

LEADING THE SWITCH FROM MOBILE TO MOBILE INTERNET

S Mobility Limited | Annual Report 2010- 11



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CHAIRMAN'S STATEMENT

Dear Shareholders,

Last decade was the decade of Mobile Telephony Revolution and the focus was to give Indian Consumers access to 'Dial Tone', this decade we are poised to witness a Mobile Internet Revolution that will focus to give the Indian Consumers access to an "Information Tone".

The Mobile Internet Wave has swept most developed markets and is only time before it hits our shores and Mobile Internet becomes a part of our daily life. Our team at S Mobility has kept its ear to the ground so as to best understand the pulse of the Indian consumer and when will they start to adopt Mobile Internet. On the back of these learnings, we have introduced some cutting edge offerings to enthuse both the rural and urban buyers. We have been able to swiftly respond to consumer needs and aspirations, by leveraging on the strength and diversity of our integrated business model which comprises of mobile devices, Value Added Services and a growing retail reach under one umbrella.

Our Product Development units and manufacturing facility offer us the benefits of cutting edge innovation, scale, efficiencies and state of the art product options in what is a very fast moving segment. I believe these would enable your Company to continue in the Spice Group's rich tradition of being the 'First to Market' and the first to spot emerging trends.

During the year under review we have endeavoured tirelessly to harness our strengths and capabilities to be best prepared to leverage on the tremendous potential the mobility segment enjoys. We have enhanced our product portfolio to include some exciting offerings, extended our market presence and established a deeper connect with the Indian customer.



I am delighted to inform you that S Mobility also featured in Forbes 2010, as amongst Asia's 200 Best Billion Dollar Companies.

The Indian Telecom sector

The Indian Telecommunications network with over 800 million mobile connections is the second largest in the world. Liberal Government policies have provided easy market access for telecom equipment and a fair regulatory framework for offering telecom services to Indian consumers at affordable prices. The Mobility segment is playing an important role for the society at large, by making the much needed communication services available in the rural and semi urban areas where tele-density is still quite low. Growth of broadband connections too has been extremely impressive at ~40% since 2008, today touching a subscriber base of nearly 9 million.

3G as the force multiplier

The arrival of 3G has heralded a faster and more robust Internet, better access to data services, including e-commerce, social networking, audio-video conferencing, and many other broadband applications which require higher connectivity speeds. We see three distinct directions this will take:

1. The emergence of a new VAS – which will allow the consumer to pay credit card bills, utility bills, book movie tickets and possibly do almost any transaction from the convenience of his or her phone. (Millions of subscribers and many large enterprises have already taken to these services)
2. The ability to access Internet application and services using mobile devices will lead to new customer segments accessing the Internet, and will drive the usage of the Internet for new usage. (Facebook usage on Mobile is double of its usage on desktop PC)
3. Finally, with the implementation of **mobile number portability**, service providers will increasingly depend on Value Added Services and Mobile Internet as their **key differentiators** to retain their existing customers besides attracting the new ones.

With intensifying competition, plummeting ARPUs against the burden of high employed capital, there is an urgency for operators to find new revenue streams by investing in new technologies such as VoIP and other innovative solutions to its consumers.

The success of the telecommunications sector had so far been restricted to urban India. Conventionally, subscriber growth and basic voice services have been the key growth driver for the sector. The introduction of 3G and later 4G services will play a key role in both expanding and accelerating this growth. Broadband connectivity and mobile VAS services are opening up newer avenues and implementation of new technologies and data centric applications will result in efficiency and transparency across operations.

The Mobile Internet Sector

Mobile internet is one of the fastest growing sectors in India. The enormous appetite for internet content will largely get being driven by mobile customers as access of internet by mobile subscribers will start to overtake desktop internet users. Mckinsey projects that the number of internet users will grow to more than 5 times from the present 81 million between 2010 and 2015. This is supported by the significantly large young Indian population - ~370 million under 14 year olds which is 1.5 times that of China!!

The sector's growth was earlier impeded by several critical anomalies, including a dismal underdeveloped and overstretched infrastructure, one key limitation was the availability of limited spectrum. Poor access and service prevented the efficient flow of even the most basic of services. The auctioning of more spectrum and efficient usage of the same by telecom operators is now starting to impact the service delivery positively.



It is heartening that a large proportion of the growth is contributed by volume expansion, which is an indication of rising demand and consumption. Handsets in the market today offer consumers great features at affordable prices. Microprocessors have reduced in size over a period of time, enabling handset manufacturers to compress more features within devices.

More interestingly, as prices for microprocessors and other parts reduce, these better features that replace existing components of handsets do not increase the price of handsets significantly but rather, keep it reasonably at a steady level or even reduces them at times. Your Company has been leading the charge in this evolution and thus increasingly able to provide consumers with a range of devices and services at ever more attractive prices.

Let me share with you another growing opportunity. Several of the international majors have focused on implementing broad and consumer friendly internet experiences in only English. Thus language has become a barrier for many in rural areas. Consumers who reside in rural areas cannot make full use of features that today's state-of-the-art handsets have. Catering to the rural masses by developing mobile based internet properties and offering value added services in regional languages is one of your Company's key USPs.

Retail will play a significant role in the growth of Mobile Internet. Vibrant display, friendly and knowledgeable service personnel, centres to get a touch and feel of the different services on offer; all help in creating a stronger bond and a deeper association with the customer. I invite you to visit and experience our Spice Hotspot stores – besides getting a look at the latest mobile devices, you will experience our exclusive Touchscreen kiosks, from which you can easily download some exciting data and voice applications.

The combination of a regional focus and an integrated business model with presence across the Mobile Internet value chain, gives S Mobility the opportunity to create mobile internet solutions that cater to every corner of the Indian market.

The new entity : S Mobility

As you are aware, Spice Mobility has now switched to S Mobility. The transition of Spice Mobility to S Mobility is not a mere name change but a transformation that symbolises a uniquely integrated business model, providing a rich Mobile Internet experience and products and services which allow convenient access to mobile internet to our vast consumer base. Your Company's well synergised business arms come together to form a unified entity that most efficiently delivers cutting edge mobile internet solutions. S Mobility possesses scale efficiencies and offerings that have not been heard of in India before. The unique business model helps us showcase our expertise in manufacturing and marketing a wide range of mobile devices including tablets, establishing our brand presence through 786 stores across 172 cities and the production of Value Added Services for multiple platforms and operating systems. S Mobility is the first Indian entity with such a unique and an all-encompassing business model. This business model caters to the people of both rural and urban regions, with state-of-the-art and innovative solutions which comprise cutting edge low cost devices capable of executing a range of data and voice internet enabled services. These products and services will be available across the length and breadth of our ever expanding network. Given our scale and history, I believe we will be able to exploit the benefits of this new and integrated business model and this will be soon visible to all.



There is a lot that differentiates your Company from any other player in the telecommunication space. Clearly the biggest differentiator is the synergistic blend of an established presence in manufacturing and marketing mobile devices, capabilities to create innovative voice and data applications and an extensive and growing retail presence.

Another key strength is the size and scale of your Company. With a current Net Worth of over Rs 8 billion, S Mobility is capable of taking significant initiatives to drive growth and create value. A third equally strong advantage is our legacy of many firsts. As you know our Group was the first to manufacture India's first copier, India's first Personal computer with a 3.5" floppy drive, and set up India's first 4D theatre. Your Company too as you would be aware was the first in the country to introduce a dual SIM handset, a dual memory slot phone, a 12 mega pixel camera phone with CCD sensor and 3x optical zoom and a projector phone.

Performance Perspective

During the year under review, the Consolidated Total Income of the Company along with its subsidiaries is Rs. 20,481 million registering a growth of approximate 63% over the previous year and Net Profit for the year has almost doubled to Rs. 1040 million as against Rs. 526 million for the previous year ended 31.3.2010.

This robust performance was driven by strong growth in device sales volumes combined with healthy Same Store Sales growth. Individual outlets grew on the back of Spice handsets sales and the introduction of a range of new VAS offerings.

The year saw a range of **new product launches** across all our product lines and introduction of offerings like India's first 3D screen cell phone, India's first projector phone and India's first 3G android based smart phones capable of high speed browsing.

Our VAS business also introduced some exciting offerings which included MITR, an Application Development and Distribution platform that allows Mobile Developers to develop and deploy mobile applications that run across handsets and several Operating Systems. Several apps on the MITR platform are presently available on Airtel

App Store, Blackberry World, Nokia Ovi Store, and other application aggregators. We also introduced a gamut of applications and content, with a focus on entertainment, information, music, religion and gaming all published on a multi-modal platform. A highlight was the live streaming product Live Aarti which enabled pilgrims receive online the blessings from shrines including Tirupati Balaji, Siddhivinayak, Shirdi Sai Baba and Shani Shingnapur.

Continued expansion of our Retail presence, improving Same Store Sales growth and growing Spice Hotspot Average Selling Prices which now stand at over Rs 4,000 also contributed to this strong topline growth.

Demand generation was enabled by high visibility ad-campaigns across a range of media as well as below the line initiatives. I am sure you have seen and experienced some of these.

On the supply side, a thrust on organised logistics, proximity to our manufacturing facility and enhancement of supply chain has contributed to improved EBITDA and PAT.

Our Board of Directors in line with the Company's philosophy of sharing the success of the Company amongst its shareholders recommended a 50% dividend on the enhanced equity share capital of the Company.

Outlook

S Mobility will soon establish itself as a key solution provider in the Mobile Internet space, distinguishing us from other companies. We believe that we are on the brink of witnessing prospects that are soon to unravel as market trends globalise. Your Company is





well positioned with both the environment and our highly integrated business model, offering us vast opportunities for growth. As I have discussed earlier, the increasing interest and dependence on data networks for almost any and every activity, the rise of organised retail and the growing number of tech savvy consumers will all further power our journey.

Going forward we will look to aggressively enhance our scale and competitive position to become a leading Mobile Internet player. Our highly capable management team will endeavour to drive this growth through the introduction of feature rich state of the art aspirational mobile devices offering a range of Value added and internet enabled services. We will focus on further entrenching and expanding our retail presence nationwide so as to be closer to our consumer and consequently better understand and respond to him or her.

Our growth will be driven through both organic and inorganic initiatives across the Asia Pacific region,

Middle East, and African regions. We will also look to leverage on the strengths and capabilities of our group company, S i2i ,which as you know has an established presence in several developed and developing markets across the Asia Pacific region.

A strong Balance Sheet which is debt free with cash reserves of more than Rs 3 billion, gives us the required war chest to realise our growth initiatives.

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

With Best Wishes,

(Dr. Bhupendra Kumar Modi)
Chairman





Our Brand Vision

To stay one step ahead of the needs of the Mobile Internet Society.

Our Brand Promise

We deliver outstanding value by combining deep market knowledge with unconventional thinking. Knowledge guides us but imagination drives us.

Our Brand Attributes

A vision can only be pursued when backed by a set of strong values. We shall aim to instill in ourselves some key attributes.

Today, a Spicean can be identified as:

FEARLESS

IMAGINATIVE

VIBRANT

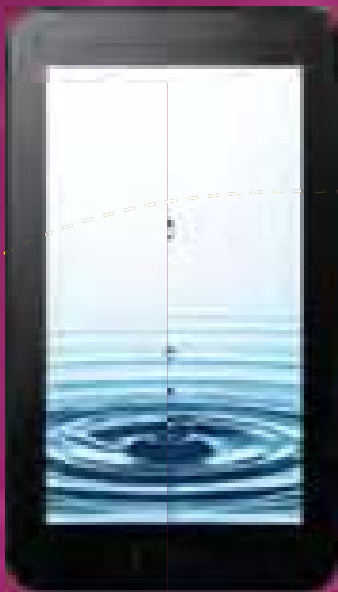
OPEN

THE VISION TO **SWITCH** FROM MOBILE TO MOBILE INTERNET

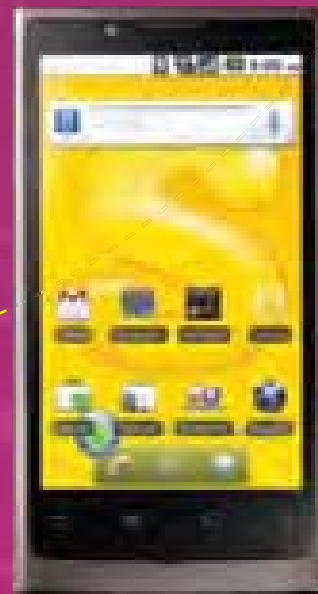


Smarter phones, greater value. We continue to lead the consumer revolution and switch to Mobile Internet

Mi-TAB 700



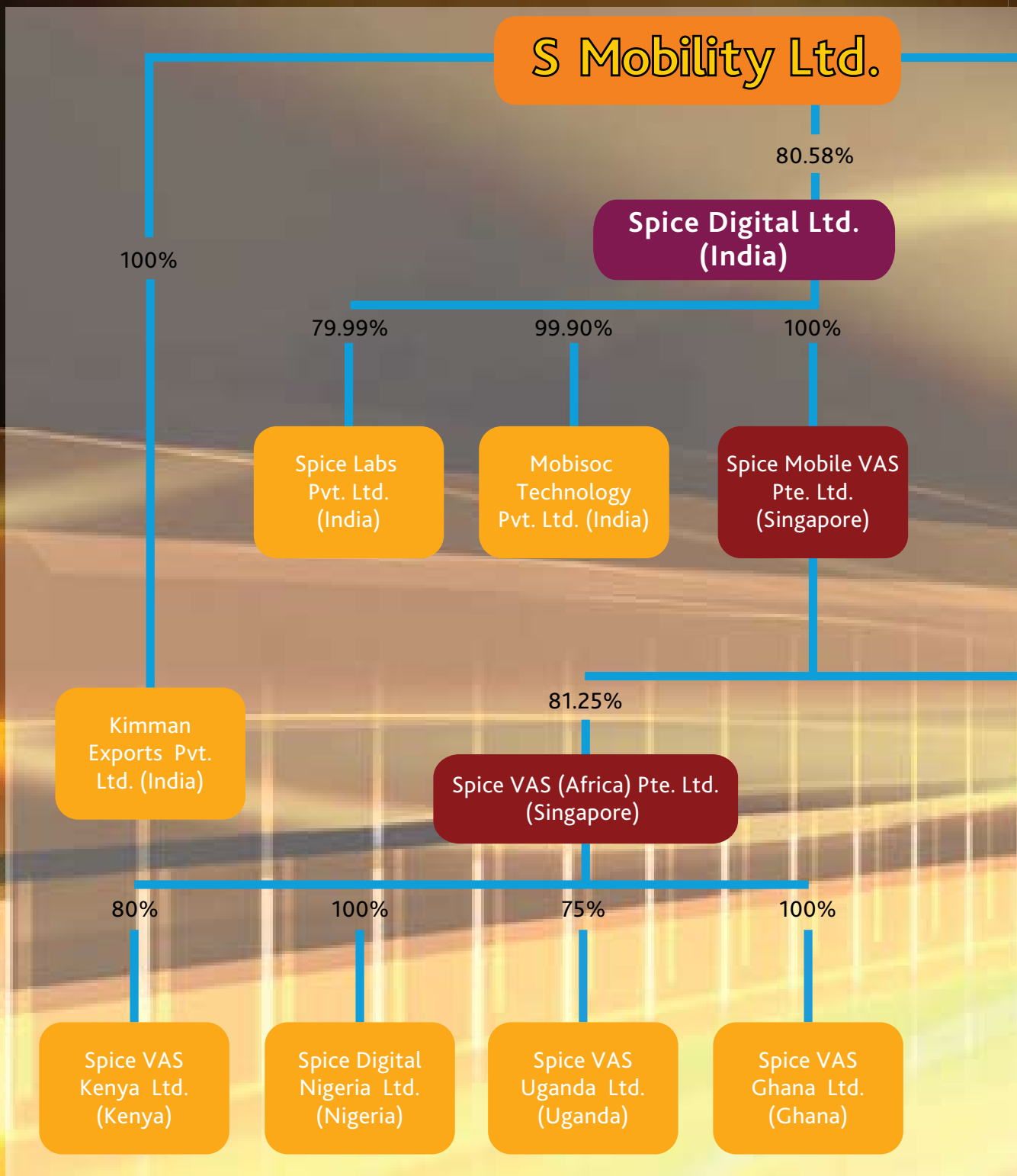
Mi-410

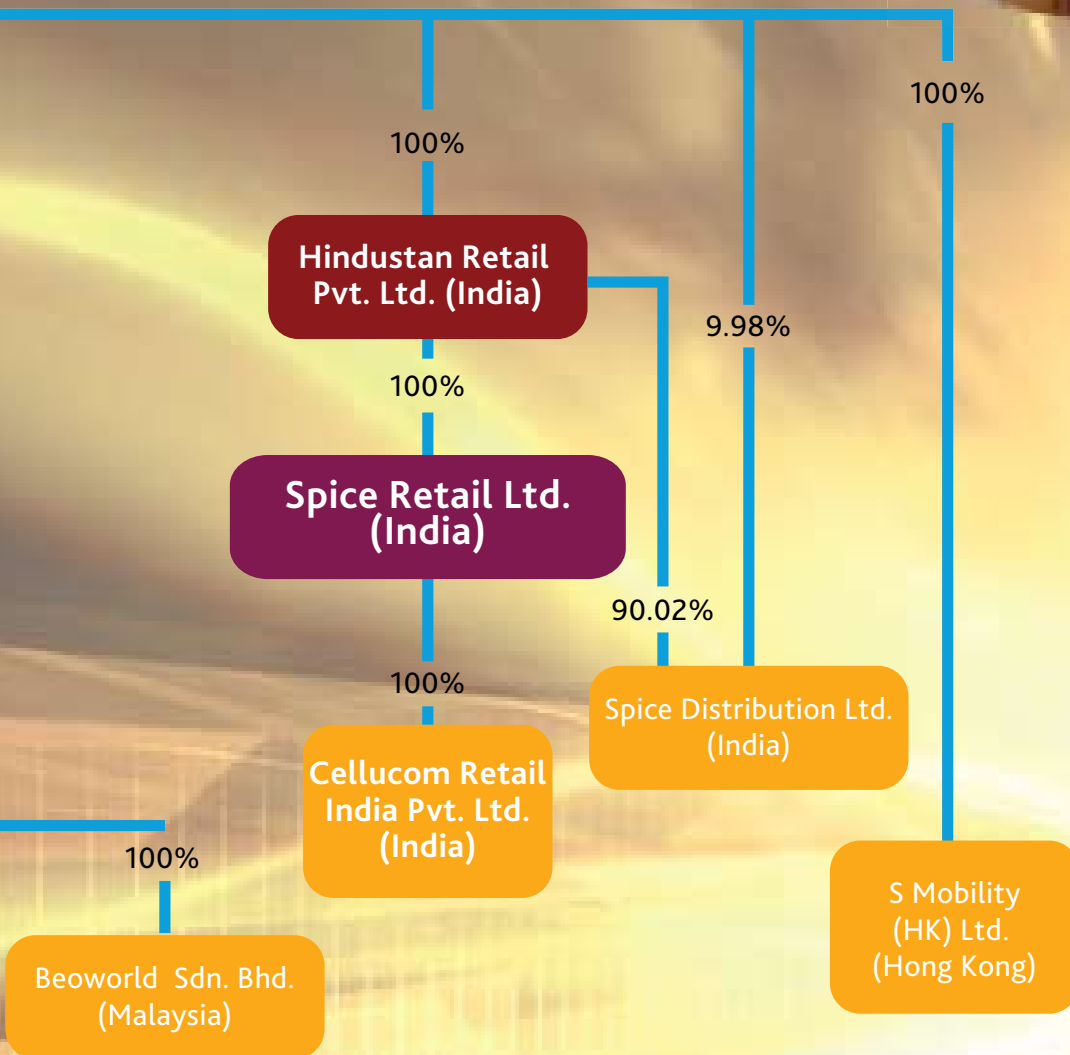


S Blueberry Aura



S Mobility STRUCTURE





COMPANY INFORMATION

S Mobility Limited
(Formerly Spice Mobility Limited)

BOARD OF DIRECTORS

Dr. Bhupendra Kumar Modi
Chairman

Mr. Dilip Modi
Managing Director

Ms. Divya Modi
Non-Executive Director

Ms. Preeti Malhotra
Executive Director & Company Secretary

Independent Directors:

Mr. Devendra Raj Mehta

Mr. Kashi Nath Memani

Mr. Krishan Lal Chugh

Mr. Saurabh Srivastava

Mr. Subroto Chattopadhyay

Mr. Thomas Henrik Zilliacus

BOARD COMMITTEES

I) Executive Committee
Dr. Bhupendra Kumar Modi –Chairman
Mr. Dilip Modi
Ms. Preeti Malhotra

II) Audit Committee
Mr. Kashi Nath Memani – Chairman
Mr. Dilip Modi
Mr. Subroto Chattopadhyay

III) Remuneration Committee
Dr. Bhupendra Kumar Modi –Chairman
Mr. Kashi Nath Memani
Mr. Krishan Lal Chugh
Mr. Subroto Chattopadhyay

IV) Shareholders Value Enhancement and Investors Grievance Committee
Dr. Bhupendra Kumar Modi –Chairman
Ms. Divya Modi
Ms. Preeti Malhotra

Chief Executive Officer

Mr. Kunal Ahooja

Chief Financial Officer

Mr. Subramanian Murali (w.e.f. 6th August, 2011)

Auditors

M/s S.R. Batliboi & Co.

Chartered Accountants
Golf View Corporate Towers – B
Sector-42, Sector Road
Gurgaon – 122 002 (Haryana)

Registrar & Share Transfer Agent 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

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@spicemobile.in
Website : www.spice-mobile.com

Factories

Unit 1 and Unit 2

Village Billanwalli, Baddi P.O., Nalagarh,
Distt. Solan, Himachal Pradesh-173205

New Symbol/Scrip ID at NSE /BSE

After change in name of the Company to 'S Mobility Limited' the new Symbol/Scrip ID of the Company at NSE/BSE is 'SMOBILITY'.

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 in case the shares are held in Physical mode and with the concerned Depository Participant(s) in case the shares are held in Demat mode.

BOARD OF DIRECTORS



Dr. Bhupendra Kumar Modi Chairman

"Technology Futurepreneur"

Dr. Bhupendra Kumar Modi was appointed to the board on 24th April 2010 as Non-Executive Director and Chairman.

Dr. BKM, Global Chairman, Spice Group has always shunned conformity in order to embrace the future.

