone



# SPICE DUAL

Now use two active connections simultaneously in the same phone. Go on LIVE TWO LIVES.

- Active dual modes for Calls/SMS simultaneously
- Large unified phonebook (GSM/CDMA/Phone)
- Access GSM/CDMA phonebook and SMS mail box simultaneously
- Multi-media features • Expandable memory

D-88

[www.spicemobile.in](http://www.spicemobile.in)

**spice**  
MOBILE PHONES



*Speed*

*Innovative*

*Empathy*

*Vibrant*

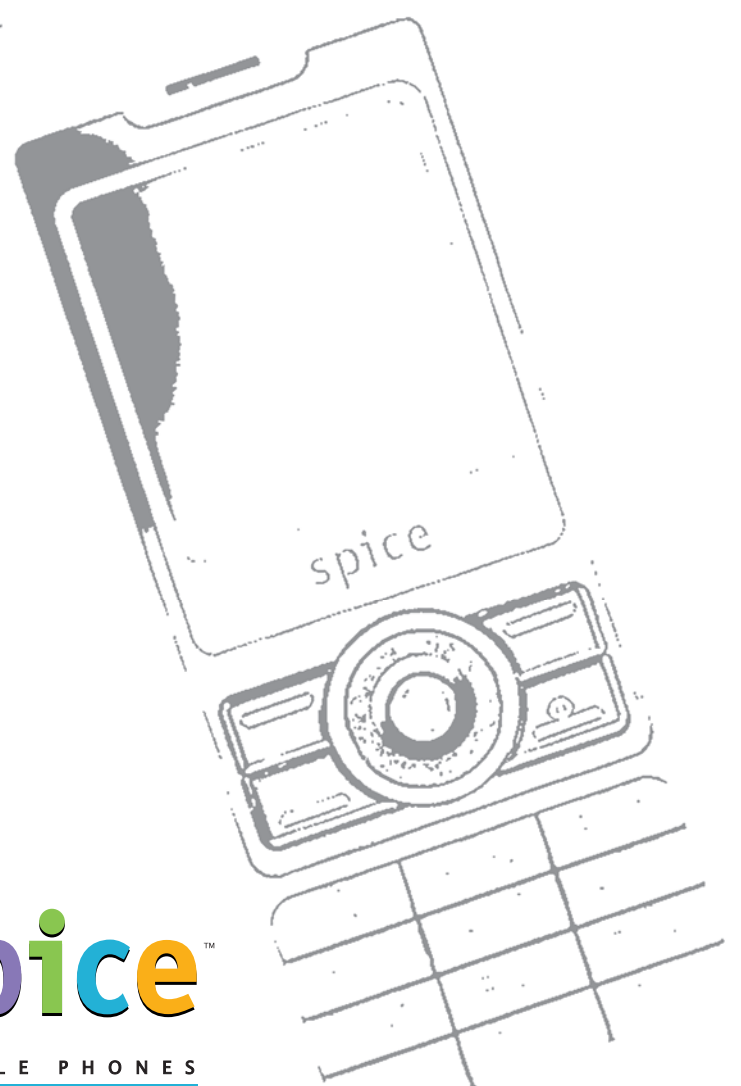
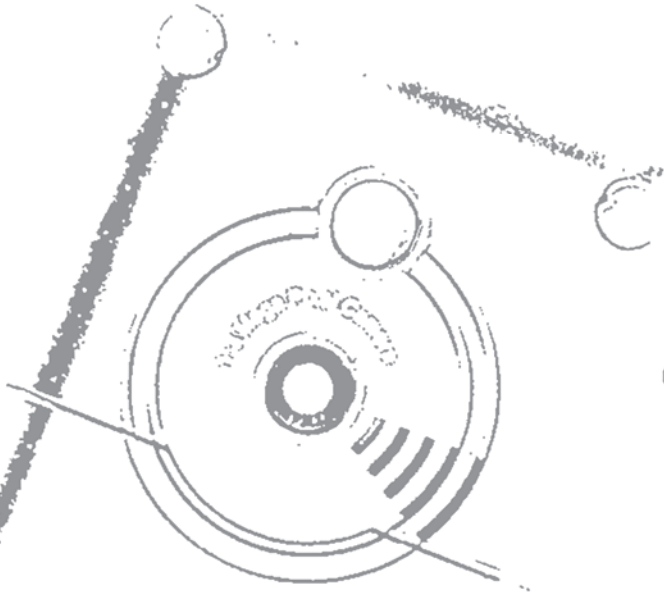
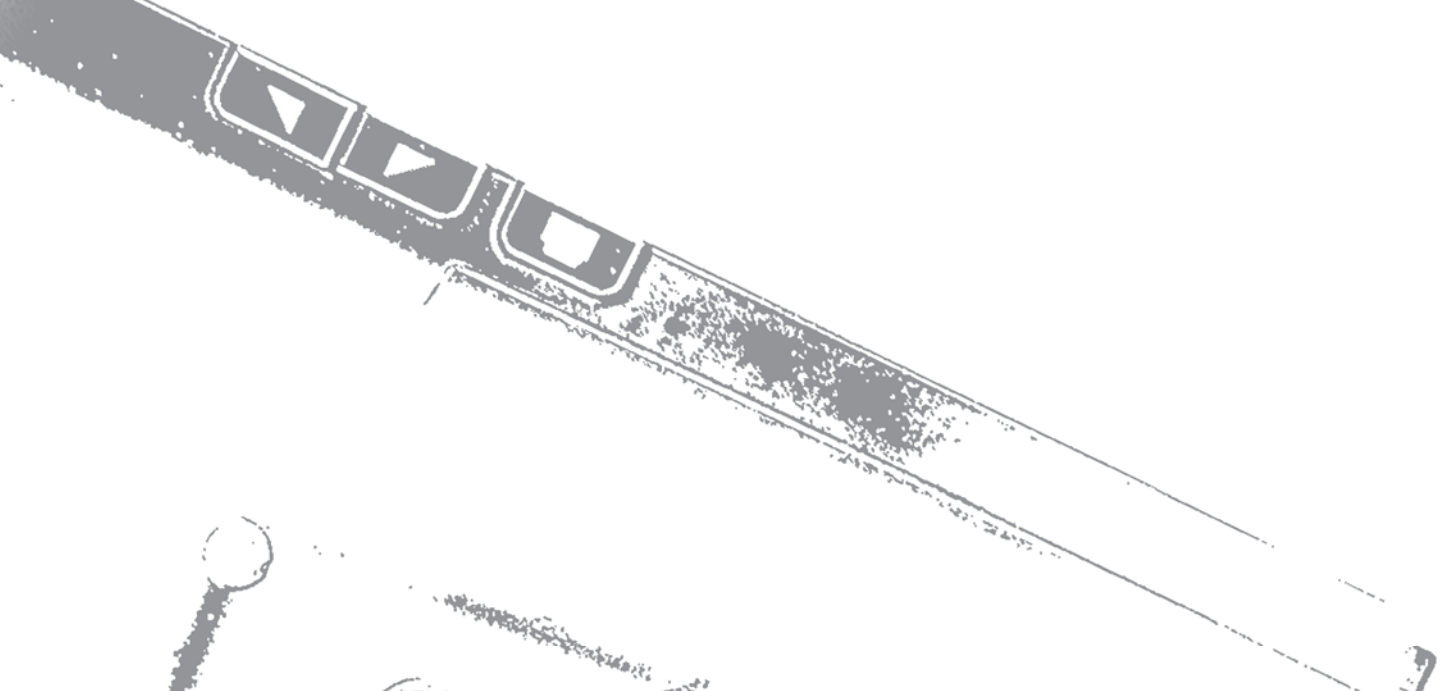
*Fun*

# core values

It's what we believe in,  
it's what we practice.

***Trust***

A pair of hands, rendered in a metallic blue, translucent style, are shown from a top-down perspective, cupping a bright, glowing white orb. The orb is the source of a light flare that illuminates the hands and the surrounding space. The background is a dark blue grid of glowing lines that recede into the distance, creating a sense of depth and perspective. The overall aesthetic is futuristic and high-tech.



**spice**<sup>™</sup>  
MOBILE PHONES

Registered Office of Spice Mobiles Limited  
D-1, Sector - 3, Noida - 201 301, Uttar Pradesh.  
Visit us at: [www.spicemobile.in](http://www.spicemobile.in)