As a "Futurepreneur" with 30 years of business leadership behind him, Dr. BKM has always lived and worked on the principal philosophy of challenging conventional wisdom. In his words "I want to ensure that people everywhere enjoy the highest levels of personal productivity. And today the mobility of the Internet will drive this more than any other phenomenon."

Over the last three decades Dr. BKM has consistently demonstrated this intent through a series of very successful alliances with category leaders like Xerox, Alcatel, Telstra, Olivetti and more recently with Telekom Malaysia.

He pre-empted the revolutions in Office Automation, Internet infrastructure, Wireless Telephony and Specialty Retailing.

In keeping with this thinking, Dr. BKM now wants to foster Western levels of personal productivity for the youth in the exciting geography that extends from the Ivory Coast to Indonesia. To this end, he has created a US \$ 2 bn organisation built on some exciting acquisitions to the Spice group. These include very successful entrepreneurial brands like Nexian in Indonesia, CSL in Malaysia, WellcoM in Thailand and Media Ring in Singapore, that together provide a brilliant orchestra of passionate professionals who will drive leadership in the region.

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

Mr. Dilip Modi Managing Director

Mr. Dilip Modi was appointed to the board on 21st August 2006 as Director and appointed as Managing Director 24th April 2010.

Mr. Modi is presently also Group President Global Operations – Spice Group and the Executive Vice-Chairman of S i2i Ltd, a group company listed on the Singapore Stock Exchange. He started his professional career in 1996 working closely with McKinsey to help restructure the BK Modi Group businesses. This led to formation of Spice Corp (formerly Mcorp Global) and its vision to grow in the ICE (Internet, Communications and Entertainment) domain. He has since executed instrumental roles, amalgamating the inherited business acumen with contemporary professionalism to build the Group into a vibrant, energetic business entity with a highly skilled team managing the core and strong businesses forming the periphery.

He built Modi Telstra, India's first cellular service provider, and was later instrumental in divestment of this company through one of the smartest deals. As Chairman-MD of Spice Communications, he developed 'Spice Telecom' into one of the most valuable and enduring brands in Punjab and Karnataka,

the two highly profitable mobile markets in India. Over the past five years, Mr. Modi founded and set up Mobility businesses in the areas of Mobile Devices (Spice Mobile), Mobile Value Added Services (Spice Digital) & Mobile Retail (Spice Hotspot), which have since emerged as amongst the leading players in their respective domains in the fast growing Indian mobility landscape. Currently Mr. Modi is working towards building a leading Mobile Internet and Digital Lifestyle company across i2i (Ivory Coast to Indonesia) with the objective of building solutions that reduces the digital divide across emerging markets of Asia and Africa.

Mr. Modi is currently the President of ASSOCHAM (Associated Chamber of Commerce), a leading industry chamber with over 400,000 members. He was the youngest Chairman of the Cellular Operators Association of India (COAI) and currently the youngest President of a National Industry Chamber. Mr. Modi holds a BSc from Brunel University and MBA from Imperial College London.

Ms. Divya Modi
Non-Executive Director

Ms. Divya Modi was appointed to the board on 4th November 2010 as Non-Executive Director. She is presently also the Executive Director of S i2i Limited, a group company listed on the Singapore Stock Exchange. She has worked closely with Jones Lang and Lasalle and Haldford Associates to develop Spice Global's first Entertainment Centre "Spice World" where she has been credited for tying up with the Key Anchor Stores for the venture.



She was instrumental in setting-up the Management Assurance Services (Internal Audit function) for Spice Global and was also involved with various Financial Restructuring initiatives and Investor Relations for the group especially for its erstwhile listed entities. She was also involved in the M&A function at a group level.

Ms. Modi is a CFA charter holder, a Graduate in Economics and Business Finance (Honors) from Brunel University, UK and a Masters in Accounting from the University of Southern California, USA.

Mr. Kashi Nath Memani
Independent Director

Mr. Memani was appointed to the Board on 24th April 2010 as Independent Director. Mr. Memani was Chairman and Country Managing Partner, Ernst and Young, India until March 31, 2004. He was also member of Ernst and Young Global Council for 10 years. Mr. Memani specializes in business and corporate advisory, foreign taxation, financial consultancy etc. and is consulted on the corporate matters by several domestic and foreign companies. He was also member of various committees of ICAI. For two (2) consecutive years, Mr. Memani was on the External Audit Committee ("EAC") of the International Monetary Fund and was appointed the Chairman of EAC for the year 1999-2000, the first Indian to be appointed in the committee. Previously, Mr. Memani has been the Chairman of American Chamber of Commerce in India and former President of Indo American Chamber of Commerce and PHD Chamber of Commerce and Industry.

He is a member of managing committees of Federation of Indian Chambers of Commerce and Industry, ASSOCHAM, PHD Chamber of Commerce and Industry. Mr. Memani was co-chairman of New Company Law Drafting Committee i.e. the Dr. J.J. Irani Committee and first chairman of Quality Review Board, both set-up by Government of India. Mr. Memani holds Bachelors' degree in Commerce from Calcutta University and is fellow member of The Institute of Chartered Accountants of India ("ICAI")

Ms. Preeti Malhotra
Executive Director

Ms. Preeti Malhotra was appointed to the Board on 24th April 2010 as Executive Director. She is presently also the Non-Executive Director of S i2i Ltd. Ms. Malhotra is the past President of the Institute of Company Secretaries of India (ICSI) & is the only woman to be elected as President amongst the premier National Professional Bodies in India.

Ms. Malhotra 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 specifically drove the discussions on Management, Board Governance and Shareholders democracy. She is a member on various expert panels on Corporate laws, Governance and regulation and regularly interacts with the MCA on the new laws being framed. She is/ has been Chairperson / Member of various Committees of ICSI and of various 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 and 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" from Her Excellency Smt. Pratibha Devisingh Patil (Hon'ble President of India) during the Celebration of India Corporate Week 2009 by MCA. She is a Fellow Member of The Institute of Company Secretaries of India and a Law Graduate from Law Faculty, Delhi University.

Mr. D.R. Mehta

Independent Director

Mr. D.R. Mehta was appointed to the Board w.e.f. 4th November 2010 as Independent Director. Mr. Mehta had been a distinguished civil servant for more than four decades. His last assignment was the Chairman of SEBI for seven years from which position he retired in 2002. Earlier, he served as the Deputy Governor Reserve Bank of India for three years. Still earlier, he was the Director General of Foreign Trade, Government of India in the Ministry of Commerce. Prior to that, he was the Additional Secretary (Banking) in the Ministry of Finance, Government of India. He also served the State of Rajasthan as Secretary to the Government for various departments.

Mr. Mehta was honoured by the Government of India by conferring on him the National Award – “Padma Bhushan” for his distinguished social service. He also received the TECH Museum Award for Innovation and its use for humanity in Silicon Valley USA in 2007. Mr. Mehta is Graduate of Arts and Law from Rajasthan University. He is also an alumnus of Royal Institute of Public Administration London (UK) and Alfred Sloan School of Management – MIT – Boston (USA).

**Mr. Krishan Lal Chugh**

Independent Director

Mr. Chugh was appointed to the Board on 27th October 2007 as Independent Director. Mr. Chugh was Chairman of ITC Group from November 1991 to December 1995, during which period ITC was rated amongst the Top 3 Companies. On retirement, he was honored with the title of Chairman Emeritus – ITC. Mr. Chugh is credited with the creation of ITC Bhadrachalam Paperboards, a paperboard mill, set up in the remote tribal area of Andhra Pradesh, today India's largest & most efficient. Prior to joining ITC Group, Mr. Chugh worked for 10 years in the public sector, with Heavy Engineering Corporation. Mr. Chugh was elected by Business Week as CEO Asia for the year 1994 and was elected amongst the top two (2) Indian CEOs in 1993 by Business World. He was elected one of the five (5) “Tobacco Men” of the year by World Tobacco International. Mr. Chugh was a Director on the Central Board of the Reserve Bank of India. He was also the Chairman, ASSOCHAM Knowledge Millennium Council & was instrumental in making Assocham the Knowledge Chamber. Mr. Chugh holds a Bachelor's Degree in Mechanical Engineering from Delhi University.

Mr. Subroto Chattopadhyay

Independent Director

Mr. Chattopadhyay was appointed to the Board on 24th April 2010 as Independent Director. He is Chairman of the Peninsula Foundation and Audit Bureau of Circulations and Trustee of Techno Serve of India. He is a member of Indian Polo Association and is associated with Sri Aurobindo Society in Pondicherry. He has worked for 28 years at management positions in Brooke Bond Limited (Unilever), British American Tobacco Industries (ITC Limited), PepsiCo South Asia, where he was an Executive Director and RPG Enterprises where he was Management Board Member and Sector Head. His experience covers food and beverage and entertainment industries. He taught in ASCI and ISB in Hyderabad and Indian Institute of Management, Bangalore. He has produced “The Japanese Wife” and published music albums with the likes of Ustad Amjad Ali Khan. Mr. Chattopadhyay holds a Bachelor's (Hons.) degree in Economics from St. Xavier College, University of Kolkata and also completed a course in Finance for Senior Management BAT and a course in product innovation conducted by the University of Michigan.



Mr. Saurabh Srivastava
Independent Director

Mr. Saurabh Srivastava was appointed to the Board on 30th May 2011 as Independent Director. Mr. Srivastava is Chairman of CA India, 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 listed, post merger, as Xansa on the London stock Exchange, with revenues of around US \$ 800 million till it was acquired by Steria. He is a cofounder and past Chairman of NASSCOM. He is also on the National Executive Committees of the two apex industry chambers in India, CII and FICCI. He chaired the Indian Venture Capital Association till April this year and is Chairman Emeritus of TIE Delhi.

He serves / has served on several government committees, task forces & boards. He is also 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. He has been awarded with "Distinguished Alumnus" from IIT Kanpur, Honorary Doctorate in Technology from the University of Wolverhampton, UK and Lifetime Achievement award from the IT Industry in India. Mr. Srivastava did Master from Harvard University and a B Tech from the Indian Institute of Technology (IIT) Kanpur.

Mr. Thomas Henrik Zilliacus
Independent Director

Mr. Zilliacus was appointed as Independent Director on 4th April 2011. Mr. Zilliacus has a more than 25 years career in top management positions in mobile communications. He is the founder and Executive Chairman of Mobile FutureWorks Inc, a company which develops mobile companies and invests in the mobile space. He is also the Executive Chairman of YuuZoo Corporation, a leading global mobile payments, mobile social networks and mobile media company. He is the former head of Nokia's Asian operations, and the former global head of Nokia's brand, corporate marketing, PR & IR. He is a board member or advisor for several technology & finance companies in Asia, Europe and the US. He is a Director on the Board of S i2i Ltd and Chairman of its Nominating Committee.

He holds a Master of Science in Economics and Business Administration from the Swedish School of Economics and Business Administration, Helsinki.

SENIOR MANAGEMENT TEAM @ S MOBILITY



Kunal Ahoja – Global Head, Devices

A doyen of the devices industry, having handled leadership assignments during his 25 years of experience including at Nokia and Samsung.

Saket Aggarwal – Global Head, Services

Leading figure of the mobile VAS industry. He is a BITS Pilani passout with senior management programs from XLRI & IIM.

Sanjeev Mahajan- Global Head, Retail

Pioneer of organised mobile retail with over 16 years of experience. Has been heading Spice Hotspot for 6 years.

Subramanian Murali – CFO

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

Ajeet Chauhan – President, Human Resources

An ex army officer and an IIM-L alumni with over 17 years of experience across industries.

Payal Gaba – Head, Brand & Marketing

An MDI Gurgaon alumni with over a decade of experience with global brands.

Arun Nagar – CEO, Spice VAS Africa

A new business expert with 2 decades of experience in telecom industry in Africa region.

Anand Krishnan – Head – Middle East, S Retail

A management graduate from the Kellogg School. Has launched and led several brands in Middle East in his 16 years of experience.

Dr. Abhinav Mathur – Lead, Device VAS

PhD (IIT-D) and MBA (IIM-L) with 2 decades of experience. Has created several start ups.

Rajneesh Arora – Lead, Mobile Internet Retail

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

Zulfi Ali Bhutto – Cluster Head Mumbai

An XLRI alumni, Zulfi honed his skills during his stint in India & Africa over last 10 years.

Ramakrishnan – Cluster Head, Chennai

An IIM – B grad and an expert of south Indian market with over 16 years of experience.

Ajay Gupta – Cluster Head, Delhi

An engineer and MBA with rich telecom retail experience of over 15 years.

Divya Gupta – Cluster Head, Jaipur

Over 16 years of experience with leading telecom companies.

J. Murali – Cluster Head, Bangalore

Over 17 years of experience in channel management, sales and business development.

Kallol Mukherjee – Cluster Head Kolkata

With over 15 years of experience, specializes in managing distributor networks.

Naveen Mathur – Cluster Head, Bhubaneswar

Over 15 years of experience across geographies and industries with leading telcos.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Third Annual Report together with the Audited Statement of Accounts for the financial year ended on 31st March 2011.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March 2011 is summarized below:—

PARTICULARS	For the year ended 31.03.2011 (Rs.'000)	For the year ended 31.03.2010 (Rs.'000)
Net Turnover and Other Income	9,681,952	10,482,930
Profit before Financial Expenses, Depreciation & Tax	964,416	1,093,487
Financial Expenses	13,112	10,736
Profit after Financial Expenses but before Depreciation & Tax	951,304	1,082,751
Depreciation / amortization	16,743	10,757
Profit before Tax	934,561	1,071,994
Provision for tax		
Current Tax	234,000	359,950
Less: MAT credit entitlement	(59,985)	—
Income Tax Adjustment for earlier years	(16,114)	650
Fringe Benefits Tax credit for earlier years	(12)	—
Deferred Tax (Credit) /Charge	(4,582)	6,312
Net Profit for the year	781,254	705,082
Balance brought forward from previous year	673,612	170,022
Balance brought forward of erstwhile Spice Televentures Pvt. Ltd. pursuant to Scheme of Amalgamation	800,635	—
Loss after tax for the period 1 st January 2010 to 31 st March 2010 of erstwhile Spice Televentures Pvt. Ltd. pursuant to Scheme of Amalgamation	(80,092)	—
Reversal of Dividend pursuant to Scheme of Amalgamation	70,813	—
Profit available for appropriation	2,246,222	875,104
Appropriations:		
Proposed dividend	357,130	111,957
Tax on dividend	57,503	19,027
Transfer to General Reserve	78,125	70,508
Surplus carried to Balance Sheet	1,753,464	673,612

During the year, the Company witnessed a volume growth in the devices sold by the Company to 5.53 million, as against 4.87 million previous year, a 13.55% increase and the net profit of the Company was Rs. 781 million as against the net profit of Rs. 705 million during the previous year ended 31st March 2010, a 10.78% increase. Due to the intense competition and inflationary conditions, Average Selling Price (ASP) of the Company's devices came under pressure which has adversely impacted the revenue and gross margin of the Company. We took a number of steps to improve our competitive position, especially by innovating and launching smart phones and integrating business of Mobility offering Devices, Mobile VAS, Digital lifestyle, Retail and Mobile Internet Applications under one umbrella of S Mobility Limited, consequent to the merger of Spice Televentures Private Ltd. with the Company.

Your Company has adopted strategies similar to large global players having Retail and VAS as their independent support system. Adapting and customizing these highly successful strategies and models in India has enabled the Company to build a strong foundation and create a unique position for itself in the Indian telecom and mobile internet space.

AMALGAMATION OF SPICE TELEVENTURES PVT. LTD. WITH THE COMPANY

The Hon'ble High Court of Allahabad vide its order dated 2nd November 2010 approved the amalgamation of Spice Televentures Pvt. Ltd. (STPL), the holding company, with the Company. After filing of the order from the Hon'ble High Court of Allahabad with Registrar of Companies, Uttar Pradesh and Uttarakhand on 4th November 2010, STPL stands amalgamated with the Company with effect from that date. In pursuance to the Scheme of Amalgamation, the authorized share capital of the Company has increased from Rs. 51 Crores to Rs. 99 Crores divided into 33 crore equity shares of Rs. 3/- each. Further, the Company has allotted 16,34,48,285 equity shares of Rs. 3/- each to the shareholders of STPL on 13th November 2010 and the issued share capital of the Company stands increased from Rs. 22,39,14,000/- divided into 7,46,38,000 equity shares of Rs. 3/- each to Rs. 71,42,58,855/- divided into 23,80,86,285 equity shares of Rs.3/- each.

DIRECTORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

The key financial highlights of the consolidated financial results for the year ended 31st March 2011 is summarized below:

Rupees in Million

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010	Growth (%age)
Total Income	20,481	12,537	63.36%
Profit Before Tax	1,415	888	59.35%
Net Profit for the year	1,040	526	97.72%

The Consolidated Financial Statements of the Company prepared as per Accounting Standard AS 21 and Accounting Standard AS 27, consolidating the Company's Accounts with its subsidiaries and Investment in a Joint Venture have also been included as a part of the Annual Report.

During the year under review, the Consolidated Total Income of the Company along with its subsidiaries is Rs. 20,481 million registering a growth of approximate 63% over the previous year and Net Profit for the year has almost doubled to Rs. 1,040 million as against Rs. 526 million for the previous year ended 31st March 2010.

The main business other than the Mobile Devices in which your Company deals directly are Multi Brand Retail of Personalised Mobility Products, and Value Added Services (VAS).

The multi brand retail business under Spice Hotspot brand achieved an impressive revenue growth of 44% over the previous year with the increase in same store growth and expansion of reach to 786 stores across all major cities in India. There has also been a significant reduction in loss for the year to Rs. 327 million as compared to Rs. 655 million in the previous year.

VAS business recorded a revenue growth of 20 % over previous year and profit after tax also increased by 15%. The Company rolled out various new services like live Aarti, live FM etc. which received very good response from the customers.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 50% on increased paid-up Equity Share Capital of the Company (i.e.@ Rs. 1.50 per share) for the year ended on 31st March 2011.

MANUFACTURING FACILITY FOR MOBILE HANDSETS AT BADDI, HIMACHAL PRADESH

During the year under review, the Company manufactured four different models of mobile handsets including latest models of Qwerty type phone. As an on going basis, newer models are being identified to be manufactured. Development and indigenization of parts and accessories has commenced. This will help reduce the material and consequently manufacturing costs and the Company will be able to offer more competitively priced handsets to the customers.

CHANGE OF NAME OF THE COMPANY

The name of Company has been changed from Spice Mobility Limited to "S Mobility Limited" with effect from 7th June 2011. The "S" symbol signifies a digital brand opening up a window to the vast mobile internet opportunity the Company has ahead of it. It is vibrant and open symbol in line with our vision and values. The new name of the Company further reinforces that we are in mobile device business which allows our users to lead a digital life style.

CHANGE OF REGISTERED OFFICE OF THE COMPANY

The Registered Office of the Company has been shifted from D-1, Sector-3, Noida - 201301 (U.P.) to "S Global Knowledge Park", 19A & 19B, Sector- 125, Noida-201301 (U.P.) w.e.f. 30th May 2011.

LISTING OF SECURITIES

The Equity Shares of the Company are presently listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The equity shares allotted to the shareholders of STPL were listed on NSE & BSE w.e.f. 26th November 2011. The Annual Listing Fee for the Year 2011-12 has been paid to both the stock exchanges.

HOLDING COMPANY

After amalgamation of STPL with the Company and allotment of shares in pursuance to the Scheme of Amalgamation, Spice Global Investments Pvt. Ltd., has become the holding Company of your Company and is now holding 68.65% of the issued share capital.

SUBSIDIARY COMPANIES

On becoming effective the Scheme of Amalgamation of STPL with your Company, all the subsidiaries of STPL i.e. Spice Digital Limited (and its subsidiaries namely Mobisoc Technology Pvt Ltd., Spice Labs Pvt Ltd., Spice Mobile VAS Pte. Ltd., Spice VAS (Africa) Pte. Ltd., and Spice Digital Nigeria Ltd.), Spice Distribution Limited and Hindustan Retail Private Limited (and its subsidiaries namely Spice Retail Limited and Cellucom Retail India (P) Ltd.) have become the subsidiaries of your Company.

DIRECTORS' REPORT

Since then, the Company has acquired 100% stake in Kimman Exports Pvt. Ltd. and incorporated a wholly owned subsidiary in the name of S Mobility (HK) Ltd. in Hongkong. The Company has sold 90% stake in Spice Distribution Limited to Hindustan Retail Private Limited, another 100% subsidiary of the Company. Spice Digital Ltd., a subsidiary of the Company, has acquired 100% stake in Beoworld Sdn. Bhd. through its subsidiary Spice Mobile VAS Pte. Ltd and 80% stake in Spice VAS Kenya Limited through Spice VAS Africa Pte. Ltd., a step down subsidiary of Spice Digital Limited. Spice VAS Africa Pte Limited has also incorporated Spice VAS Uganda Ltd. with 75% stake and Spice VAS Ghana Ltd. as 100% wholly owned subsidiary.

The Ministry of Corporate Affairs (MCA) vide its General Circular No. 2 dated 8th February, 2011 has 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 Board of Directors in its meeting held on 30th May 2011 has given its consent by passing the necessary resolution for not attaching the Balance Sheet, Profit and Loss Account, Directors' Report, Auditors' Report and other documents of the subsidiary companies with the Balance Sheet of the Company. 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 and also those of subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any member at the Registered Office of the Company and that of the concerned subsidiary companies.

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, who are the Statutory Auditors of the Company, shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received 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.

There has been a slight delay in a few cases of deposit of statutory dues as per the Auditors' Report. The Company is further strengthening its processes so that such delays are avoided in future. 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 31st March 2011 is attached as a part of the Annual Accounts of the Company.

DIRECTORS

Pursuant to the Scheme of Amalgamation of STPL with the Company, Mr. Devendra Raj Mehta and Ms. Divya Modi have been appointed as Directors of the Company w.e.f. 4th November, 2010. Mr. Thomas Henrik Zilliacus and Mr. Vijay Brijendra Chopra have been appointed as Additional Directors on the Board w.e.f. 4th April, 2011. Mr. Saurabh Srivastava has been appointed as Additional Director w.e.f. 30th May 2011.

Mr. Vijay Brijendra Chopra has resigned from the Board w.e.f. 1st May, 2011. The Board of directors place on record its sincere appreciation for the guidance and assistance provided by him during his tenure as director of the Company. In terms of Section 260 of the Companies Act, 1956 Mr. Devendra Raj Mehta, Ms. Divya Modi, Mr. Thomas Henrik Zilliacus and Mr. Saurabh Srivastava hold office upto the date of ensuing Annual General Meeting and are eligible for appointment as directors of the Company.

Mr. Dilip Modi and Mr. Subroto Chattopadhyay 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 held by the Directors, 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 year ended 31st March 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have 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 31st March 2011 and of the profit of the Company for the year ended on that date;

DIRECTORS' REPORT

- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have 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 of good Corporate Governance Practice, the Company has appointed M/s. Sanjay Grover & Associates, Practicing Company Secretaries, to conduct the Secretarial Audit for the year 2010-11. The Secretarial Audit Report received from them forms part of the 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.

GROUP FOR INTERSE TRANSFER OF SHARES

For the purpose of Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 read with Section 2(e) of the Monopolies and Restrictive Trade Practices Act, 1969, the persons included within the definition of "Group" are given separately in the Annual Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, 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 thereunder 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 said Statement may write to the Company Secretary at the Registered Office of the Company.

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: 6th August, 2011

**(Dr. Bhupendra Kumar Modi)
Chairman**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. INDUSTRY SCENARIO & OPPORTUNITIES

The Indian wireless telecommunications industry is one of the world's fastest growing industries, with over 800 million mobile phone subscribers as of March 2011. It witnessed a growth of 20 million Subscribers per month in the quarter ended March 2011, a 39% growth Year on Year. The total number of mobile phones sold each month in India is close to 14 Million. In fact India accounts for one of the largest number of established wireless connections, second only to China. As the fastest growing telecommunications industry in the world, it is projected that India will have 1.2 billion mobile subscribers by 2013. Furthermore, projections by several leading global consultancies indicate that the total number of subscribers in India will exceed the total subscriber count in China by 2013.

Mobile Devices

The market for mobile devices will therefore continue to increase and remain healthy as more users get connected to the mobile networks and existing subscribers replace their existing handsets in the favor of new and more capable handsets. There is also an increasing adoption of Mobile Tablets which is being influenced by increasing availability of broadband connectivity. The growth of broadband connections has been rapid and is growing at a staggering rate of ~40% since 2008 and the number of broadband subscribers has reached 12 Million as on 31st March 2011.

Your company has always been a front runner in the data technologies and smart phones category having introduced 3G products much before 3G got launched in India and having introduced one of the most talked about and cost effective Android devices as early as August last year.

The share of smart phones in the overall Mobile Phone sales is expected to increase significantly and is likely to account for 45% of the value share in the next 3 years and this presents a significant opportunity to your company to increase its average selling price since smartphones and smart features phones are priced higher than the normal feature phones.

Retail

The organized Retail of Mobile Handsets in which your Company is a front runner gives an opportunity to the consumer to physically experience various products offered. The industry has witnessed a robust shift in paradigm, where now more and more consumers approach retail outlets to acquire assurance and confidence in the product before purchasing it. Organized retail holds 13% of value share for the total handset market. Presently there are fifteen organized / modern trade players with 2400 stores in India (both national as well as regional) and Spice Hotspot is one of the largest players with close to 800 stores in more than 100 cities.

Value Added Services

The spread of Broadband connections and Mobile Telephony has resulted in several new initiatives in the area of mobile Value Added Services (VAS) and is attracting a greater number of companies to enter the arena. The arrival of 3G has brought in a much superior Internet experience, and access to data services, leading to better overall uptake for e-commerce, social networking, audio-video conferencing, and many other data centric applications, thus giving an average subscriber access to a range of extended valuable services never thought possible before.

As more and more users get added onto the Mobile Network our VAS offerings get adopted by a larger subscriber base since our services are a part of the optional VAS Services offered by the Mobile Operators under their brand directly and Mobile Operators work in a partnership model with Spice Digital to increase the penetration of these services.

The Value Added Services industry which your Company operates in is undergoing a change and has started to provide solutions for several user needs as more capable handsets start to become available in the hands of the consumers. In fact the increase in Smart Phones presents a significant opportunity to Spice Digital to increase its VAS subscriber base by creating applications that can be pre embedded into the devices.

Another phenomena that is starting to shape the Value Added Services and Applications space is the Mobile Application Store which are largely owned by Device OEMs.

The telecommunication industry is expected to reach a size of Rs. 344,921 Crore (US\$76.57 billion) by 2012 at a growth rate of over 26 per cent, and generate employment opportunities for about 10 million people during the same period. In 2008-09 the overall telecom equipments revenue in India stood at Rs. 136,833 Crore (US\$30.38 Billion) during the fiscal, as against Rs. 115,382 Crore (US\$25.61 billion) a year before.

2. THREATS, RISKS AND CONCERNS

The mobility industry is fiercely competitive as new players continue to enter the very lucrative market. This is especially true for the Mobile Handset market; In fact two key causes of the declining average revenues per handset are primarily the increase in demand for affordable handsets, shifting focus to the entry segment and also the delay in the 3G rollout that affected the business opportunities for the high end segment. However, it is believed that this impact on the mobile phone industry would be

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

rather short term as the demand for high end smart feature phones and smart phones will increase significantly as the industry standardizes and users start to demand for better experience.

Music based products of Spice Digital Ltd. (SDL) need to have rich & updated content from all Major Indian & international content providers which gets continuously updated. This year SDL had to contend with major cost escalations of content license costs from major domestic content providers resulting in reduced margins. Margins will be further squeezed due to higher costs as a result of Long Term Partnerships with Major Content Providers, with availability of quality content clearly a necessity for music based services.

3. PRODUCT PERFORMANCE

All our products have been well received and appreciated by the industry and research organizations. They have been developed and customized for value conscious Indian consumers and their usage trends. S Mobility has been credited with many firsts by launching numerous innovative products ranging from Dual SIM phones – across GSM, CDMA, Triband / Touch Screen PDA and smart devices of the Android platform. The Company has also won the 'Coveted Product of the Year Innovation Award for 2010' for both Value Phone segment and Premium Phone segment for M-67 3D and S-1200 respectively. The View D (India's first 3D screen phone) won the 'Golden Peacock Award' and 'Product of the year Award'. This unique phone uses a lenticular display for glassless 3D visuals and has been the first of its kind made available to the masses. The recent launch of India's first Projector Phone (Popcorn) has also helped create an intense hype across all consumer segments. S Mobility is in pursuit of adding many more innovative products to its portfolio, specific to the customer's requirements.

Our Mobile Radio product has been operational for the last 4 years in India. The success of Mobile Radio is reflected in the deployment of this service by all major telecom operators. We today have 12 Million subscribers for this service, generating 43.5 Million MOUs & 45.4 Million Calls per month. We also offer 2.5 lac songs across multiple languages & genres across operators.

A new product which we launched in April 2010 was the Live FM service, for which we have tied up with Radio Mirchi. This service enables the subscriber to call the IVR and listen to radio channels from across the country in his preferable language. We are currently only live with the largest PAN India operator and have a subscriber base of 1.6 Million. We already have approvals in place from other PAN India operators for deployment. Live Aarti was launched last year as well. The service allows a subscriber to dial into an IVR system and hear live Aarti / Prayer of 25 most famous shrines in the country as devotional trivia is also sent to the subscriber. This content is available for multiple religions as we have exclusive content rights. The strength of this offering is clear - we presently have 2.5 Million subscribers for subscription of this particular service.

We have also launched Live Darshan, Video on Demand & Video Greetings with a few PAN India network operators which are 3G network dependent.

Business Review & Outlook

The growing Telecom Sector stands as testament for various brands to simultaneously coexist in spite of an intense competition. At S Mobility, we believe that we possess all the requisite skills, capabilities and knowledge of the market to leverage the significant opportunity of the sector.

Below are some strategies that will enable us in strengthening our competitive position and presence:-

Marketing

Marketing determines what products or services may be of interest to customers, and the strategy to use in sales, communications and business development. High levels of brand recall for Nokia, Samsung and Blackberry have primarily been a result of their successful visual campaigns. Our focus is on efficiently managing expenses towards both ATL (Above the line) marketing and BTL (Below the line) campaigns so as to strengthen connect with the customer. Our lively brand reminiscence and the appointment of the leading star Ms. Sonam Kapoor as our brand ambassador has been well liked especially by the youth.

With a customer base of over 15 million and an annual volume of over 6 million devices, S Mobility has achieved a market share of nearly 4-5% of the Indian mobile devices segment. We also use tools like Bulk SMS, Out Bound Dialers, and USSD alerts for promoting our Value Added Services. An in-house Business Intelligence team enables us to analyze data and to push the right service and content to the right subscriber. This enables us have a targeted & efficient approach to acquire / retain subscribers and also attain increase levels of usage.

Spice Hotspot also employs both the print and the digital media effectively using them for Above the Line and Below the Line campaigns and has prominent signage's in prominent locations in the geographies of its operation.

Moving forward, your Company aims at achieving further brand acceptability amongst all target segments through a broader offering of cutting-edge devices that combine mobile phone functionality with enriched mobile internet capability.

S Mobility also featured in Forbes 2010, as amongst Asia's 200 Best Billion dollar Companies.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Sales and Distribution

With our resolute focus on the rural and up-country markets for mobile devices, we have successfully established a pan-India distribution network through officially appointing regional distributors and micro distributors. Our strategy of minimizing tiers of distribution in order to encourage higher margins for Regional, Micro Distributors and Retailers has enabled us to deliver increased profitability and higher transparency for our channel partners.

The telecom geography in India is segmented into 23 circles. In order to cater and deliver regionally customized products to our consumers, we have divided the country into 7 Cluster for operational purposes. We have appointed seasoned industry professionals as Cluster Heads who monitor their respective clusters with dedicated cluster teams, and have also created a dedicated International Sales Team which is individually associated with local Partners for Global opportunities.

Spice Hotspot is presently operating stores from over 175 cities and covers all Metro's, mini-metros and class I cities. We will principally focus on dominating top 10 cities in the near future. With clear directives to increase market share and revenue/profits, each cluster will operate as a profit center.

Sales with respect to VAS business is initiated by 2 Business models – One Time sale or Revenue Share, as majority of our revenues are derived from the latter. We continuously look for more opportunities to improve our reach and distribution capabilities. Spice Digital has a dedicated account team for each operator at the Operator Headquarter level. It further provides focus for each telecom circle separately by assigning dedicated manpower in each circle to understand the consumer preferences and to work with the circle teams to improve the service delivery.

Product

Our product offerings in both our Devices business and the Retail business have slowly started to shift towards higher end devices and Smart Phones. The Product teams for these businesses are looking at enhancing our offerings in the higher end devices in the touch phone category. We are particularly starting to introduce more Smart Phones especially around the Android Operating System and this trend will further increase.

We are working to consolidate our devices supply chain to ensure that we get the better products and services from our vendors and are carving out closer tieups with the various players in the value chain of the mobile devices industry. We currently have 104 SKUs that enhance our processes and further support inventory levels. All important high end as well as leading running models are always tracked and availability is ensured at the stores.

Our Mobile Value Added Service business has been providing value-added products with differentiated features and customized content at affordable prices for the following bearers for both operator channels and device channels

- GSM
- 3G
- CDMA

These services are available to consumers on devices which include Dual SIM, and QWERTY devices which work on the various phone platforms such as Feature Phones, Smart Feature Phones, Android Smart Phones and other Smart Phones.

Considering the growth in data services and data capable handsets, we have successfully developed and delivered products and services across all data bearers. We have also developed Live streaming products like Live Aarti & Live FM which have shown good traction and are expected to be a major contributor to revenue growth. We have also been granted a contract from leading PAN India operators to deploy the 3G platform on their network for all of their 3G services.

We continue to focus on bringing innovations to this industry which we believe has helped us draw greater acceptability across various consumer segments.

After Sales Service

Our team further strengthened its commitment to the philosophy of 'Customer First - Always'. The current year witnessed an enormous expansion of the service network. As on March 2011, a total of 400 authorized service centers have been established across the country. Our Services team not only caters to SPICE branded devices but has been recognized for its reach and competence and has been chosen to manage the authorized service centers for other leading Mobile Device OEMs.

The team has also partnered with SPICE Hotspot stores and supports customers who have purchased the Care Pack from the retail stores. To provide world class services and monitor the health of our infrastructure & services, we have appointed teams who work 24x7 to manage 91 data centers with onsite support. We also operate and manage 21 International deployments other than Indian operations.

A similar approach has been taken in the Mobile Value Added Services operation which has over a 100 installations co-located with all our mobile operator customers data centers and a centralized monitoring facility in Parwanoo and Mohali that oversees

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

the operations. Needless to say that your company has been consistently fulfilling and bettering the availability benchmarks of the Mobile Operators both in India and 17 countries globally. Many of these operators perform 3rd party audits of our operations and facilities and have been more than satisfied by our approach and have been appreciative of the laid out processes and operations.

Intellectual Property Development

Our management team possesses in-depth industry-wide knowledge and extensive managerial experience of the mobile and internet industry. We have structured our operations to encourage and enable innovation, product updates, idea generation, at various levels. We have invested significantly in human resources and have a performance driven reward system in place which especially recognizes and rewards contributions made to innovation and creation of Intellectual property.

We have filed for several Patents/Copyrights/Trademarks applications for registration in the areas of Mobile Devices, Mobile Applications, Software's, Concepts in Mobile health and Product Marks of the Company. An in-house Innovation and Product Development department constantly focuses on adaptation of new technology & solutions to improve all aspects of our organization's operations especially focusing on Product Development and Service delivery, thereby enhancing the overall consumer experience. This team has been a front runner in driving new technology and product innovations and has launched amongst other things, Live Streaming Services, Android Phones and Tablets, 3G VAS with MTNL - the first Indian VAS company to do so.

The Company has a well documented IPR policy to identify, govern, monitor, regulate and safeguard the interests of the Company with respect to the various IPRs created during the normal course of business and also Specialized & Concerted efforts for creation of IPRs. The Policy also focuses on training our employees, utilizing information technology to improve our operations.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your company has put in place adequate systems of internal control which is commensurate with its size and the nature of its operations and is staffed by a seasoned team of professionals. The systems and process that have been implemented have been benchmarked against best practices for Internal Control and have been designed to provide adequate assurance .

The assurance provided includes assurance with regards to recording and providing reliable financial and operational information, complying with corporate governance practices, applicable statutes, safeguarding assets from unauthorized use or losses, prevention and detection of fraud, executing transactions with proper authorization and ensuring compliance of corporate policies.

The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down and implemented.

The internal audit is carried out based on a plan, which is reviewed and approved by the Audit Committee each year in consultation with the Statutory Auditors. The planning and conduct of internal audit is oriented towards the review of controls in the operations of the Company and management of risks in the Company's operations such as sales, purchases, inventory, debtors, creditors, fixed assets.

The Company has an Audit Committee, which regularly reviews the findings and recommendations of the internal auditors and follows up on the implementation through action taken reports working very closely with individual business units.

6. 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.

Research and Development

In order to create value for our customers, we continuously invest in Research and Development of new and existing products, which is reflected by the close to 500 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

7. 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 earlier announced merger of the operations of S Mobility with Spice Retail and Spice Digital has resulted in a significant increase in our talent pool which is also extremely diversified providing us access to more ideas and management bandwidth which will be extremely crucial to help us in our expansion and diversification strategies especially in the areas of Retail and Mobile Internet once the integration process is completed. The Human Resources and Development team of your company is working diligently to ensure that we are able to create a cohesive working environment where the output of our human capital is maximized.

Your company has aggressively focused on building growth momentum in the said period of assessment. It embarked upon a journey with ambitious aspirations for the year 2015. The concerted operation is named as 'Lakshya 2015'.

In Lakshya 2015, a strategic road map was created with recommendations from McKinsey & Co and key global growth opportunities were identified. The opportunities were then put into a list of key initiatives to be pursued with a detailed working on sub-initiatives and action plan along with the outcomes and owners for each action item.

A special task team was then incorporated to drive the growth agenda named as 'A Team' comprising of professionals from different business units. Their core focus is to monitor growth and expedite actions keeping quality of efforts intact. As an obvious outcome the 'A Team' has further taken the agenda of monitoring and improving Employee Productivity and Performance apart from business focus on execution of Strategic Initiatives.

To evangelize the group objective the 'A Team' has also become the anchor and custodian of HR functions for the whole group and hence becomes the most effective intervention to cater to employee motivation, performance management and deploying best practices towards achieving the larger goal. Hence, all the HR actions are closely knit with business objectives and aligned for defined aspirations.

Your Company has also been successful to evolve and implement the 7 Cluster approach for targeted approach in reaching out to the customer. This approach shall help the Company become the brand of the common with sharper focus on customer needs and better connect. The Company implemented this strategy by dividing India into 7 clusters and focus each cluster independently basis its demographic, culture and preferences. The Company for implementing the same, has hired the best of talent for each cluster thereby making them a sustainable business unit.

The Company has 262 employees in March 2011 and there were over 2900 employees in the Company including its subsidiaries in March 2011.

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.

8. 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 application 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.

Annexure - B

**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 operations of the Company involve 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 increased from Rs. 622.64 Lacs to Rs.720.62 Lacs.
- (b) Total foreign exchange used and earned
 The company used Foreign Exchange amounting to Rs. 672,87.34 Lacs and earned Foreign Exchange of Rs. 252.00 Lacs during the year under review.

FORM B

Form of Disclosure of particulars with respect to Technology Absorption and 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 results 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

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, a Report containing details of governance system and processes followed at Spice Mobility Ltd. for the financial year ended 31st March 2011 are given hereinbelow:

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is commitment to values and ethics in business conduct which stems from culture, policies, practices, traditions, voluntary adherence to ethical standards and mindset of an organization. It signifies the acceptance by management of the inalienable rights of shareholders as the true owners of the organization and of their own role as trustees on behalf of the shareholders.

Spice Mobility Limited is committed to achieving and maintaining high standards of corporate governance. While there will always be business risks, we believe that these standards are the cornerstones in building a sound corporation and in protecting the interests of the shareholders. The Company's philosophy is to create sustainable value through ethical business conduct. The Company is adopting high standards of excellence in Corporate Governance and believes that sound and efficient corporate governance practices are the basis for stimulating the performance of Company, maximizing its operational efficiency, achieving sustained productivity as well as enhancing investors' confidence.

The Company has been adopted a Code of Conduct for Board of Directors and Senior Management Personnel of the Company. It understands and respects its responsibility towards all its stakeholders, which includes its esteemed customers, providers of capital, employees, those from whom we buy and through whom we sell and the society at large. Corporate Governance norms are an integral part of all our activities and are respected in letter and in spirit. The detailed report on implementation of Corporate Governance is set out below:

2. BOARD OF DIRECTORS

a) Effective Board to lead and control the Company

The principal roles of Board of Directors (the "Board") are to decide on matters in respect of strategic direction, performance, resources, standard of conduct, corporate planning, major investments and divestments. The Board oversees and reviews key operational activities, business strategies and affairs of the Company, annual budget, management performance. The Board also approves the financial results for release to Stock Exchanges, major funding, investment proposals and borrowings, and ensures effective human resources and management leadership of high quality and integrity are in place.

b) Composition of the Board

The Company's policy is to maintain the optimum combination of Executive and Non-Executive Directors. The Board of the Company is in conformity with Clause 49 of the Listing Agreement. The Chairman of the Board is a Non-Executive Promoter Director. As on 31st March 2011, the Board consisted of eight (8) Directors, of which six (6) are Non-Executive (includes four (4) Independent) and two (2) are Executive. The Non-Executive Independent Directors are eminent professionals, drawn from amongst persons with experience in business, finance, law, marketing, branding and other key functional areas and play a critical role in enhancing balance to the Board processes besides providing the Board with valuable inputs.

c) Board Meetings, Other Directorship and Attendance of Directors

During the year, the Board of Directors of the Company met six times on 24th April 2010, 15th May 2010, 30th June 2010, 3rd August 2010, 12th November 2010 and 14th February 2011. 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 31st March 2011 have been made by the Directors. As per the disclosure received from them, no Director 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 and position held by Directors on the Board / Committees of other Public Limited Companies as on 31st March 2011 and 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 31 st March 2011 @			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	2	2	2	6	Yes
Mr. Dilip Modi	Promoter Executive	4	4	1	6	Yes

CORPORATE GOVERNANCE REPORT

Name of Directors	Category	No. of Positions held as on 31 st March 2011 @			Attendance at Board Meetings held during the year	Attendance at last AGM
		No. of other Directorship	Committee@@ (including the Company)			
			Membership	Chairmanship		
Ms. Divya Modi**	Promoter Non-Executive	2	2	-	1	N.A.
Ms. Preeti Malhotra*	Executive	2	2	-	6	Yes
Mr. Kashi Nath Memani*	Independent	12	10	5	6	Yes
Mr. Krishan Lal Chugh	Independent	5	1	1	6	Yes
Mr. Devendra Raj Mehta**	Independent	6	1	1	2	N.A.
Mr. Subroto Chattopadhyay*	Independent	5	3	1	5	Yes
Mr. Kunal Ahooja #	Executive	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Ram Nath Bansal #	Independent	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Radha Krishna Pandey #	Independent	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Vivek Bali #	Non-Executive	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Hanif Mohamed Dahiya # #	Independent	N.A.	N.A.	N.A.	Nil	N.A.
Mr. Subramanian Murali # #	Non-Executive	N.A.	N.A.	N.A.	1	N.A.

*Dr. Bhupendra Kumar Modi, Ms. Preeti Malhotra, Mr. Kashi Nath Memani and Mr. Subroto Chattopadhyay were appointed as Additional Directors w.e.f. 24th April 2010 and were further appointed as directors liable to retire by rotation by the Members of the Company in the Annual General Meeting of the Company held on 29th September 2010.

** Ms. Divya Modi and Mr. Devendra Raj Mehta were appointed as Additional Directors w.e.f. 4th November 2010.

Mr. Kunal Ahooja, Mr. Ram Nath Bansal, Mr. Radha Krishna Pandey and Mr. Vivek Bali ceased to be Director w.e.f. 23rd April 2010.

Mr. Hanif Mohamed Dahiya and Mr. Subramanian Murali ceased to be Director w.e.f. 24th April 2010.

@ 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.

d) 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 laws and regulations applicable to the Company.

3 DIRECTORS' REMUNERATION

Remuneration / Sitting fee paid to Director(s) during the year is given below:

a) Executive Director

(Amount in Rs. 000)

Name of Director	Salary	Contribution to Provident fund	Perquisites (at actual)*	Bonus	Total Salary
Mr. Dilip Modi	23,403	-	31	-	23,434
Ms. Preeti Malhotra	5,504	540	32	2,808	8,884
Mr. Kunal Ahooja	606	23	2	315	946

Remuneration has been included only for the period during which the person has been on the Board of the Company.

*Perquisites valuation is done as per Income Tax Act, 1961.

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 Mr. Dilip Modi and Ms. Preeti Malhotra is contractual and may be terminated by either side on three months notice or on payment of three months salary in lieu thereof. No severance fee is payable. There are no stock options as of date that have been issued to any of the directors. The Bonus is subject to overall ceilings stipulated under Sections 198 and 309 and Schedule XIII of the Companies Act, 1956 and is decided by the Board or Committee of the Board on the basis of the performance of the Executive Directors.

CORPORATE GOVERNANCE REPORT

b) Non-Executive Directors

The details of remuneration paid by way of sitting fee to the Non Executive Directors and the proposed payment of commission and No. of shares held by them is as under:

Name of Director	Sitting Fees* (Amount/Rupees)	Commission payable** (Amount/Rupees)	No. of shares held as on 31.03.2011
Mr. Kashi Nath Memani	180,000	19,25,000	Nil
Mr. Krishan Lal Chugh	110,000	19,25,000	80,944
Mr. Devendra Raj Mehta	40,000	19,25,000	Nil
Mr. Subroto Chattopadhyay	160,000	19,25,000	Nil
Mr. Radha Krishna Pandey	12,500	N.A.	N.A.

* Amount paid for attending Board Meetings, Remuneration Committee Meeting and Audit Committee Meetings, Allotment Committee Meeting and Investors' Grievance /Share Transfer Committee Meetings.

** Commission pertains to the financial year 2010-11 and is payable during the current year.

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company. None of the Directors of the Company has any relationship with other Directors of the Company except Dr. Bhupendra Kumar Modi, Mr. Dilip Modi and Ms. Divya Modi, who are relatives of each other within the meaning of Schedule IA of the Companies Act, 1956.

4. DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

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

5. COMMITTEE(S) TO THE BOARD

Audit Committee

a) Constitution of the Committee:

As a measure to good Corporate Governance and to provide assistance to the Board of Directors fulfilling the Board's oversight responsibilities, 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. The Audit Committee is responsible for effective supervision of the financial reporting process, ensuring financial and accounting controls and ensuring compliance with the financial policies of the Company. The Committee reviews the financial statements with special emphasis on accounting policies and practices, compliance with Accounting Standards and other legal requirements concerning financial statements before they are submitted to the Board. 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.

b) Composition and Meetings of the Committee:

As on 31st March 2011, the Audit Committee comprised of two Independent Directors and the Managing Director of the Company. The Chairman of the committee is an Independent Director. All members of the committee possess financial/accounting expertise.

Members of the Audit Committee met four (4) times during the year on 15th May 2010, 3rd August 2010, 12th November 2010 and 14th February 2011.

The composition and category of Audit Committee as on 31st March 2011 and attendance at the Meetings held during the year is as follows:

Name of Directors	Designation	Category	Attendance at the Meetings held during the financial year ended March 2011
Mr. Kashi Nath Memani*	Chairman	Independent	4
Mr. Subroto Chattopadhyay*	Member	Independent	4
Mr. Dilip Modi*	Member	Executive	4

*Appointed w.e.f. 24.04.2010.

The Company Secretary acts as the Secretary to the Committee.

Mr. Kashi Nath Memani, Chairman of the Audit Committee was present at the last Annual General Meeting of the Company which was held on 29th September 2010.

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

CORPORATE GOVERNANCE REPORT

Investors' Grievance / Share Transfer Committee

The Committee formed by the Board of Directors to look into the Investors' Grievances and Share Transfers and related matters held its meetings regularly throughout the year ended on 31st March 2011. The meetings are held on fortnightly basis to consider and approve / resolve the Investors Grievances / Shareholder related matters and the Board is regularly updated on the matters transacted at the Committee meetings.

As on 31st March 2011, 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
Mr. Divya Modi**	Member	Non-Executive
Ms. Preeti Malhotra*	Member	Executive

*Appointed w.e.f. 24th April 2010.

**Appointed w.e.f. 14th February 2011.

Ms. Preeti Malhotra, Executive Director and Company Secretary is also designated as Compliance Officer of the Company.

Other particulars relating to the Committee are as follows:

The Committee approves transfer / transmission of shares issued by the Company, issue of duplicate certificates and certificates after split / consolidation/ dematerialization. During the year ended on 31st March 2011 the Company has received 32 (Thirty Two) 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 31st March 2011.

Remuneration Committee and Remuneration Policy

The Remuneration Committee reviews and recommends the remuneration and performance linked bonuses of the Executive Directors and also evaluates their performance based on the overall performance and financial results of the Company during the financial year and on the assessment of the personal contribution and achievements of the individual. The Company is paying remuneration to Mr. Dilip Modi, Managing Director and Ms. Preeti Malhotra, Executive Director, duly reviewed and approved by Remuneration Committee. The Company pays sitting fees of Rs. 20,000 per meeting to its Independent Directors for attending the meetings of the Board and Committees of the Board. Further, the shareholders 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. The members of the committee met once during the year on 15th May 2010.

As on 31st March 2011, the Remuneration Committee comprised of the following as its members:

Name of Directors	Designation	Category	Attendance at the meeting held on 15 th May 2010
Dr. Bhupendra Kumar Modi*	Chairman	Non-Executive	Yes
Mr. Kashi Nath Memani*	Member	Independent	Yes
Mr. Krishan Lal Chugh*	Member	Independent	Yes
Mr. Subroto Chattopadhyay*	Member	Independent	Yes

*Appointed w.e.f. 24th April 2010.

The Company Secretary acts as Secretary to this Committee.

Dr. Bhupendra Kumar Modi, Chairman of the Company and the Remuneration Committee was present at the last Annual General Meeting of the Company held on 29th September 2010.

6. GENERAL BODY MEETINGS

I Meeting details

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

Year	Location	Date	Time
2010	'Spice World', I-2, Sector-25A, Noida-201 301, Uttar Pradesh	Wednesday 29/09/2010	10:30 A.M.
2009	'Spice World', I-2, Sector-25A, Noida-201 301, Uttar Pradesh	Friday 25/09/2009	09:30 A.M.
2008	'Spice World', I-2, Sector-25A, Noida-201 301, Uttar Pradesh	Friday 27/06/2008	09:30 A.M.

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

Annual General Meeting held on 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 Director liable to retire by rotation and 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.

CORPORATE GOVERNANCE REPORT

Annual General Meeting held on 25th September 2009

- Amendment in Articles of Association of the Company for:
 - Deletion of Article 2(y) i.e., meaning of promoter;
 - Substitution of Article 96 'Number of Directors' shall not be less than 3 and not more than 12 (excluding Alternate Directors);
 - Deletion of Article 97 (a) and (b) for appointment and election of non-retiring directors;
 - Deletion of Article 98 (a), (c) and (d) for non-retiring Directors of Promoters;
 - Substitution of Article 119 i.e. quorum for the Board shall consist of 1/3rd of Directors or 2, whichever is higher.

Annual General Meeting held on 27th June 2008

- Increase in Authorized Share Capital from Rs. 30 Crores to Rs. 51 Crores and related amendments in the Capital clause of the Memorandum and Articles of Association of the Company.
- Amendments in the Articles of Association of the Company for substituting the word 'MCorp Global Private Limited' wherever it appears in the Articles of Association with the word 'Spice Corp Limited'.

II. Postal Ballot

The Company had sent the Postal Ballot Notice dated 11th April 2011 for obtaining the approval of members by way of Special Resolution under Section 21 of Companies Act, 1956, for change of name of the Company from "Spice Mobility Limited" to "S Mobility Limited".

The procedure for carrying Postal Ballot was carried out as notified in the Companies (Passing of the Resolution under Postal Ballot) Rules, 2001, as amended. Mr. Sanjay Grover, FCA & FCS and Company Secretary in whole time practice, was appointed as scrutinizer for the Postal Ballot, who carried out the Postal Ballot process in fair and transparent manner. The results were announced on 27th May 2011.

Summary of the voting pattern is as under:

Voting	No. of shares	% of total valid votes
Votes cast in favour	21,15,44,658	99.9944%
Votes cast Against	11,776	0.0056%
Total	21,15,56,434	100%

Result: Passed with the requisite majority.

None of the business proposed to be transacted at the ensuing Annual General Meeting requires passing a special resolution through Postal Ballot.

7. CEO AND CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, the Managing Director and CFO certification of the Financial Statements and the Cash Flow Statements for the year ended 31st March 2011 are 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, 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 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**

There had been no materially significant related party transactions 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. Details of the related party transactions (as per AS-18) of the Company in the ordinary course of business during the year ended 31st March 2011 are given in Notes to Accounts.

CORPORATE GOVERNANCE REPORT

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

There have neither been any instances of non-compliance nor any penalty or stricture have been imposed on the Company by Stock Exchange or by Securities and Exchange Board of India or by any other statutory authorities on any matter related to the capital markets during the last three years.

- **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 status of compliance in respect of non-mandatory requirements under Clause 49 of the Listing Agreement is mentioned below:

(1) No separate office is maintained for Non-Executive Chairman but expenses incurred in the performance of duties by the Non-executive Chairman were reimbursed. There is no fixed tenure for Independent Directors.

(2) Remuneration Committee

The Company has a Remuneration Committee constituted by the Board and comprises of one Non-Executive Director and three Independent Directors.

(3) Shareholders' Rights

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

The Company has followed the Guidelines of Accounting Standards to the extent applicable as laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

(5) 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 of the business principles or concerns about unethical behavior, the employees are free to access the Management or the Audit Committee to report any such instances.

(6) The other non-mandatory requirements not yet adopted by the Company are as under:

i. Training of Board Members

ii. Mechanism for evaluating Non-Executive Board Members

11. MEANS OF COMMUNICATION

The quarterly / half yearly and annual financial results are normally published in "Economic Times" or "Business Standard" (National dailies - English) and "Navbharat Times" or "Business Standard" or "Economic Times" (Regional dailies - Hindi).

All material information about the Company is promptly sent to the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and is displayed as Corporate Announcements on the website of BSE and NSE. The Company regularly updated 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, half yearly, yearly financial results. The transcripts of the conference call and presentations made to the investors are 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, U.P.-201301
- b) **Annual General Meeting**
- Date** : Wednesday, 28th September, 2011
- Time** : 10:30 A.M.
- Venue** : 'Spice World', I-2, Sector-25A, Noida-201 301, U.P.

CORPORATE GOVERNANCE REPORT

c) Financial calendar (tentative and subject to change)

Financial Year	:	April 2011 –March 2012
Financial reporting for the quarter ending 30 th June 2011	:	Mid August 2011
Financial reporting for the quarter ending 30 th September 2011	:	Mid November 2011
Financial reporting for the quarter ending 31 st December 2011	:	Mid February 2012
Financial reporting for the quarter ending 31 st March 2012	:	End May 2012

d) **Date of book-closure** : 22nd September 2011 to 28th September 2011
 (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 meeting, will be paid within 30 days of the declaration to those members whose names appear in the Register of Members as on 28th September, 2011 after giving effect to all valid transfers in physical form lodged on or before 21st September, 2011 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 21st September, 2011.

f) **Listing at Stock Exchanges** : Bombay Stock Exchange Limited
 Phiroze Jeejeebhoy Towers
 Dalal Street, Mumbai-400 001
 : National Stock Exchange of India Limited
 Exchange Plaza, Bandra-Kurla Complex,
 Bandra(E), Mumbai-400 051

g) Scrip Code/Scrip name of the Company as on 31.03.2011:

Bombay Stock Exchange Limited:

Scrip name : Spice Mobility Limited
 Scrip ID : SPICEMOBIL
 Scrip code : 517214

National Stock Exchange of India Limited:

Scrip name : Spice Mobility Limited
 Scrip Code : SPICEMOBIL

h) Market price data:

The details of monthly highest and lowest closing 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 during the year ended 31st March 2011 are as under:

Bombay Stock Exchange Limited (BSE)

(Face Value Rs. 3/share)

Month	BSE PRICES		VOLUME	BSE SENSEX	
	High Price (Rs.)	Low Price (Rs.)		High (Rs.)	Low (Rs.)
April 2010	78.45	37.80	1,25,51,551	18,047.86	17,276.80
May 2010	82.30	62.55	97,29,515	17,536.86	15,960.15
June 2010	75.85	68.10	16,19,028	17,919.62	16,318.39
July 2010	78.00	69.00	23,13,395	18,237.56	17,395.58
August 2010	87.30	69.00	72,01,359	18,475.27	17,819.99
September 2010	105.00	83.00	61,26,706	20,267.98	18,027.12
October 2010	126.00	95.05	56,33,359	20,854.55	19,768.96
November 2010	152.05	109.40	42,53,287	21,108.64	18,954.82
December 2010	135.35	86.50	49,47,587	20,552.03	19,074.57
January 2011	114.30	96.45	5,27,264	20,664.80	18,038.48
February 2011	106.00	90.40	3,58,657	18,690.97	17,295.62
March 2011	112.00	98.55	4,94,217	19,575.16	17,792.17

(source:www.bseindia.com)

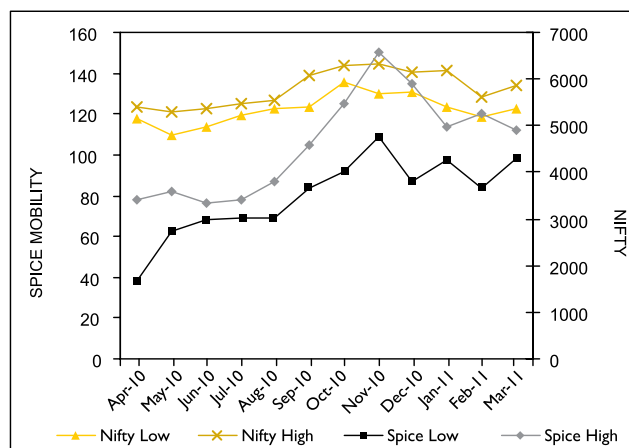
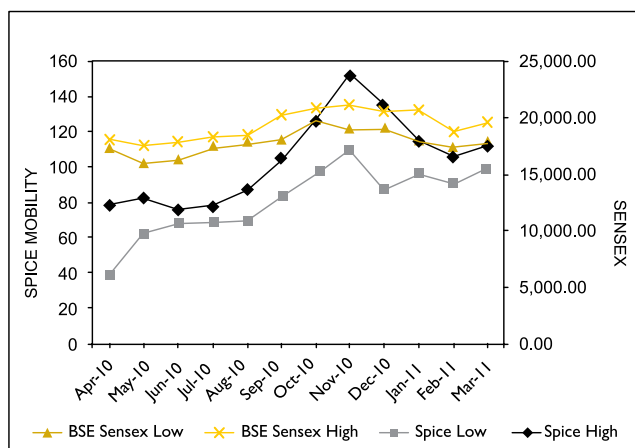
CORPORATE GOVERNANCE REPORT

National Stock Exchange of India Limited (NSE)*

Face Value Rs.3/share

Month	NSE PRICES		VOLUME	NIFTY	
	High Price (Rs.)	Low Price (Rs.)		High (Rs.)	Low (Rs.)
April 2010	78.35	37.90	23206182	5399.65	5160.9
May 2010	82.15	62.50	11910475	5278.7	4786.45
June 2010	76.10	68.00	2422368	5366.75	4961.05
July 2010	78.20	69.30	4682473	5477.5	5225.6
August 2010	87.25	69.00	10513411	5549.8	5348.9
September 2010	104.70	84.00	9385334	6073.5	5403.05
October 2010	125.00	92.00	14023852	6284.1	5937.1
November 2010	150.00	109.20	11506543	6338.5	5690.35
December 2010	135.00	87.10	8527693	6147.3	5721.15
January 2011	114.00	97.50	1100775	6181.05	5416.65
February 2011	119.95	83.70	755591	5599.25	5177.7
March 2011	112.00	98.00	865045	5872	5348.2

(source:www.nseindia.com)



i) Dematerialization of shares:

The trading in equity shares of the Company is permitted compulsorily in dematerialization form 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 31st March 2011, 98.68 % of the Share Capital of the Company is held in dematerialized form with NSDL and CDSL.

j) 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 dematerialization requests and other communications regarding change of address, dividend and queries related to investor services may be sent at the above address.

k) Share Transfer System

Transfers of shares in physical form are registered and dispatched within 3 weeks from the date of their receipt, subject to the documents being valid and complete in all respects. The Share Transfer and Investor Grievance Committee looks into the issues relating to Share Transfers and Investor Grievances and the Committee generally meets fortnightly.

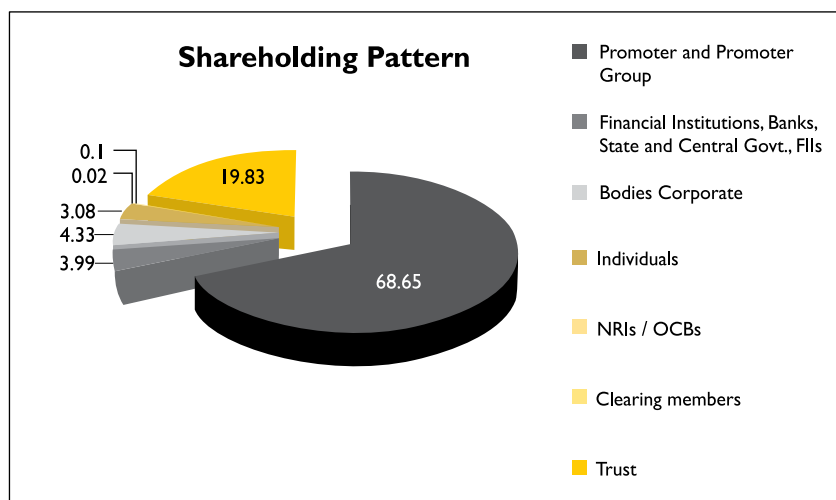
CORPORATE GOVERNANCE REPORT

i) Distribution of Shareholding as on 31st March 2011:

Share Holding of Nominal Value of Rs.3/- each	Number of Shareholders	% to Total No. of Shareholders	No. of Shares Held	Amount in Rs.	% to Total Paid-up Capital
UPTO 5,000	26302	98.270	4089977	12269931	1.718
5,001 TO 10,000	234	0.874	534316	1602948	0.224
10,001 TO 20,000	106	0.396	499916	1499748	0.210
20,001 TO 30,000	34	0.127	296441	889323	0.125
30,001 TO 40,000	10	0.037	112442	337326	0.047
40,001 TO 50,000	14	0.052	213183	639549	0.090
50,001 TO 1,00,000	18	0.067	383345	1150035	0.161
1,00,001 AND ABOVE	47	0.177	231956665	695869995	97.425
Total	26765	100.000	238086285	714258855	100.000

Shareholding pattern as on 31st March 2011:

Category	No. of shares Held	% of Total Capital
Promoter and Promoter Group	163448285	68.65
Financial Institutions, Banks, State and Central Govt., FIs	9495605	3.99
Bodies Corporate	10310057	4.33
Individuals	7322316	3.08
NRIs / OCBs	55785	0.02
Clearing Members	248708	0.10
Trust	47205529	19.83
Total	238086285	100.00



m) Plants Location:

Unit I and II at Village Billanwalli, Baddi P. O, Teh . Nalagarh, Distt. Solan, Himachal Pradesh

n) 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.

o) Address for Correspondence:

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

The above Report has been placed before the Board at its meeting held on 30th May 2011 and the same was approved.

CORPORATE GOVERNANCE REPORT

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Spice Mobility Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Spice Mobility Limited, for the year ended 31st March, 2011 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 condition of the certificate 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

Company Secretary
CP No. 3850

Dated: May 30, 2011
Place : New Delhi

To,
Board of Directors
Spice Mobility Limited
D-1, Sector-3, Noida – 201 301, U.P.

Sub : CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF SPICE MOBILITY LIMITED

Sir,

We, Dilip Modi, Managing Director and Manish Pengoriya, CFO of Spice 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 year ended 31st March 2011.
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements or any statement 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 the existing Accounting Standards and / or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the period 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 the 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’s Board of Directors:
 - a) all deficiencies in the design or operation of internal controls and have identified for the Company’s Auditors any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b) significant changes in internal controls during the period covered by this report;
 - c) all significant changes in accounting policies during the period under review and that the same have been disclosed in the notes to the financial statements;
 - d) instances of significant fraud of which we are aware, that involves management or other employees who have significant role in the company’s internal control systems.

Date : 30.05.2011
Place : New Delhi

Dilip Modi
Managing Director

Manish Pengoriya
CFO

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 31st March, 2011.

Place: Noida
Date: 27.05.2011

For **Spice Mobility Limited**
Kunal Ahooja
Chief Executive Officer

SECRETARIAL AUDIT REPORT

To
The Board of Directors
Spice Mobility Limited
Noida

We have examined the registers, records and documents of Spice Mobility Limited (hereinafter referred to as “the company”) for the financial year ended on March 31, 2011 (financial year) with regard to the provisions of-

- The Companies Act, 1956 and the Rules made under that Act;
 - The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’) namely,
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
- I. Based on my 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 has, during the audit period covering the financial year, complied with the provisions of the Companies Act, 1956 (“the Act”) and the Rules made under the Act 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 & Uttarakhand and the Central Government;
 - IV. service of documents by the Company on its Members and Registrar of Companies;
 - V. notice of Board meetings and Committee meetings of Directors;
 - VI. minutes of proceedings of General Meetings and of Board and Committees thereof;
 - VII. approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
 - VIII. payment of remuneration to the Directors including the Managing Director and Whole- time Directors;
 - IX. appointment and remuneration of Auditors;
 - X. transfer and transmission of the Company’s shares, issue and allotment of equity shares pursuant to the scheme of Amalgamation of Spice Televentures Private Limited with the Company and issue and delivery of original and duplicate share certificates;
 - XI. declaration and payment of dividend on equity shares;
 - XII. Registration, Modification and Satisfaction of charges;
 - XIII. alteration of Memorandum and Articles of association with regard to the change of Name of the Company;
 - XIV. investment of the Company’s funds;
 - XV. form of Balance Sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
 - XVI. contracts, common seal, registered office and publication of name of the Company.
2. We further report that:
- The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships;
 - The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.
 - The Company has obtained all necessary approvals under the various provisions of the Act, wherever applicable;
 - There was no prosecution initiated against or show cause notice received by the Company during the Year under review under the Companies Act, SEBI Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Offices.
3. We further report that :
- I. The Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

SECRETARIAL AUDIT REPORT

- II. The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
- 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.

For **SANJAY GROVER & ASSOCIATES**
COMPANY SECRETARIES

SANJAY GROVER

FCS No.4223

C.P No.3850

Date : May 30, 2011

Place : New Delhi

GROUP FOR INTERSE TRANSFER OF SHARES

Following persons are included in the 'Group' for interse transfer of shares under Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:

1	Dr. B K Modi, Mrs. Veena Modi, Mr. Dilip Modi and Ms. Divya Modi	26	Spice-CSL International Sdn. Bhd.
2	Spice Global Investments Private Limited and its subsidiaries which includes Spice Innovative Technologies Private Ltd., Spice Entertainment Limited, Spice Investments & Finance Advisors Pvt. Ltd. and S Mobility Limited and their respective subsidiaries. The list of subsidiaries of Spice Global Investments Private Limited as on March 31, 2011 are specified under the head 'Subsidiaries including step down subsidiaries and enterprise where there is control' and 'Fellow Subsidiaries' in the Note no 4 of the Notes to the Accounts (Schedule 21) of standalone financial statements of S Mobility Limited. After March 31, 2011 S Mobility (HK) Limited and Spice VAS Ghana Ltd. have been incorporated as subsidiary companies.	27	Maxworld Asia Limited
3	S i2i Limited	28	Bigstar Development Limited
4	MediaRing Communications Pte. Ltd.	29	Newtell Corporation Company Limited
5	MediaRing Network Services Pte. Ltd.	30	T.H.C. International Co. Ltd.
6	Mellon Technology Pte. Ltd.	31	I-Gate Holdings Sdn. Bhd.
7	MediaRing (Europe) Limited	32	Homestead Shop (M) Sdn. Bhd.
8	MediaRing TC, Inc.	33	Dot Mobile Sdn. Bhd.
9	MediaRing Sdn. Bhd.	34	I-Gate Digital Sdn. Bhd.
10	MediaRing.com Inc.	35	BTC Academy Sdn. Bhd.
11	Alpha One Limited	36	Real & Virtual Technologies Sdn. Bhd.
12	Cavu Corp Pte. Ltd.	37	Mobile Biz Sdn. Bhd.
13	Bharat IT Services Ltd.	38	Mobile Concepts (M) Sdn. Bhd.
14	Spice BPO Services Ltd.	39	RVT Event & Retail Management Sdn. Bhd.
15	MediaRing.com (Shanghai) Limited	40	CSL Multimedia Sdn. Bhd.
16	Peremex Sdn. Bhd.	41	CSL Mobilecare Sdn. Bhd.
17	Delteq Pte. Ltd.	42	Afinity Capital Pte. Ltd.
18	Centia Pte. Ltd.	43	PT Selular Global Net
19	Peremex Pte. Ltd.	44	PT Selular Media Infotama
20	Delteq Systems (M) Sdn. Bhd.	45	PT Metrotech Jaya Komunika Indonesia
21	Delteq Systems Pte. Ltd.	46	PT Metrotech Makmur Sejahtera
22	Centia Technologies Sdn. Bhd.	47	Spice i2i Middle East FZE.
23	Peremex Computer Systems Pvt. Ltd.	48	S Global Holdings Pte. Ltd.
24	Delteq (M) Sdn. Bhd.	49	Spice Bulls Pte. Ltd.
25	Spice-CSL Pte. Ltd.	50	G.M.Modi Hospital Corporation Pvt. Ltd.
		51	Spice Impex Pvt. Ltd.
		52	Anytime Learning Pvt. Ltd.
		53	Tuberose Investments Pvt. Ltd.
		54	Vcorp Mercantile Pvt. Ltd.
		55	Prospective Infrastructures Pvt. Ltd.
		56	Plus Paper Foodpac Ltd.
		57	Duro International Rubber Pvt. Ltd.
		58	Plus Pac Holdings Pvt. Ltd.
		59	Innovative Management Pte. Ltd.

AUDITORS' REPORT

To

The Members of Spice Mobility Limited (Formerly Spice Mobiles Limited)

1. We have audited the attached Balance Sheet of Spice Mobility Limited (Formerly Spice Mobiles Limited) ('the Company') as at March 31, 2011 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) 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. Without qualifying our opinion, we draw attention to Note No. 10 (iii) in Schedule 21 of the financial statements. The Company has made investments of Rs 1,358,137 thousand (including share application money of Rs 132,750 thousand) in, given unsecured interest free loans of Rs 2,375,283 thousand to and has outstanding receivable of Rs 455,790 thousand from its subsidiary companies (including two subsidiaries of a subsidiary company) whose net worth as per books is lower than the carrying value of the Company's investments in these companies. As more fully discussed in Note No. 10 (iii) in Schedule 21, 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 March 31, 2011.
5. Further to our comments in the Annexure referred to in para 3 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, 2011, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on March 31, 2011 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, 2011;
 - 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.

For S.R. BATLIBOI & CO.

Firm registration number: 301003E
Chartered Accountants

per Anil Gupta

Partner

Membership No.: 87921

Place: New Delhi

Date: 30th May 2011

AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date

Re: Spice Mobility Limited (Formerly Spice Mobiles 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 disposal of a substantial part 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 loans to three wholly owned subsidiary companies and a director covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 2,385,283 thousand and the year- end balance of loans granted to such parties was Rs. 2,385,283 thousand.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan granted to the director are not prima facie prejudicial to the interest of the Company. The Company has made interest-free loans to three 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 are re-payable on demand. We are informed that the Company has not demanded repayment of any such 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 three companies are interest free. The payment of interest by the director has been regular.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) As informed, 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. Therefore, the provisions of clause 4(iii) (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) 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 inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (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 exceeding 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, 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.

AUDITORS' REPORT

- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty and excise duty and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (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.
- (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 (Rs '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
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 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 for Sales Tax	737	2005-06	Joint Commissioner of Commercial Taxes, Kolkata
West Bengal Sales Tax Act, 1956	Demand for Sales Tax	394	2005-06	Joint Commissioner of Commercial Taxes, Kolkata
Central Sales Tax Act, 1956	Demand for Sales Tax	346	2005-06	Joint Commissioner of Commercial Taxes, Karnataka
Madhya Pradesh Sales Tax Act, 1956	Demand for Sales tax	4,820	2010-11	Deputy Commissioner of Commercial Taxes (Appeals)-Bhopal
Central Sales Tax Act, 1956	Demand for Sales Tax	1,142	2005-09	Joint Commissioner of Commercial Taxes, Bhubaneswar
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

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (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 before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

AUDITORS' REPORT

- (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.
- (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 money by way of public issue during the year.
- (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 year.

For S.R. BATLIBOI & CO.

Firm registration number: 301003E
Chartered Accountants

per Anil Gupta

Partner
Membership No.: 87921

Place: New Delhi
Date: 30th May 2011

S Mobility Limited (formerly Spice Mobility Limited)

BALANCE SHEET

as at March 31, 2011

Particulars	Schedules	As at Mar 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	714,259	223,914
Reserves and surplus	2	6,088,268	1,117,156
		6,802,527	1,341,070
Deferred tax liabilities (net)	3	–	585
Total		6,802,527	1,341,655
APPLICATION OF FUNDS			
Fixed Assets			
4A			
Gross block		136,677	89,342
Less :Accumulated depreciation		39,701	26,475
Net block		96,976	62,867
Capital work in progress including Capital Advances		390,823	–
		487,799	62,867
Intangibles (Net of Amortisation)	4B	17,789	18,118
Investments	5	2,692,143	220,823
Deferred tax assets (net)	3	6,846	–
Amount recoverable from Employee Benefit Trust (Refer Note No 5(d) of Schedule 21)		126,053	–
Current Assets, Loans and Advances			
Inventories	6	520,943	1,196,693
Sundry debtors	7	1,306,857	1,042,076
Cash and bank balances	8	1,121,200	1,239,167
Other current assets	9	49,029	45,225
Loans and advances	10	2,716,998	336,200
		5,715,027	3,859,361
Less: Current Liabilities and Provisions			
Current liabilities	11	1,639,194	2,483,958
Provisions	12	603,936	335,556
		2,243,130	2,819,514
Net Current Assets		3,471,897	1,039,847
Total		6,802,527	1,341,655
Notes to Accounts	21		

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

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per **Anil Gupta**
Partner
Membership No. 87921

Place : New Delhi
Date : 30th May 2011

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

PROFIT AND LOSS ACCOUNT
for the year ended March 31, 2011

Particulars	Schedules	For the year ended Mar 31, 2011 Rs.'000	For the year ended Mar 31, 2010 Rs.'000
INCOME			
Turnover (Gross)	13	9,436,270	10,397,796
Less: Excise duty		(5,714)	–
Turnover (Net)		9,430,556	10,397,796
Other income	14	251,396	85,134
Total		9,681,952	10,482,930
EXPENDITURE			
Purchase of goods for trading (net of discount of Rs.119,745 thousand received for previous year, but settled during the year)		6,134,581	8,640,501
Raw materials consumed	15	358,778	16,950
Personnel expenses (Including Rs 15,771 thousand pertaining to previous year, but settled during the year)	16	282,189	135,189
Operating and other expenses	17	1,257,578	1,557,290
Decrease / (Increase) in inventories	18	779,308	(960,487)
Depreciation / amortisation	4	16,743	10,757
Financial expenses	19	13,112	10,736
Total		8,842,289	9,410,936
Profit before tax and exceptional item		839,663	1,071,994
Exceptional Item			
- Profit on sale of long term investment in a subsidiary company (other than trade) (Refer Note No 15 of Schedule 21)		94,898	–
Profit before tax		934,561	1,071,994
Provision for tax			
- Current tax		234,000	359,950
- Less: MAT credit entitlement		(59,985)	–
- Income tax adjustment for earlier years		(16,114)	650
- Deferred tax (credit) / charge		(4,582)	6,312
- Fringe benefit tax credit for earlier years		(12)	–
Total tax expense		153,307	366,912
Net profit for the year		781,254	705,082
Balance brought forward from previous year		673,612	170,022
Balance brought forward of erstwhile Spice Televentures Private Limited pursuant to Scheme of Amalgamation (Refer Note No 5 of Schedule 21)		800,635	–
(Loss) after tax for the period Jan 1 '2010 to March 31, 2010 of erstwhile Spice Televentures Private Limited pursuant to Scheme of Amalgamation (Refer Note No 5(h) of Schedule 21)		(80,092)	–
Reversal of Dividend pursuant to Scheme of Amalgamation (Refer Note No 5(i) of Schedule 21)		70,813	–
Profit available for appropriation		2,246,222	875,104
Appropriations:			
Proposed dividend		357,130	111,957
Tax on dividend		57,503	19,027
Transfer to General Reserve		78,125	70,508
Surplus carried to Balance Sheet		1,753,464	673,612
Earnings per share (in Rs.)	20	3.28	9.45
Basic and Diluted {Nominal value of shares Rs.3 (Previous year : Rs.3)}			
Notes to Accounts	21		

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

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per **Anil Gupta**
Partner
Membership No. 87921

Place : New Delhi
Date : 30th May 2011

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

CASH FLOW STATEMENT

for the year ended March 31, 2011

Particulars	For the year ended March 31, 2011 Rs.'000	For the year ended March 31, 2010 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	934,561	1,071,994
Adjustment for :		
Depreciation / amortisation	16,743	10,757
Loss on disposal of fixed assets (net)	140	725
Unrealised exchange (gain) (net)	(22,645)	(19,581)
Interest expense	6,763	7,759
Interest income	(69,236)	(65,512)
Dividend Income	(33,136)	(433)
Income from Investment in fixed maturity plan investments	(122,432)	–
Profit on sale of investments in a subsidiary company	(94,898)	–
Loss on sale of investments	125	–
Provision for doubtful debts and advances (net)	14,408	(12,020)
Bad debts and advances written off	8,109	22,475
Operating profit before working capital changes	638,502	1,016,164
Movements in working capital:		
Decrease/(increase) in inventories	675,750	(946,367)
(Increase) in sundry debtors	(263,823)	(527,426)
Decrease/(increase) in loans and advances	170,335	(97,693)
(Increase) in other current assets	(1,154)	(4,204)
(Decrease)/increase in current liabilities	(908,710)	1,634,045
(Decrease)/increase in provisions	(25,347)	152,364
Cash generated from Operations	285,553	1,226,883
Direct taxes paid (net of refunds)	(207,792)	(358,028)
Net cash from operating activities	(A) 77,761	868,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress)	(423,837)	(41,946)
Proceeds from sale of fixed assets	84	–
Purchase of investments in subsidiaries	(534,407)	–
Sale of investments	7,733,994	(120,000)
Purchase of investments	(4,979,110)	–
Loans repaid by body corporate	367,115	–
Loans to bodies corporate	(2,654,833)	(26,850)
Share application money paid	(132,750)	–
Share application money received back	366,400	–
Interest received	89,239	46,971
Dividend Received	33,136	433
Fixed deposits refunded by banks	424,990	–
Fixed deposits made with banks	(587,652)	(381,958)
Net cash (used in) investing activities	(B) (297,631)	(523,350)

S Mobility Limited (formerly Spice Mobility Limited)

CASH FLOW STATEMENT
for the year ended March 31, 2011

Particulars	For the year ended March 31, 2011 Rs.'000	For the year ended March 31, 2010 Rs.'000
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) of short term borrowings (net)	-	(17,212)
Interest paid	(9,971)	(7,759)
Dividend paid	(39,784)	(19,844)
Taxes on dividend paid	(18,595)	(3,425)
Net cash (used in) financing activities	(C) (68,350)	(48,240)
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(288,220)	297,265
Cash and cash equivalents at the beginning of the year	434,165	136,900
Cash and cash equivalents of the transferor company as at the beginning of the year	7,591	-
Cash and cash equivalents at the end of the year	153,536	434,165
Components of cash and cash equivalents:		
Cash on hand (including Stamps in hand Rs. 85 thousand, Previous year Rs. 85 thousand)	158	171
Balances with scheduled banks:		
On current accounts	150,352	432,328
On unpaid dividend accounts*	3,026	1,666
	153,536	434,165

Notes:

- The Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard-3 on Cash Flow Statements notified by Companies (Accounting Standards) Rules, 2006 (as amended).
- Negative figures have been shown in brackets.
- Components of cash and cash equivalents exclude Fixed deposits of Rs.967,664 thousand (Previous year Rs. 805,002 thousand) which are considered as movement in fixed deposits with banks under ' Cash Flows from Investing Activities.
- These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.
- Pursuant to the Scheme of Amalgamation of Spice Televentures Private Limited (STPL) with the Company, all the assets and liabilities of STPL as referred to in Note No.5 of Schedule 21 were transferred to and vested in the Company from January 1, 2010. This amalgamation into the Company is a non-cash transaction and accordingly the transfer of such assets and liabilities other than cash and cash equivalent has not been considered above.

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per **Anil Gupta**
Partner
Membership No. 87921

Place : New Delhi
Date : 30th May 2011

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011		As at Mar 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 1: Share capital				
Authorised				
330,000,000 equity shares of Rs.3 each (Previous year 170,000,000 equity shares of Rs.3 each)		990,000		510,000
Issued, subscribed and paid up				
238,086,285 (Previous year 74,638,000) equity shares of Rs. 3/- each fully paid-up.		714,259		223,914
		714,259		223,914
<p>Note: Out of the above, 163,448,285 (Previous year Nil) equity shares are held by Spice Global Investments Private Limited, the holding company and were allotted pursuant to Scheme of Amalgamation for consideration other than cash (Refer Note No 5(c) of Schedule 21). As at previous year end, out of 74,638,000 equity shares, 47,205,529 equity shares were held by Spice Televentures Pvt. Ltd., the holding company (including nominee), now merged with the Company.</p>				
Schedule 2: Reserves and surplus				
Securities Premium Account				
Balance as per last account		288,070		288,070
General Reserve				
Balance as per last account	155,474		84,966	
Add : Transfer from Transferor Company (Refer Note No. 5(e) of Schedule 21)	4,282,816		–	
Add : Transferred from Profit and Loss Account	78,125		70,508	
Less : Adjustment on account of scheme of amalgamation (Refer Note No 5(f) of Schedule 21)	469,681	4,046,734	–	155,474
Profit and Loss Account		1,753,464		673,612
		6,088,268		1,117,156

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011 Rs. '000	As at Mar 31, 2010 Rs. '000
Schedule 3: Deferred Tax Assets / Liabilities (net)		
Deferred Tax Assets		
– Provision for doubtful debts and advances	6,420	1,843
– Effect of expenditure debited to Profit and Loss Account in the current / earlier years but allowable for tax purposes in following years	9,425	3,298
Gross Deferred Tax Assets	15,845	5,141
Deferred Tax Liabilities		
– Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	8,999	5,726
Gross Deferred Tax Liabilities	8,999	5,726
Deferred Tax Assets / (Liabilities) (net)	6,846	(585)

Schedule 4A: Fixed Assets

(Amount in Rs. '000)

Particulars	Tangible Assets								Total	Previous year
	Freehold Land	Factory Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements		
Gross Block:										
At April 1, 2010	9,456	18,755	34,966	1,338	2,199	15,918	20	6,690	89,342	70,599
Assets of transferor company as at April 1, 2010*	–	–	–	596	825	1,596	8,568	–	11,585	–
Additions	–	–	18,687	1,014	2,138	7,821	6,366	–	36,026	20,870
Deductions	–	–	–	–	–	70	206	–	276	2,127
At March 31, 2011	9,456	18,755	53,653	2,948	5,162	25,265	14,748	6,690	136,677	89,342
At March 31, 2010	9,456	18,755	34,966	1,338	2,199	15,918	20	6,690	89,342	
Depreciation:										
At April 1, 2010	–	6,930	11,156	807	497	3,395	20	3,671	26,475	20,574
Depreciation transferred from transferor company as at April 1, 2010*	–	–	–	42	207	383	991	–	1,623	–
Additions	–	1,412	3,119	858	388	3,311	292	2,274	11,654	7,303
Deductions	–	–	–	–	–	30	22	–	52	1,402
At March 31, 2011	–	8,342	14,275	1,707	1,092	7,059	1,281	5,945	39,701	26,475
For previous year		1,290	2,136	135	98	1,571	17	2,057	7,303	
Net Block:										
At March 31, 2011	9,456	10,413	39,378	1,241	4,070	18,206	13,467	745	96,976	62,867
At March 31, 2010	9,456	11,825	23,810	531	1,702	12,524	–	3,019	62,867	
Capital work in progress including capital advances (unsecured, considered good)									390,823	–

* Refer Note No 5 of Schedule 21

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Notes:

1. Fixed assets include following assets given on operating lease : (Amount in Rs. '000)

Particulars	Gross Block		Depreciation		Accumulated Depreciation	
	As at Mar 31, 2011	As at Mar 31, 2010	For the year ended March 31, 2011	For the year ended March 31, 2010	As at Mar 31, 2011	As at Mar 31, 2010
Factory Building	6,920	6,920	495	495	3,146	2,651
GRAND TOTAL	6,920	6,920	495	495	3,146	2,651

2. Computers and Computer softwares include fixed assets having gross block of Rs.7,290 thousand and Rs.18,833 thousand respectively (previous year Rs.7,290 thousand and Rs.18,833 thousand respectively) and written down value of Rs.5,799 thousand and Rs.14,980 thousand respectively (previous year Rs.7,014 thousand and Rs.18,119 thousand respectively), which are held in joint ownership with others.

(Amount in Rs. '000)

Particulars	2010-11	2009-10
Schedule 4B: Intangible Assets		
Computer Softwares		
Gross Block:		
At April 1, 2010	21,572	—
Assets of transferor company as at April 1, 2010*	1,251	—
Additions	3,633	21,572
At March 31, 2011	26,456	21,572
At March 31, 2010	21,572	—
Amortisation		
At April 1, 2010	3,454	—
Depreciation transferred from transferor company as at April 1, 2010*	125	—
Additions	5,089	3,454
At March 31, 2011	8,667	3,454
For previous year	3,454	—
Net Block:		
At March 31, 2011	17,789	18,118
	18,118	—

* Refer Note No 5 of Schedule 21

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011 Rs. '000	As at Mar 31, 2010 Rs. '000
Schedule 5: Investments		
Long Term Investments (at cost)		
Trade		
Quoted		
In equity shares		
Godfrey Philips India Limited 17,300 (Previous year 17,300) equity shares of Rs.10 each fully paid up	24,925	24,925
Spicejet Limited 140,288 (Previous year 140,288) equity shares of Rs.10 each fully paid up	7,788	7,788
Other than trade		
Unquoted		
In mutual fund units		
Nil (previous year 5,717,840) units of HDFC Mutual Funds Monthly Income Plan of Rs. 10 each - Long Term Growth	-	120,000
In Government securities		
5 (Previous year 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 Subsidiary Companies		
Spice Digital Limited		
34,558,473 (Previous year Nil) equity shares of Rs.10 each fully paid up**	11,431	-
Hindustan Retails Private Limited		
59,610,000 (Previous year Nil) equity shares of Rs.10 each fully paid up**	596,082	-
Spice Distribution Limited		
3,971,251 (Previous year Nil) equity shares of Rs.10 each fully paid up**	173,093	-
Kimaan Exports Private Limited		
20,000 (Previous year Nil) equity shares of Rs.10 each fully paid up	456,212	-
In Other Company		
Plus Paper Foodpac Limited		
3,403,000 (Previous year 3,403,000) equity shares of Rs.10 each fully paid up	68,060	68,060
In a Trust		
Interest as sole beneficiary in an Independent Non Promoter Trust *	373,799	-

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011 Rs. '000	As at Mar 31, 2010 Rs. '000
Current Investments		
Other than trade Unquoted (at lower of cost and net asset value)		
77,501,764 (Previous year Nil) units of Rs.10 each of HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option-Dividend Reinvestment daily	781,288	-
8,065,520 (Previous year Nil) units of Rs 10 each of Birla Sunlife Floating Rate Fund-Daily Dividend	80,655	-
1,693,781 (Previous year Nil) units of Rs 10 each of SBI Magnum Income Fund - Savings Plus Bond Weekly Dividend	18,516	-
9,541,256 (Previous year Nil) units of Rs. 10 each of Birla Sunlife Mangnum Dynamic Bond Fund-Retail Plan-Monthly Dividend	100,244	-
	<u>2,692,143</u>	<u>220,823</u>
Aggregate amount of quoted investments in equity shares [Market Value Rs. 38,589 thousand, (Previous year Rs. 42,087 thousand)]	32,713	32,713
Aggregate amount of investments in units of Mutual Funds [Net Asset Value Rs. 980,875 thousand, (Previous year Rs.120,664 thousand)]	980,703	120,000
Aggregate amount of other unquoted investments	1,678,727	68,110
* The trust is holding 35,301,215 equity shares of the Company, the sole beneficiary of which is the Company (Refer Note No 5(d) of Schedule 21).		
**Balance out of investments acquired pursuant to Scheme of Amalgamation of Spice Televentures Private Limited with the Company.(Refer Note No 5(b) of Schedule 21)		
Schedule 6: Inventories		
(at lower of cost and net realisable value)		
Raw materials (Including stock in transit Rs.27,101 thousand, Previous year Rs. Nil)	104,739	1,181
Service components and spares (Including stock in transit Rs.1,941 thousand, Previous year Rs. Nil)	75,587	54,221
Work-in-progress	1,601	1,557
Finished goods and traded goods (Including stock in transit Rs.18,577 thousand, Previous year Rs. 60,708 thousand)	339,016	1,139,734
	<u>520,943</u>	<u>1,196,693</u>

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011 Rs. '000	As at Mar 31, 2010 Rs. '000
Schedule 7: Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	55,178	5,643
Considered doubtful	3,431	-
Other debts		
Considered good	1,251,679	1,036,433
Considered doubtful	10,977	-
	1,321,265	1,042,076
Less : Provision for doubtful debts	14,408	-
	1,306,857	1,042,076
Included in other debts are :		
Due from companies under the same management :		
(i) Spice Distribution Limited	108,558	172,990
(ii) Spice Digital Limited	-	2,853
(iii) Spice Retail Limited	316,869	-
(iv) Spice Global Investments Private Limited (a private limited company in which directors are interested) (Maximum amount outstanding at any time during the year Rs 24 thousand (Previous year Nil)	24	-
Schedule 8: Cash and bank balances		
Cash on hand (including Stamps in hand Rs. 85 thousand, Previous year Rs. 85 thousand)	158	171
Balances with scheduled banks:		
On current accounts	150,352	432,328
On unpaid dividend accounts	3,026	1,666
On fixed deposit accounts (Receipts pledged with banks and others Rs.787,764 thousand, Previous year Rs. 495,661 thousand)	967,664	805,002
	1,121,200	1,239,167
Schedule 9: Other current assets		
Fixed Assets held for sale (at lower of net book value and estimated net realisable value)	10,307	10,307
Unamortised Premium on Forward Contracts	8,587	7,434
Interest accrued on fixed deposits	22,133	17,428
Interest accrued on loan to others	8,002	10,056
	49,029	45,225
*Included in other current assets are :		
(i) Due from a director of the Company (Maximum amount outstanding during the year Rs. 2,533 thousand (Previous year Rs.2,533 thousand))	-	2,533

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011		As at Mar 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 10: Loans and advances				
Unsecured, considered good				
Loan to bodies corporate		43,900		73,900
Loans to employees and a director		10,242		10,099
Loans and advances to subsidiaries (including Share Application Money of Rs. 132,750 thousand, previous year Nil)		2,538,397		–
Advances recoverable in cash or kind or for value to be received		58,537		59,388
Balances with customs, excise, etc		2,168		185,080
Security deposits		5,035		1,782
Advance Income Tax and Tax deducted at source	674,131		416,153	
Less: Provision for Income Tax	(624,390)	49,741	(410,202)	5,951
MAT credit entitlement account (Refer Note No 18 of Schedule 21)		8,978		–
Unsecured, considered doubtful				
Advances recoverable in cash or kind or for value to be received		5,380		5,380
		2,722,378		341,580
Less: Provision for doubtful loans and advances		5,380		5,380
		2,716,998		336,200
* Included in Loans and Advances are:				
(i) Due from a director of the Company (Maximum amount outstanding during the year Rs.10,000 thousand (Previous year Rs.10,000 thousand))		–		10,000
(ii) Due from the companies under the same management				
– Hindustan Retails Private Limited (Private limited company in which a director of the Company is interested as Director) (Maximum amount outstanding during the year Rs.1,846,290 thousand, previous year Nil)		1,846,290		–
– Spice Distribution Limited (Maximum amount outstanding during the year Rs. 191,440 thousand, previous year Nil)		191,440		–
– Spice Retail Limited (Maximum amount outstanding during the year Rs. 376,753 thousand, previous year Nil)		376,753		–
– Kimaan Exports Private Limited (Maximum amount outstanding during the year Rs.123,913 thousand, previous year Nil)		123,913		–

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE BALANCE SHEET

Particulars	As at Mar 31, 2011		As at Mar 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 11: Current Liabilities				
Acceptances		211,226		8,340
Sundry creditors				
a) total outstanding dues of Micro and Small Enterprises (Refer Note No. 13 of Schedule 21)		–		–
b) total outstanding dues of creditors other than Micro and Small Enterprises		1,389,300		2,440,086
Advances from customers		23,152		16,846
Security deposits		12,490		17,020
Unpaid dividend - to be transferred to Investor Education and Protection Fund (as and when due)		3,026		1,666
		<u>1,639,194</u>		<u>2,483,958</u>
Schedule 12: Provisions				
Provision for Fringe benefit tax	5,315		5,315	
Less: Fringe benefit tax paid	<u>(5,136)</u>	179	<u>(5,136)</u>	179
Proposed dividend		357,130		111,957
Tax on proposed dividend		57,935		19,027
Provision for leave encashment		13,525		7,878
Provision for gratuity (Refer Note No. 12 of Schedule 21)		5,006		1,871
Provision for warranties (Refer Note No. 11.1 of Schedule 21)				
– Opening balance	194,644			
– Additions during the year	314,240			
– Amount used / adjusted during the year	<u>(338,723)</u>	170,161		194,644
		<u>603,936</u>		<u>335,556</u>

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Particulars	For the year ended Mar 31, 2011 Rs. '000	For the year ended Mar 31, 2010 Rs. '000
Schedule 13: Turnover (Gross)		
Sales of manufactured goods	415,770	16,039
Sales of trading goods	9,020,500	10,381,757
	9,436,270	10,397,796
Schedule 14: Other Income		
Interest		
– On Bank deposits (Tax deducted at source Rs.6,472 thousand, Previous year Rs. 2,693 thousand)	51,083	53,623
– On loan to an Employee and Bodies corporate (Tax deducted at source Rs.1,436 thousand, previous year Rs.483 thousand)	17,957	11,889
– On Income Tax Refund	196	–
Profit on sale of Long Term Investments in units of mutual fund (other than trade)	10,647	–
Income from Long Term Investments in Fixed Maturity Plan investment* (other than trade)	111,088	–
Income from Current Investments in Fixed Maturity Plan Investment (other than trade)	697	–
Dividend on Long term trade investments	433	433
Dividend on current investments (other than trade)	32,703	–
Rent Received	531	330
Miscellaneous income	26,061	18,859
	251,396	85,134
Schedule 15: Raw materials consumed		
Inventories as at March 31, 2010	1,181	15,301
Add : Purchases	462,336	2,830
	463,517	18,131
Less : Inventories as at March 31, 2011	(104,739)	(1,181)
	358,778	16,950
Schedule 16: Personnel expenses		
Salaries, wages and bonus*	245,325	116,899
Contribution to provident and other funds	11,780	3,634
Leave encashment expenses	8,673	3,220
Gratuity expenses	3,656	1,591
Workmen and staff welfare expenses	12,755	9,845
	282,189	135,189
*Including Rs 15,771 thousand pertaining to previous year but settled during the year (Previous year Rs Nil).		

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Particulars	For the year ended Mar 31, 2011		For the year ended Mar 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 17: Operating and other expenses				
Power and fuel		793		807
Rent		40,388		25,330
Rates and taxes		58,822		49,415
Insurance		4,279		4,871
Repairs and maintenance				
– Others		10,302		1,901
Freight and forwarding charges		82,233		65,080
Advertisement and sales promotion		546,015		922,614
Travelling and conveyance		52,509		37,163
Directors sitting fees		503		270
Directors Commission		7,742		–
Legal and professional expenses		29,245		51,243
Payment to Auditor				
As auditor:				
Audit fee		4,302		2,647
Tax audit fee		662		662
Limited Review		5,735		993
Audit of Tax Accounts		1,103		–
Out-of-pocket expenses		318		140
In other manner:				
Certification, etc		870		441
Customer service expenses		314,240		363,292
Provision for doubtful debts and advances		14,408		–
Irrecoverable balance written off	8,109	–	22,475	–
Less :Adjusted against provision for doubtful debts and advances	–	8,109	(12,020)	10,455
Loss on sale of Investments		125		–
Loss on disposal of fixed assets (net)		140		725
Miscellaneous expenses		74,735		19,241
		1,257,578		1,557,290

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Particulars	For the year ended Mar 31, 2011 Rs. '000	For the year ended Mar 31, 2010 Rs. '000
Schedule 18: (Increase) / Decrease in inventories		
Inventories as at Mar 31, 2011		
Work-in-progress	1,601	1,557
Finished goods and Traded goods	339,016	1,139,734
Service components and spares	75,587	54,221
	416,204	1,195,512
Inventories as at March 31, 2010		
Work-in-progress	1,557	–
Finished goods and Traded goods	1,139,734	182,448
Service components and spares	54,221	52,577
	1,195,512	235,025
Decrease / (Increase) in inventories	779,308	(960,487)
Schedule 19: Financial expenses		
Interest		
– to banks	–	1,092
– on income tax	3,443	6,251
– to others	3,320	417
Bank charges	6,349	2,976
	13,112	10,736
Schedule 20: Earnings per share (EPS)		
Net profit as per profit and loss account	781,254	705,082
Net profit for calculation of Basic and Diluted EPS	781,254	705,082
Number of equity shares at the beginning of the year	74,638,000	74,638,000
Number of equity shares allotted to erstwhile shareholders of Transferor Company on account of amalgamation (appointed date 1st Jan, 2010)	163,448,285	–
Number of equity shares at the end of the year	238,086,285	74,638,000
Weighted average number of equity shares in calculating basic and diluted EPS	238,086,285	74,638,000
Basic and Diluted Earnings per share (in Rs.)	3.28	9.45
Nominal Value of shares (in Rs.)	3.00	3.00

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 21
NOTES TO ACCOUNTS

1. Nature of Operations

The Company is primarily engaged in the trading and manufacturing of Mobile handsets and accessories. The Company has plant at its facility in Baddi, in the state of Himachal Pradesh, for manufacturing of mobile handsets.

2. Statement of Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies Accounting Standard Rules, 2006 (as amended), 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) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed Assets

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

d) Depreciation / Amortisation

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 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)	10.00%	4.75%
Building at Baddi in the State of Himachal Pradesh	7.27%	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) Intangible Assets (Software's) are amortised over their useful lives 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 the 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 Profit and Loss Account on a straight-line basis over the lease term.

SCHEDULE 21
NOTES TO ACCOUNTS

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, service components and spares	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)	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.
Traded Goods	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.	

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

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. Turnover is net of trade discount etc. Excise Duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability that arose during the year.

Interest

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

Dividend

Revenue is recognised when the shareholder'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.

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

j) 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.

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

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised 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 forward exchange contract is recognised as income or as expense for the year.

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. There are no other obligations other than the contribution payable to the trust except where the deficit, arises in making the statutory payment by the Trust to its members, is borne by the Company in terms of the provisions under Employee Provident Fund & Miscellaneous Provisions Act, 1952.

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

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(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 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. Deferred income taxes reflect the impact of current year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward of tax losses, all 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. At each balance sheet date, the Company reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably or virtually certain as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

SCHEDULE 21

NOTES TO ACCOUNTS

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 period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the 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 period.

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 are adjusted to reflect the current best estimates.

o) Warranty

Warranty costs on mobile handsets are provided on an accrual basis on the sales under warranty, 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

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.

q) 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.

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

s) Derivative Instruments

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

3. Segment Information

Primary segments: Business Segments

During the current year, the Company is primarily engaged in telecommunications— Mobile business which represents the business of trading and manufacturing of mobile handsets and accessories.

In the last year, the Company was also engaged in Information Technology business which represented the business of manufacturing, trading, installation/erection and networking of computer hardware including maintenance and servicing thereof. During the year, as there is no activity in this segment and there are insignificant assets and liabilities related to this segment, the said business has been merged with mobiles business.

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SCHEDULE 21
NOTES TO ACCOUNTS

The entire business, during the current year, 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.

Business Segments						
	Telecommunications – Mobiles		Information Technology		Consolidated Total	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
Revenue						
External Revenue/Sales*	9,457,148	10,400,866	–	16,119	9,457,148	10,416,985
Unallocated corporate revenue	–	–	–	–	224,804	65,945
Total revenue					9,681,952	10,482,930
Results						
Segment Result	630,163	1,037,073	–	(22,995)	630,163	1,014,078
Unallocated corporate expenses (Net)					8,541	(269)
Operating Profit					621,622	1,013,809
Interest Income					69,236	65,512
Dividend Income					33,136	433
Profit on sale of investments					217,330	–
Interest expense					(6,763)	(7,760)
Net Profit before tax					934,561	1,071,994
Income tax (expense)					157,901	360,600
Fringe benefit tax					(12)	–
Deferred tax charge / (credit)					(4,582)	6,312
Net Profit after tax					781,254	705,082
Other Information						
Segment Assets	2,598,829	2,948,813	–	67,224	2,598,829	3,016,037
Unallocated corporate assets					6,446,828	1,145,132
Total Assets					9,045,657	4,161,169
Segment Liabilities	1,821,858	2,625,847	–	54,347	1,821,858	2,680,194
Unallocated corporate liabilities					421,272	139,095
Total Liabilities					2,243,130	2,820,099
Capital Expenditure	423,837	41,946	–	–	423,837	41,946
Depreciation\Amortisation	16,743	9,064	–	1,693	16,743	10,757
Other non cash expenses						
Provision for doubtful debts and advances	14,408	–	–	–	14,408	–
Bad debts and advances written off	8,109	2,227	–	8,228	8,109	10,455

*External Revenue/Sales of a segment also includes other operating income which are directly attributable to the segment.

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

Secondary Segments: Geographical Segment

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

Secondary Segment Reporting (by Geographical Segments)

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

(Amt. in Rs. '000)

Geographical Segment	March 31, 2011	March 31, 2010
Revenue from the Domestic market	9,312,669	10,213,313
Revenue from the Overseas markets	117,887	184,483
Total Revenue	9,430,556	10,397,796
Debtors of Domestic market	1,287,438	1,024,761
Debtors of Overseas markets	19,419	17,315
Total Debtors	1,306,857	1,042,076

Note: 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.

4. Related parties :

List of related parties (As certified by the management)

Relation	Name of the related party
Ultimate Holding Company	: Spice Global Investments Private Limited (w.e.f. July 11, 2009, till December 31, 2009)
Holding Company	: Spice Televentures Private Ltd. (till Dec 31, 2009) Spice Global Investments Private Limited (w.e.f. Jan 1, 2010 pursuant to Scheme of Amalgamation)
Subsidiaries including step down subsidiaries and enterprises where there is control.	: Spice Digital Limited Hindustan Retail Private Limited Kimaan Exports Private Limited (w.e.f. December 24, 2010) Spice Retail Limited (Subsidiary of Hindustan Retail Private Limited) Spice Distribution Limited (Subsidiary of Hindustan Retail Private Limited) Spice Labs Pvt. Ltd. (Subsidiary of Spice Digital Limited) Cellucom Retail India Private Limited (Subsidiary of Spice Retail Limited) Mobisoc Technology Private Limited (Subsidiary of Spice Digital Limited) Spice Mobile VAS Pte. Ltd. (Subsidiary of Spice Digital Limited) Spice VAS (Africa) Pte. Ltd. (Subsidiary of Spice Mobile VAS Pte. Limited) Spice Digital Nigeria Limited (Subsidiary of Spice VAS (Africa) Pte. Limited.) Beoworld Sdn. Bhd (w.e.f. December 2, 2010) (Subsidiary of Spice Mobile VAS Pte. Limited.) Spice VAS Uganda Ltd. (w.e.f. November 11, 2010) (Subsidiary of Spice VAS (Africa) Pte. Limited.) Spice VAS Kenya Ltd. (w.e.f. March 31, 2011) (Subsidiary of Spice VAS (Africa) Pte. Limited.)

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

Relation	Name of the related party
Fellow Subsidiaries	: IO System Limited Mudaliar & Sons Hotels Private Limited Kimaan Exports Private Limited (Till December 24, 2010) Spice Innovative Technologies Pvt. Ltd. Spice Solar Technology Pvt. Ltd. Spice Internet Service Provider Pvt. Ltd. Spice Wimax Service Provider Pvt. Ltd. Spice Investments & Finance Advisors Pvt. Ltd. Spice Enfotainment Limited Wall Street Finance Limited Goldman Securities Pvt. Ltd. Bharat Towers Private Limited Spice Commodities Private Limited Spice Stock Broking Private Limited Spice Insurance Services Private Limited Nutshell Technology Private Limited Spice Solar Technology Rajasthan Private Ltd. (w.e.f. April 9, 2010) Spice Online Retail Private Limited (w.e.f. December 20, 2010) M Pictures Distribution Ltd. (till April 12, 2010) G M Modi Hospitals Corporation Pvt Ltd Harjas Logic Systems Private Limited
Individual having significant influence over the Company	: Mr. Dilip Modi Mrs. Veena Modi
Key Management Personnel (KMP) and their relatives	: Mr. Kunal Ahooja– CEO Ms. Preeti Malhotra– Executive Director Mr. Subramanian Murali – Group President, Finance Mrs. Usha Murali (Wife of Mr. Subramanian Murali)
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	: Tuberose Investments Pvt. Ltd. Spice i2i Limited (Formly Media Ring) VCorp Mercantile Pvt Ltd Prospective Infrastructures Pvt Ltd Plus Paper Foodpac Ltd. Duro International Rubber Pvt Ltd. Plus Pac Holding Private Limited Superior Information Technology Private Limited Gcorp FZE– Sharjah Ridh International FZE– Sharjah Shenzhen Shibashi Catering Management Co.Ltd. Spice Global Holding Pte Ltd. Mcorp Investments Pte Ltd. Spice Global Pte Ltd. Spice Circle Pte Ltd. Hollywood Travels & Tours Pte Ltd. Spice Bulls Pte Ltd. Spice Studio Pte Ltd. Spice Investment Services Pte Ltd. Spice Telnet Pte Ltd. Innovative Management Pte Ltd. Silvergram Ltd. (A BVI Company) Scorp Investments Ltd. (A BVI Company) Melodist Holdings Ltd. (A BVI Company)

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**SCHEDULE 21
NOTES TO ACCOUNTS**

Details of related party transactions for the year ended March 31, 2011

(Amount in Rs. '000)

Particulars		Holding Company/Ultimate Holding Company		Subsidiary and enterprises where there is control				
		Spice Global Investments Private Limited	Spice Televentures Pvt Ltd	Spice Digital Limited	Spice Retail Limited	Hindustan Retail Private Limited	Kimaan Exports Private Limited Ltd (w.e.f. December 25, 2010)	Spice Distribution Ltd.
Transactions during the year								
Sales of Goods	March 31, 2011	101	-	-	722,204	-	-	291,680
	March 31, 2010	-	306	37	2,677	-	-	523,575
Purchase of Fixed Assets	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	7,177	4,366	33	-	-	-
Purchases of traded goods and spares	March 31, 2011	-	-	21,702	150	-	-	-
	March 31, 2010	-	-	96,288	-	-	-	-
Interest Income	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Remuneration	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Customer Service Expenses	March 31, 2011	-	-	-	352	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Legal and Professional charges	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	40,340	-	-	-	-	-
Recovery of branding cost (credit)	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
AMC for SAP maintenance reimbursement	March 31, 2011	-	-	4,600	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Advertisement and sales promotion	March 31, 2011	-	-	-	23,674	-	-	19,530
	March 31, 2010	-	8,830	-	886	-	-	-
Miscellaneous Expenses	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	165	-	-	-	-
Rent Expense	March 31, 2011	-	-	2,482	-	-	-	-
	March 31, 2010	-	-	2,206	-	-	-	-
Rent Income	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Recovery of excess remuneration	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Dividend paid	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	12,745	-	-	-	-	-
Loans/advance given during the year	March 31, 2011	10,000	-	-	376,753	1,807,090	-	191,440
	March 31, 2010	-	-	-	-	-	-	-
Loans/advance repaid during the year	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Purchase of investment	March 31, 2011	455,075	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Sale of investment	March 31, 2011	-	-	400	-	1,656,090	-	-
	March 31, 2010	-	-	-	-	-	-	-
Loan received back during the year	March 31, 2011	10,000	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	March 31, 2011	112,360	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Share Application money paid	March 31, 2011	-	-	-	-	39,200	93,550	-
	March 31, 2010	-	-	-	-	-	-	-
Share Application money refunded	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-
Outstanding balances at the end of year								
Receivables Considered Good	March 31, 2011	24	-	-	316,869	-	-	108,558
	March 31, 2010	-	-	-	-	-	-	163,695
Payables	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	10,890	47,960	244	-	-	-
Share Application money	March 31, 2011	-	-	-	-	39,200	93,550	-
	March 31, 2010	-	-	-	-	-	-	-
Loan/advances receivable	March 31, 2011	-	-	-	376,753	1,807,090*	30,363	191,440
	March 31, 2010	-	-	-	-	-	-	-
Interest Receivable	March 31, 2011	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-

*Including Rs 1,656,090 thousand being receivable in respect of sale of investment by the company converted into unsecured interest free loan.

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NOTES TO ACCOUNTS**

Details of related party transactions for the year ended March 31, 2011

(Amount in Rs. '000)

Particulars		Fellow Subsidiary						KMP		
		Kimaan Exports Private Limited (Till December 24, 2010)	Spice Investments & Finance Advisors Pvt. Ltd.	Spice Entertainment Limited	Harjas Logic Systems Private Limited	Spice Labs Pvt Ltd	Bharat IT Services Ltd.	Spice BPO Services Limited	Kunal Ahooja	Preeti Malhotra
Transactions during the year										
Sales of Goods	March 31, 2011	-	3	33	-	-	-	-	-	-
	March 31, 2010	-	-	19	-	-	15,893	29	-	-
Purchase of Fixed Assets	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Purchases of traded goods and spares	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Interest Income	March 31, 2011	-	-	-	-	-	-	-	1,050	-
	March 31, 2010	-	-	-	-	-	5,464	-	1,050	-
Remuneration	March 31, 2011	-	-	-	-	-	-	-	32,351	8,884
	March 31, 2010	-	-	-	-	-	-	-	16,500	-
Customer Service Expenses	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	10,333	-	-	-
Legal and Professional charges	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	224	-	-	-
Recovery of branding cost (credit)	March 31, 2011	-	-	286,701	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
AMC for SAP maintenance reimbursement	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Advertisement and sales promotion	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Miscellaneous Expenses	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	1,621	-	-
Rent Expense	March 31, 2011	(6,229)	-	-	7,839	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	18	-	-	-
Rent Income	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Recovery of excess remuneration	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	2,073	-
Dividend paid	March 31, 2011	-	-	-	-	-	-	-	-	216
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loans/advance given during the year	March 31, 2011	30,363	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loans/advance repaid during the year	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Purchase of investment	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Sale of investment	March 31, 2011	-	-	50,000	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loan received back during the year	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	3,150	-	-	-
Reimbursement of Expenses (recovered)	March 31, 2011	-	-	17,496	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	March 31, 2011	-	1,816	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Share Application money paid	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Share Application money refunded	March 31, 2011	-	-	-	-	200,000	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Outstanding balances at the end of year										
Receivables Considered Good	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	399	-	-	-
Payables	March 31, 2011	-	-	2,940	-	-	-	-	21,000	2,808
	March 31, 2010	-	-	-	-	-	7,728	70	500	-
Share Application money	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loan/advances receivable	March 31, 2011	-	-	-	-	-	-	-	10,000	-
	March 31, 2010	-	-	-	-	-	43,900	-	10,000	-
Interest Receivable	March 31, 2011	-	-	-	-	-	-	-	1,050	-
	March 31, 2010	-	-	-	-	-	2,655	-	2,533	-

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Details of related party transactions for the year ended March 31, 2011

(Amount in Rs. '000)

Particulars		KMP	Individuals having significant influence over the company and their relative			Enterprises over which individual having significant influence over the Company is able to exercise significant influence				Total
		Subramaniam Murali	Dilip Modi	Mrs. Veena Modi	Usha Murali	Plus Paper Foodpac Ltd.	Spice i2i Limited (Formerly Media Ring)	Hollywood Travels & Tours Pte Ltd.	Bharat BPO Services Limited	
Transactions during the year										
Sales of Goods	March 31, 2011	-	-	6,336	-	-	634	-	-	1,020,992
	March 31, 2010	-	-	-	-	-	-	-	-	542,535
Purchase of Fixed Assets	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	11,576
Purchases of traded goods and spares	March 31, 2011	-	-	-	-	885	3,255,309	-	-	3,278,045
	March 31, 2010	-	-	-	-	-	-	-	-	96,288
Interest Income	March 31, 2011	-	-	-	-	-	-	-	17	1,067
	March 31, 2010	-	-	-	-	-	-	-	-	6,514
Remuneration	March 31, 2011	16,395	23,434	-	-	-	-	-	-	81,063
	March 31, 2010	-	-	-	-	-	-	-	-	16,500
Customer Service Expenses	March 31, 2011	-	-	-	-	-	-	-	-	352
	March 31, 2010	-	-	-	-	-	-	-	-	10,333
Legal and Professional charges	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	40,564
Recovery of branding cost (credit)	March 31, 2011	-	-	-	-	-	-	-	-	286,701
	March 31, 2010	-	-	-	-	-	-	-	-	-
AMC for SAP maintenance reimbursement	March 31, 2011	-	-	-	-	-	-	-	-	4,600
	March 31, 2010	-	-	-	-	-	-	-	-	-
Advertisement and sales promotion	March 31, 2011	-	-	-	-	-	1,040	-	-	44,243
	March 31, 2010	-	-	-	-	-	-	-	2,724	12,440
Miscellaneous Expenses	March 31, 2011	-	-	-	108	-	-	2,382	-	2,490
	March 31, 2010	-	-	-	-	-	-	-	-	1,786
Rent Expense	March 31, 2011	-	-	-	-	-	-	-	-	4,092
	March 31, 2010	-	-	-	-	-	-	-	-	2,224
Rent Income	March 31, 2011	-	-	-	-	529	-	-	-	529
	March 31, 2010	-	-	-	-	330	-	-	-	330
Recovery of excess remuneration	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	2,073
Dividend paid	March 31, 2011	-	1,500	-	-	-	-	-	-	1,716
	March 31, 2010	-	450	-	-	-	-	-	-	13,195
Loans/advance given during the year	March 31, 2011	-	-	-	-	-	-	-	-	2,415,646
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loans/advance repaid during the year	March 31, 2011	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-
Purchase of investment	March 31, 2011	-	-	-	-	-	-	-	-	455,075
	March 31, 2010	-	-	-	-	-	-	-	-	-
Sale of investment	March 31, 2011	-	-	-	-	-	-	-	-	1,706,490
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loan received back during the year	March 31, 2011	-	-	-	-	-	-	-	-	10,000
	March 31, 2010	-	-	-	-	-	-	-	-	3,150
Reimbursement of Expenses (recovered)	March 31, 2011	-	-	-	-	-	-	-	-	129,856
	March 31, 2010	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	March 31, 2011	-	-	-	-	-	-	-	-	1,816
	March 31, 2010	-	-	-	-	-	-	-	-	-
Share Application money paid	March 31, 2011	-	-	-	-	-	-	-	-	132,750
	March 31, 2010	-	-	-	-	-	-	-	-	-
Share Application money refunded	March 31, 2011	-	-	-	-	-	-	-	-	200,000
	March 31, 2010	-	-	-	-	-	-	-	-	-
Outstanding balances at the end of year										
Receivables Considered Good	March 31, 2011	-	-	-	-	-	-	-	-	425,451
	March 31, 2010	-	-	-	-	-	-	-	-	164,094
Payables	March 31, 2011	5,000	-	-	-	529	31,477	-	-	63,755
	March 31, 2010	-	-	-	-	-	-	-	1,621	69,013
Share Application money	March 31, 2011	-	-	-	-	-	-	-	-	132,750
	March 31, 2010	-	-	-	-	-	-	-	-	-
Loan/advances receivable	March 31, 2011	-	-	-	-	-	-	-	-	2,415,646
	March 31, 2010	-	-	-	-	-	-	-	-	53,900
Interest Receivable	March 31, 2011	-	-	-	-	-	-	-	-	1,050
	March 31, 2010	-	-	-	-	-	-	-	-	5,188

Note : The Company has interest as sole beneficiary in an Independent Non-Promoter Trust which holds 3,53,01,215 equity shares of the Company {refer Note no. 5 d.(ii)}

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SCHEDULE 21
NOTES TO ACCOUNTS

5. Amalgamation

- a. Pursuant to the Scheme of Amalgamation ["the Scheme"] U/s 391/394 of the Companies Act 1956, Spice Televentures Private Limited (Transferor Company), the erstwhile Holding Company of the Company, stands merged with the Company w.e.f. January 01, 2010 ["the appointed date"] in terms of the Orders dated November 2, 2010 and October 8, 2010 of the Hon'ble High Courts of judicature at Allahabad and New Delhi respectively, sanctioning the Scheme and is effective from November 4, 2010. 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 the Company.
- b. The amalgamation has been accounted for by applying the pooling of interest method of accounting, where in all the assets and liabilities of the Transferor Company has been accounted for at their book values as on January 1, 2010 the summary of which is as below:

Particulars	Amount (Rs.) (in '000)
Fixed Assets	8,643
Investments	4,232,830
Deferred Tax Assets	200
Current assets, loans and advances	952,587
Less: Current Liabilities and provisions	(90,147)
Total assets	5,104,113

- c. In terms of the said Scheme, 163,448,285 equity shares of Rs.3 each aggregating to Rs. 490,345 thousand have been allotted to the equity shareholders of the Transferor Company in the ratio of 791 equity shares of Rs.3/- of the Company for 100 equity shares of the Transferor Company held by the shareholders of Transferor Company at face value.
- d. All the equity shares of the Company as were held by the Transferor Company ("Trust Shares") have not been cancelled but have been transferred to and vested in two separate trusts, ("Independent Non- Promoter Trusts") as follows:
 - i) 1,19,04,314 equity shares of the face value of Rs. 3 each (cost of Rs 126,052 thousand) to the Independent Non-Promoter (Spice Employee Benefit) Trust, to have and hold such trust shares, in trust together with all additions or accretions thereto, exclusively for the benefit of the employees of the Transferor Company (or its successors) and its associates and subsidiaries; and
 - ii) 3,53,01,215 equity shares of the face value of Rs. 3 each (cost of Rs 373,799 thousand) to the Independent Non-Promoter Trust to have and hold such trust shares, in trust together with all additions or accretions thereto, exclusively for the benefit of the Transferor Company and its successors.
 - iii) As at March 31, 2011, the Trusts are still holding these shares. Further, the Employee Benefit Trust is yet to devise an employee benefit plan to give the benefit of the Trust shares to the employees.
- e. Pursuant to the Scheme, an amount of Rs 4,282,816 thousand lying to the credit of Securities Premium Account in the books of the Transferor Company has been transferred to the General Reserves of the Company as free reserves, with effect from Jan 1, 2010.
- f. The difference of Rs 469,681 thousand between the face value of equity shares allotted to the equity shareholders of the Transferor Company and the face value of equity shares of the Transferor Company of Rs. 20,664 thousand has been adjusted from the general reserves of the Company.
- g. In terms of the Scheme, the Authorised Share Capital of the Transferor Company of Rs 120,000 thousand has merged with Authorised Share Capital of the Company.
- h. As per the Scheme, during the period between Appointed Date and Effective Date, the Transferor Company has carried out the existing business in "trust" on behalf of the Company. Further, all profit or incomes earned and losses and expenses incurred by the Transferor Company during such period for all purposes is the profits or income or expenditure or losses of the Company. Accordingly, net losses after tax of Rs. 80,092 thousand incurred by the Transferor Company during the period from January 1, 2010 to March 31, 2010 have been shown in the financial statements of the Company of the current year.

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**SCHEDULE 21
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- i. Dividend amounting to Rs. 70,813 thousand paid to erstwhile holding company Spice Televentures Private Limited (STPL), has been reversed during the year, as the same has merged with the Company w.e.f the appointed date i.e. January 1, 2010 pursuant to the Scheme of Amalgamation.
- j. The title deeds for leasehold, licenses, agreements, loan documents, etc of Spice Televentures Private Limited have been transferred/are in the process of being transferred in the name of the Company.
- k. The audit /limited review of the accounts of the Transferor Company for the year ended March 31, 2010 and period ended December 31, 2009 was carried out by the previous statutory auditors i.e. Gupta, Garg & Agarwal. The Company has merged the accounts of the Transferor Company with the accounts of the Company w.e.f. January 1, 2010 i.e. the appointed date based on the accounts audited/reviewed by the previous auditors.

6. Leases

a) 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 cancellable in nature except for lease of one warehouse where there is a lock in period of three years.

(Amt in Rs. '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Lease Payment for the Year	2,455	–
Future minimum lease payments		
Not later than one year	9,821	–
Later than one year but not later than five years	18,660	–
Later than five years	Nil	Nil
Total	28,481	–

b) Assets given on Operating Leases

The Company has given some portion of factory building at Baddi in the state of Himachal Pradesh on operating lease. The initial lease terms are for 3 years and renewable at the option of the lessee for a maximum renewal period of 6 years. There are no restrictions imposed by lease agreement and there are no contingent rents.

(Amt in Rs. '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Future minimum lease payments		
Not later than one year	529	330
Later than one year but not later than five years	427	757
Later than five years	Nil	Nil
Total	956	1,087

7. a). Derivative Instruments and Un hedged Foreign Currency Exposure

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 22,153,933 (previous year US\$ 33,588,537)	Hedge of Import Creditors

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NOTES TO ACCOUNTS**

The amounts of foreign currency exposure that are not hedged by a derivative instrument or others as on March 31, 2011 are as under:

Particulars	March 31, 2011			March 31, 2010		
	Amt (Rs. '000)	Foreign currency	Exchange Rate	Amt (Rs. '000)	Foreign currency	Exchange Rate
Import creditors	326,010	USD 7,309,656	44.60	559,815	USD 12,468,040	44.90
Advance to suppliers and other receivable*	371,510	USD 8,329,832	44.60	605,275	USD 13,480,513	44.90
Debtors	19,419	USD 435,414	44.60	17,315	USD 385,635	44.90

* Rs 359,413 thousand (USD 8,058,585) at the year end (previous year Rs 586,640 thousand (USD 13,065,479)) have been adjusted from balances of the creditors in the financial statements.

b)	Year ended March 31, 2011	Year ended March 31, 2010
Net foreign exchange variation (credited to)/ charged to profit and loss account	(26,448)	6,277

c) A sum of Rs.8,587 thousand (previous year Rs.7,434 thousand) on account of unamortized foreign exchange premium on outstanding forward exchange contracts is being carried forward to be charged to Profit and Loss Account of the subsequent period.

8. Capital commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 137,835 thousand (net of advances) [Previous year Nil].

9. The following investments have been purchased and/or sold during the year:

Particulars	Investment of transferor company as at April 1, 2010 acquired in pursuance to Scheme of Amalgamation		Purchased		Sold	
	Units	Amount (Rs. '000)	Units	Amount (Rs. '000)	Units	Amount (Rs. '000)
Other than trade						
Unquoted						
In mutual fund units						
HDFC Cash Management Fund Treasury Advantage Plan	18,607,877	186,665	173,317,916	1,762,079	191,925,793	1,948,744
HDFC FMP 13M Oct 09G	160,000,000	1,600,000	–	–	160,000,000	1,711,088
HDFC MF Monthly Income Plan - Long Term Growth	–	–	–	–	5,717,840	130,647

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**SCHEDULE 21
NOTES TO ACCOUNTS**

Particulars	Investment of transferor company as at April 1, 2010 acquired in pursuance to Scheme of Amalgamation		Purchased		Sold	
	Units	Amount (Rs. '000)	Units	Amount (Rs. '000)	Units	Amount (Rs. '000)
In Subsidiary Companies						
Spice Digital Limited	34,558,473	11,431	–	–	–	–
Hindustan Retails Private Limited	59,610,000	596,082	–	–	–	–
Spice Labs Private Limited	39,996	400	–	–	39,996	400
Spice Distribution Limited	35,818,823	1,656,090	3,971,311	78,195	35,818,823	1,656,090
Kimaan Exports Private Limited.	–	–	20,000	456,212	–	–
In a Trust						
Interest as sole beneficiary in an Independent non Promoter's trust, holding shares of Spice Mobility Limited.	11,904,314	373,798	–	–	–	–
Current Investments						
HDFC Short Term Opportunity Plan	–	–	2,500,000	25,121	2,500,000	25,121
HDFC Floating Rate Income Fund- Short Term Plan- Wholesale Option- Dividend Reinvestment- Daily	–	–	78,493,739	791,288	991,975	10,000
HDFC Cash Management Treasury Advantage Plan- daily dividend option	–	–	4,988,178	50,039	4,988,178	50,039
HDFC Liquid Fund	–	–	1,961,688	20,006	1,961,688	20,006
JM High Liquidity Fund	–	–	13,954,475	139,774	13,954,475	139,774
Birla Sun life Savings Fund - Institutional - Daily Dividend – Reinvestment	–	–	6,347,686	63,520	6,347,686	63,520
Birla Sun Life Cash Plus - Institutional - Daily Dividend – Reinvestment	–	–	12,056,297	120,798	12,056,297	120,798
Birla Sun Life Cash Manager - IP - Daily Dividend – Reinvestment	–	–	3,007,369	30,083	3,007,369	30,083
HDFC CMF- Treasury Advantage Plan - Daily dividend option	–	–	27,163,004	326,596	27,163,004	326,596

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NOTES TO ACCOUNTS**

Particulars	Investment of transferor company as at April 1, 2010 acquired in pursuance to Scheme of Amalgamation		Purchased		Sold	
	Units	Amount (Rs. '000)	Units	Amount (Rs. '000)	Units	Amount (Rs. '000)
Birla Sun Life Dynamic Magnum Fund - Retail Plan - Monthly Dividend	-	-	9,541,256	100,244	-	-
Birla Sun Life Floating Rate Fund-STP-IP - Daily dividend	-	-	8,065,520	80,655	-	-
SBI Magnum Income Fund - Saving Plus Bond Plan - Weekly Dividend.	-	-	1,693,781	18,516	-	-
HDFC FMP 100 D JUNE 2010	-	-	5,000,000	50,000	5,000,000	50,697
HDFC Liquid Fund Premium Plan - Dividend - Daily Reinvestment	-	-	114,210,327	1,400,392	114,210,327	1,400,392
Unquoted						
In a Joint Venture Company						
Bharat BPO Services Limited	5,000,000	50,125	-	-	5,000,000	50,000
Total	325,539,483	4,100,791	466,292,549	5,513,512	590,715,483	7,733,999

10. i) In the opinion of the management, the decline in the market value of quoted investments by Rs. 2,415 thousand in the share capital of Spice Jet Limited at the year end is temporary and hence does not call for any provision there-against.
- ii) The Company has an investment of Rs 68,060 thousand in the equity shares of Plus Paper Foodpac Limited (PPFL). As per the audited financial statements of PPFL for the year ended June 30, 2010, the value of one equity share as per net asset value is Rs 13.26; however, the Company has made the investments @ Rs 20 per share. The said company has earned profit during the financial years ended 31st March 2007, 31st March 2008 and 30th June 2010.
- iii) The Company has invested a sum of Rs 1,358,137 thousand (including share application money of Rs 132,750 thousand) in the equity shares of some of the subsidiaries. Further, the Company has receivables by way of loans, debtors and advances of Rs 2,831,073 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 fully / 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 March 31, 2011, 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.

11. Provisions and Contingencies

11.1 Provision for Warranty

A provision is recognized for expected warranty claims on products sold during last fourteen months, based on past experience of level of customer service expenses. It is expected that most of these payments would be made in the next financial year. Assumptions used to calculate the provision for warranties were based on past trend of sales of mobile handsets and customer service expenses incurred.

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**SCHEDULE 21
NOTES TO ACCOUNTS**

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

(Amt. in Rs '000)

		Year ended March 31, 2011	Year ended March 31, 2010
(i)	Various Sales Tax Demands being disputed by the Company.	15,563*	5,642*
(ii)	Penalty under Foreign Trade (Development and Regulation) Act, 1992, on account of non fulfilment of export obligation being disputed by the Company.	40,860*	–
(iii)	Demand raised by the Excise Authorities being disputed by the Company. The Company has deposited Rs 2,000 thousand (Previous year Rs 2000 thousand) under protest and the same has been included in the Schedule of Loans and Advances.	66,263*	66,263*
(iv)	Various other claims against the Company not acknowledged as debts.	4,380*	–

* 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.

12. 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 profit and loss account and the funded status and amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss Account

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

(Amt. in Rs. '000)

	March 31, 2011	March 31, 2010
Current service cost	4,463	1,832
Interest cost on benefit obligation	455	310
Expected return on plan assets	(309)	(346)
Net actuarial gain recognised during the year	(953)	(205)
Past service cost	Nil	Nil
Net benefit expense	3,656	1,591
Actual return on plan assets	376	346

Balance sheet

Details of Provision for Gratuity

(Amt. in Rs. '000)

	March 31, 2011	March 31, 2010
Defined benefit obligation	9,843	6,064
Fair value of plan assets	4,837	4,193
Less: Unrecognised past service cost	Nil	Nil
Plan (liability)	(5,006)	(1,871)

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

Changes in the present value of the defined benefit obligation are as follows: (Amt. in Rs. '000)

	March 31, 2011	March 31, 2010
Opening defined benefit obligation*	8,896	4,127
Current service cost	4,463	1,832
Interest cost	455	310
Liability transferred to another Company**	(2,644)	–
Benefits paid	(375)	–
Actuarial gain on obligation	(953)	(205)
Closing defined benefit obligation	9,843	6,064

*includes Rs 2,832 thousand transferred pursuant to amalgamation of Spice Televentures Private Limited with the Company.

** Represents liability transferred to another company pursuant to transfer of employees to that company.

Changes in the fair value of plan assets are as follows: (Amt in Rs. '000)

	March 31, 2011	March 31, 2010
Opening fair value of plan assets	4,193	3,780
Expected return	309	346
Contributions by employer	710	67
Benefits paid	(375)	–
Actuarial gains/ (losses)	–	–
Closing fair value of plan assets	4,837	4,193

The Company's expected contribution to the fund in the next year is Rs. 6,358 thousand (Previous year Rs 2,000 thousand.)

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

	March 31, 2011	March 31, 2010
Investments with insurer	100%	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:

	March 31, 2011	March 31, 2010
Discount rate	7.5%	7.5%
Expected rate of return on assets	9.15%	9.15%
Employee turnover		
– Upto 30 years	4.0%	4.0%
– 30-44 years	4.0%	4.0%
– Above 44 years	1%	1%
Rate of escalation in Salary	10.0%	10.0%
Mortality rate	As notified by LIC	

Note: 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.

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

Gratuity obligation and plan assets at the end of current year and previous four periods are as follows: (Amt. in Rs. '000)

Particulars	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at December 31, 2007	As at March 31, 2007
Defined benefit obligation	9,843	6,064	4,127	3,571	3,646
Plan assets	4,837	4,193	3,780	437	2,138
Deficit	5,006	1,871	347	3,134	1,508
Experience adjustments on plan liabilities (loss)/ gain	764	205	623	Not Available	
Experience adjustments on plan assets (loss)/ gain	(1)	6	(2)	Not Available	

Notes:

- The actuarial valuation has been done from the year 2006–07 in accordance with the revised Accounting Standard 15, Employee benefits. Prior to that, the Actuarial valuation was done in accordance with the pre-revised Accounting Standard 15, Employee benefits. Accordingly, comparative numbers have been disclosed since the date of adoption.
- The Company as per its accounting policy, has provided Rs. 4,204 thousand (Previous year Nil) to meet up deficit incurred by the Provident Fund Trust in making interest payment by the Trust to its members as per statutory rate announced by Government of India.
- The Company has never had any obligation towards the provident fund trusts except for the contributions due to the trust. Pending issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the Provident Fund liability. Accordingly, no additional disclosures as required by paragraph 120 of AS 15 (revised 2005) have been furnished.

13. Details of dues to Micro and Medium Enterprises as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 (as certified by the management)

(Amt. in Rs '000)

	Particulars	March 31, 2011	March 31, 2010
i)	The principal amount and the interest due thereon remaining unpaid to any supplier – Principal amount – Interest thereon	Nil	Nil
ii)	The amount of interest paid by the buyer in terms of Section 18, along with the amount of the payment made to the supplier beyond the appointed day	Nil	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 period) but without adding the interest specified under this Act	Nil	Nil
iv)	The amount of interest accrued and remaining unpaid	Nil	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	Nil

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

14. Supplementary Statutory Information

Remuneration to Directors

(Amt. in Rs. '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Whole Time Directors*		
Salaries	33,591	16,140
Contribution to Provident Fund	589	360
Perquisites Value (Actual paid / or evaluated as per Income Tax Rules, 1962)	67	–
Independent Directors		
Commission	7,742	–
Total	41,989	16,500

* Relates to Mr Dilip Modi, Ms Preeti Malhotra, Mr Kunal Ahooja and Mr Subramanian Murali for their respective tenure on Board.

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 are not included above.

15. Exceptional item of Rs 94,898 thousand represents the profit on sale of 35,818,763 equity shares of the face value of Rs 10 each of Spice Distribution Limited, a 100% subsidiary of the Company, to Hindustan Retails Private Limited, another 100% subsidiary of the Company in view of internal restructuring of the Company.
16. **Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors**

(Amt. in Rs. '000)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
Profit before taxation	934,561	1,071,994
Add:		
Provision for Doubtful Debts and Advances	14,408	–
Loss on disposal of Fixed Assets (Net) as per Profit and Loss Account	140	725
Total	949,109	1,072,719
Less:		
Profit on sale of Current Investments (Net)	217,205	–
Loss on disposal of fixed assets as per Section 349 of the Companies Act, 1956	140	725
Profit under Section 349 of the Companies Act, 1956	731,764	1,071,994
Add:		
Directors' Commission	7,742	–
Expense towards Directors Sitting Fee	503	270
Expense towards Remuneration paid to Directors *	34,247	16,500
Profit as per Section 198	774,256	1,088,764
Commission Payable to Non Whole time Directors @ 1%	7,742	10,888
Restricted to	7,742	–

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

17. 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, 2011	March 31, 2010
Licensed Capacity	N.A.	N.A.
Installed Capacity (Annualised)		
– Baddi Plant		
System (in units)	–	24,000
Printers (in units)	–	8,000
Software (in Rs. thousand)	–	25,000
Mobile Handsets (in Units)	900,000	600,000

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

(Amt. in Rs. '000)

	Handset		Passbook printers		Total
	Units	Amount	Units	Amount	Amount
Opening stock					
April 1, 2010	–	–	–	–	–
April 1, 2009	–	–	–	–	–
Production					
March 31, 2011	408,084*	–	–	–	–
March 31, 2010	90	–	975	–	–
Sales (Including excise duty)					
March 31, 2011	386,714	415,770	–	–	415,770
March 31, 2010	90	146	975	15,893	16,039
Closing stock					
March 31, 2011	21,370	17,665	–	–	17,665
March 31, 2010	–	–	–	–	–

*Net of 5,916 (previous year Nil) units issued for warranty consumption.

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

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

(Amt. in Rs. '000)

	Mobile Handsets		Bluetooth\ Micro S.D. Cards		Spare parts of Mobile Hand Sets	Total
	Units	Amt.	Units	Amt.	Amt.	Amt.
Opening Stock						
April 1, 2010	755,445	1,085,069	170,296	54,665	54,221	1,193,955
April 1, 2009	70,011	182,448	217	171	52,406	235,025
Purchases ⁽²⁾						
March 31, 2011	5,045,817	6,019,884	185,500	40,162	74,535	6,134,581
March 31, 2010	5,552,283	8,526,914	299,399	98,539	15,048	8,640,501
Sales						
March 31, 2011	5,534,072	8,930,581	312,045	338	89,581	9,020,500
March 31, 2010	4,865,200	10,326,933	125,053	1,012	53,812	10,381,757
Miscellaneous Issues						
March 31, 2011	1,708	-	961	-	-	-
March 31, 2010	1649	-	4,267	-	-	-
Closing stock						
March 31, 2011	265,482	311,524	42,790	9,827	75,587	396,938
March 31, 2010	755,445	1,085,069	170,296	54,665	54,221	1,193,955

Notes:

- (1) As there are large numbers of items of 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.
- (2) Purchase of mobile handsets are net of 51,992 units (Previous year 26,030 units) issued for warranty consumption.
- (3) Sale units of Bluetooth/Micro SD cards include units given as free along with mobile handsets.

- iv) Consumption of Raw Materials:

(Amt. in Rs. '000)

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	Quantity (in units)	Amount	Quantity (in units)	Amount
Kits for Mobile Handsets	415,065*	358,778	90	1350
Kits for Passbook Printers	-	-	975	15,600
Total		358,778		16,950

* 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.

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 21
NOTES TO ACCOUNTS**

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

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	Value	%	Value	%
– Imported	350,788	98	16,632	98
– Indigenous	7,990	2	318	2
Total	358,778	100	16,950	100

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

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Traded and Service Goods	6,261,118	8,374,594
Raw Materials	444,433	2,524
Capital Goods	13,685	4,950
Total	6,719,236	8,382,068

- vii) Earning in Foreign Currency (accrual basis): (Amt. in Rs. '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
FOB Value of Export	54,689	46,542
Discount/incentive received on purchases (adjusted in purchase of traded goods)	179,939	–
Miscellaneous Income	17,373	15,722
Total	252,001	62,264

- viii) Expenditure in Foreign Currency (accrual basis): (Amt. in Rs. '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Travelling and Conveyance	5,081	2,463
Legal & Professional Expenses	3,377	–
Advertisement and sales promotion	1,040	–
Miscellaneous expenses	–	233
Total	9,498	2,696

- ix) Net dividend remitted in foreign exchange

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Period to which it relates	April 1, 2009 to March 31, 2010	January 1, 2008 to March 31, 2009
– Number of non-resident shareholders	100	78
– Number of equity shares held on which dividend was due	8,818,916	3,557,432
– Amount remitted in foreign exchange (Rs. in thousand)*	Nil	Nil
– Currency in which dividend was remitted	Not Applicable	Not Applicable

*Excluding dividend amounting to Rs 13,228 thousand (Previous year Rs 960 thousand) credited to FCNR / NRE account of the Non Resident shareholders and paid to Overseas Corporate Bodies on repatriation basis.

S Mobility Limited (formerly Spice Mobility Limited)

**SCHEDULE 2 I
NOTES TO ACCOUNTS**

- 18.** The asset of Rs. 8,978 thousand (net of Rs.51,007 thousand utilised during the year) recognized by the Company as 'MAT Credit Entitlement' under 'Loans and Advances', in respect of MAT payment by Spice Televentures Private Limited, amalgamated with the Company w.e.f. the appointed date January 1, 2010, for the year 2009-10, represents that portion of MAT liability which can be recovered and set off in subsequent years 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 Company to utilize MAT credit assets.
- 19.** The Company has entered into a brand licensing agreement with licensed owner of the Brand, pursuant to which certain expenses promoting the brand like sponsorship of major tournaments, TV commercial and Media spends etc. have been agreed to be undertaken by said licensor. Accordingly an amount of Rs. 286,701 thousand spent by the Company in brand promotion exercise during the six months ended September 30, 2010 has been recovered from the said licensor by debiting his accounts. With effect from October 1, 2010, such expenses have been borne directly by the licensor.
- 20. Previous year comparatives**
- i) Previous year's figures have been regrouped where necessary to conform to current year's classification.
 - ii) The accounts for the current year include figures of the amalgamated company "Spice Televentures Private Ltd.". Accordingly, the current year figures are not strictly comparable with those of previous year.

Signatures to Schedules I to 21

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per Anil Gupta
Partner
Membership No. 87921

Place : New Delhi
Date : 30th May 2011

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(All amounts in thousand of Rs.)

I. REGISTRATION DETAILS :

Registration No. State Code :
Balance Sheet Date :
Date Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue : Rights Issue :
Bonus Issue : Private Placement* :

* Issued on Amalgamation refer note no. 5(c) of Schedule 21

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities : Total Assets :

Sources of Funds

Paid-up-Capital : Reserves & Surplus :
Share Application Money : Secured Loans :
Deferred Tax Liabilities (net) :

Application of Funds

Net Fixed Assets : Investments :
Deferred Tax Assets (net) : Net Current Assets :

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Incl. other Income) : Total Expenditure :
Profit/(Loss) before Tax : Profit/(Loss) after tax :
Earnings Per Share (Rs.) . Dividend Rate (%) :

V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)

Item Code No. (ITC Code)
Product Description

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

Place : New Delhi
Date : 30th May 2011

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

Spice Mobility Limited

1. We have audited the attached consolidated balance sheet of Spice Mobility Limited ("the Company"), its subsidiaries and a joint venture (collectively "the Spice Group") as at 31st March 2011, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Spice Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.3,151,600 thousand as at 31st March 2011, the total revenue of Rs.64,455 thousand and cash flows amounting to Rs. (125,142 thousand) for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Spice Mobility Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Without qualifying our report, we draw attention to Note No.12 of Schedule 22. The group has recognized and is carrying forward a goodwill of Rs.2,026,269 thousand in respect of Hindustan Retail India 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 March 31, 2011.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached 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 Spice Group as at 31st March 2011;
 - (b) in the case of the consolidated profit and loss account, 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.

For S.R. BATLIBOI & CO.

Firm registration number: 301003E

Chartered Accountants

per Anil Gupta

Partner

Membership No.:87921

Place : New Delhi

Date : 30th May 2011

S Mobility Limited (formerly Spice Mobility Limited)

CONSOLIDATED BALANCE SHEET

as at March 31, 2011

Particulars	Schedules	As at March 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	714,259	223,914
Equity Share Suspense	1A	–	490,345
Reserves and surplus	2	7,490,661	6,792,648
		8,204,920	7,506,907
Minority Interest	3	555,048	589,635
Loan Funds			
Secured loans	4	–	120,563
Unsecured loans	5	–	278,411
		–	398,974
Deferred tax liabilities (net)	6A	7,092	10,399
Total		8,767,060	8,505,915
APPLICATION OF FUNDS			
Goodwill on consolidation (Refer Note No. 13 of Schedule 26)		2,616,230	1,895,923
Fixed Assets			
Gross block	7	1,439,560	1,441,902
Less :Accumulated depreciation		668,669	528,111
Net block		770,891	913,791
Capital work in progress including Capital Advances		409,092	42,288
		1,179,983	956,079
Intangible Assets (including Software under Development) (Net of Amortisation)	8	207,884	237,268
Investments	9	1,565,574	2,708,069
Deferred tax assets (net)	6B	6,846	2,264
Amount recoverable from Employee Benefit Trust (Refer Note No 6(d) of Schedule 26)		126,053	–
Current Assets, Loans and Advances			
Inventories	10	1,155,658	1,679,566
Sundry debtors	11	1,488,517	1,253,958
Cash and bank balances	12	2,168,907	1,735,856
Other current assets	13	549,330	288,081
Loans and advances	14	1,214,661	1,755,240
		6,577,073	6,712,701
Less: Current Liabilities and Provisions			
Current liabilities	15	2,840,385	3,603,834
Provisions	16	672,198	402,555
		3,512,583	4,006,389
Net Current Assets		3,064,490	2,706,312
Total		8,767,060	8,505,915
Notes to Accounts	26		

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

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per **Anil Gupta**
Partner
Membership No. 87921

Place : New Delhi
Date : 30th May 2011

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year ended March 31, 2011

Particulars	Schedules	For the Year ended March 31, 2011 Rs. '000	For the Year ended March 31, 2010 Rs. '000
INCOME			
Turnover (Gross)	17	20,070,375	12,420,165
Less: Excise duty		(5,714)	-
Turnover (Net)		20,064,661	12,420,165
Other income	18	416,774	117,034
Total		20,481,435	12,537,199
EXPENDITURE			
Purchase of goods for trading (net of discount of Rs 119,745 thousand received for previous year, but settled during the year)		13,934,164	10,100,360
Raw materials consumed	19	358,778	16,950
Connectivity and Content Cost	20	784,300	130,279
Personnel expenses (Including Rs 15,771 thousand (Previous year Nil) pertaining to previous year but settled during the year)	21	1,085,564	382,130
Operating and other expenses	22	2,113,606	1,893,565
(Increase) / Decrease in inventories	23	627,466	(982,705)
Depreciation / amortisation	7&8	333,851	82,143
Financial expenses	24	67,827	26,663
Total		19,305,556	11,649,385
Profit before tax and exceptional items		1,175,879	887,814
Exceptional Items			
- Profit on sale of investment in a joint venture company (Refer Note No 16 of Schedule 26)		239,269	-
Profit before tax		1,415,148	887,814
Provision for tax			
- Current tax		383,572	361,967
- MAT Credit Entitlement for earlier year		(60,885)	-
- Excess Income tax provision of earlier years now written back		(16,822)	(17,500)
- Deferred tax charge / (credit)		(7,864)	(1,391)
- Fringe benefit tax (credit) for earlier years		(445)	444
Total tax expense		297,556	343,520
Net profit for the year before Minority Interest		1,117,592	544,294
Share of minority in profits		77,274	18,708
Net profit for the year		1,040,318	525,586
Balance brought forward from previous year		2,134,556	170,022
Balance brought forward of erstwhile SpiceTeleventures Private Limited pursuant to Scheme of Amalgamation (Refer Note No 6 of Schedule 26)		-	800,632
Balance Transferred on consolidation (Refer Note No. 6(h) of Schedule 26)		-	839,808
Reversal of Dividend pursuant to Scheme of Amalgamation (Refer Note No 6(i) of Schedule 26)		70,813	-
Profit available for appropriation		3,245,687	2,336,048
Appropriations:			
Proposed dividend		357,130	111,957
Tax on dividend (net of Rs 432 thousand reversed for previous year)		57,503	19,027
Transfer to General Reserve		78,125	70,508
Surplus carried to Balance Sheet		2,752,929	2,134,556
Earnings per share (in Rs.)	25	4.37	4.55
Basic and Diluted {Nominal value of shares Rs.3}			
Notes to Accounts	26		

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

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per **Anil Gupta**
Partner
Membership No. 87921

Place : New Delhi
Date : 30th May 2011

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

CONSOLIDATED CASH FLOW STATEMENT

for the Year ended March 31, 2011

Particulars	For the year ended March 31, 2011 Rs. '000	For the year ended March 31, 2010 Rs. '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	1,415,148	887,813
Adjustment for :		
Depreciation / amortisation	333,851	82,143
Loss on disposal of fixed assets (net)	5,386	3,065
Interest expense	25,835	15,968
Interest income	(127,453)	(77,723)
Dividend Income	(40,513)	(5,887)
Sundry balances / Unspent liabilities written back	(69,482)	(10,618)
Foreign Currency Translation reserve	(1,120)	238
Income from Fixed Maturity Plan Investments in units of Mutual Funds	(133,063)	-
Profit from sale of Units in Mutual Funds	(14,818)	-
Provision for doubtful debts and advances (net)	32,158	(7,444)
Profit on sale of Investment in a Joint Venture company	(239,269)	-
Bad debts and advances written off	40,995	22,475
Operating profit before working capital changes	1,227,655	910,030
Movements in working capital:		
Decrease / (Increase) in inventories	523,909	(975,456)
(Increase) in sundry debtors	(306,940)	(420,745)
Decrease / (Increase) in loans and advances	56,527	(42,927)
(Increase) / Decrease in other current assets	(257,850)	29,039
(Decrease) / Increase in current liabilities	(720,001)	1,551,845
(Decrease) / Increase in provisions	(13,312)	144,189
Cash generated from Operations	509,988	1,195,975
Direct taxes paid (including fringe benefit tax) (net of refunds)	(420,728)	(417,189)
Net cash from operating activities	89,260	778,786
CASH FLOWS FROM INVESTING ACTIVITIES AND CAPITAL ADVANCES		
Purchase of fixed assets (including capital work in progress)	(612,174)	(175,505)
Purchase of Investment in Subsidiaries	(813,567)	-
Proceeds from sale of fixed assets	1,107	2,679
Share Application Money Paid	(93,550)	-
Proceeds from Share Application Money Refund	166,400	-
Purchase of investments	(904,050)	(820,581)
Proceeds from sale of Investment in Joint Venture	50,000	-
Redemption of Investment	2,568,226	233,103
Advance for investment	(14,582)	(17,218)
Loan received back from bodies corporate	98,926	393,866
Interest received	123,612	100,182
Dividend Received	40,939	5,887
Fixed Deposit refunded with banks	1,396,385	124,122
Fixed deposits made with banks (including those pledged with banks and others)	(2,133,962)	-
Net cash (used in) investing activities	(126,290)	(153,465)

S Mobility Limited (formerly Spice Mobility Limited)

CONSOLIDATED CASH FLOW STATEMENT

for the Year ended March 31, 2011

Particulars	For the year ended March 31, 2011 Rs. '000	For the year ended March 31, 2010 Rs. '000
CASH FLOW FROM FINANCING ACTIVITIES		
Capital subsidy received	3,000	–
Proceeds from issuance of share capital to Minorities by subsidiaries	12,695	–
(Repayment) of short term borrowings (net)	(196,540)	(284,480)
Share Application Money received	–	(175,400)
Repayment of long term borrowings	–	(11,851)
Interest paid	(26,889)	(11,679)
Dividend paid	(39,784)	(19,846)
Taxes on dividend paid	(18,595)	(3,425)
Net cash (used in) financing activities	(266,113)	(506,681)
Net increase / (Decrease) in cash and cash equivalents (A + B + C)	(303,143)	118,640
Cash and cash equivalents at the beginning of the year	758,681	126,900
Cash and cash equivalents of subsidiaries acquired during the year on the date of acquisition	3,211	–
Cash and cash equivalents acquired pursuant to the scheme of Amalgamation	–	513,141
Cash and cash equivalents of joint venture company disposed off during the year	(4,594)	–
Cash and cash equivalents at the end of the year	454,155	758,681
Components of cash and cash equivalents:		
Cash on hand (including Stamps in hand Rs. 85 thousand, Previous year Rs. 85 thousand)	19,465	29,405
Cheques on hand	48,512	1,302
Balances with scheduled banks:		
On current accounts	380,005	726,308
On fixed deposit accounts	3,147	–
On unpaid dividend accounts*	3,026	1,666
	454,155	758,681

Notes:

- The Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard–3 on Cash Flow Statements notified by Companies (Accounting Standards) Rules, 2006 (as amended).
- Negative figures have been shown in brackets.
- Components of cash and cash equivalents exclude Fixed deposits of Rs.1,714,753 thousand (Previous year Rs. 977,175 thousand) which are considered as movement in fixed deposits with banks under 'Cash Flows from Investing Activities'.
- Pursuant to Scheme of Amalgamation of Spice Televentures Private Limited (STPL) with the Company all the assets and liabilities of STPL and its subsidiaries and a joint venture company as referred to in Note no 6 of Schedule 26 were transferred to and vested in the Company from January 1, 2010. This amalgamation into the Company is a non-cash transaction and accordingly the transfer of such assets and liabilities other than cash and cash equivalents has not been considered above.
- The Group has acquired certain subsidiaries and disposed off a joint venture during the year . Cash flow statement has been prepared after giving the impact of assets and liabilities acquired and disposed off during the year.
- *These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
 Chartered Accountants

per Anil Gupta
 Partner
 Membership No. 87921

Place : New Delhi
 Date : 30th May 2011

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

Dilip Modi
 Managing Director

Subroto Chattopadhyay
 Director

Manish Pengoriya
 Chief Financial Officer

Preeti Malhotra
 Executive Director & Company Secretary

S. Murali
 Group President Finance

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011		As at March 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 1: Share capital				
Authorised				
330,000,000 equity shares of Rs.3 each (Previous year 170,000,000 equity shares of Rs.3 each)		990,000		510,000
Issued, subscribed and paid up				
238,086,285 (Previous year 74,638,000) equity shares of Rs. 3/- each fully paid-up.		714,259		223,914
		714,259		223,914
Note:				
Out of the above, 163,448,285 (Previous year NIL) equity shares are held by Spice Global Investments Private Limited, the holding company and were allotted pursuant to amalgamation for consideration other than cash (Refer Note No 6(c) of Schedule 26). As at previous year end, out of 74,638,000 equity shares, 47,205,529 equity shares were held by Spice Televentures Pvt. Ltd., the holding company (including nominee) merged with the Company.				
Schedule 1A: Equity Share Suspense				
Nil (Previous Year 163,448,285) equity shares of Rs 3 each fully paid up to be allotted to the share holders of Spice Televentures Private Limited pursuant to Amalgamation, for consideration other than cash, effective from November 4, 2010.		-		490,345
Schedule 2: Reserves and surplus				
Securities Premium Account				
Balance as per last account	576,150		288,070	
Add: Transfer from subsidiary companies on Consolidation	-	576,150	288,080	576,150
General Reserve				
Balance as per last account	4,025,552		84,966	
Add: Transfer from subsidiary companies on Consolidation	-		56,943	
Add : Transfer from Transferor Company (Refer Note No 6(e) of Schedule 26)	-		4,282,816	
Add : Transferred from Profit and Loss Account	78,125		70,508	
Less : Adjustment on account of Amalgamation (Refer Note No 6 (f) of Schedule 26)	-	4,103,677	469,681	4,025,552
Foreign Currency Translation Reserve				
Balance as per last account	-			
Add: Transfer from subsidiary companies on Consolidation	(988)		(988)	
Add: Created during the year	(902)	(1,890)	-	(988)
Capital Reserve				
- On consolidation		57,378		57,378
- Capital Investment Subsidy		2,417		-
Profit and Loss Account		2,752,929		2,134,556
		7,490,661		6,792,648

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
Schedule 3: Minority Interest		
Share in :		
Equity Share Capital	96,188	159,889
Securities Premium Account	69,428	206,506
General Reserve	14,678	14,678
Foreign Currency Translation Reserve	(456)	(238)
Capital Investment Subsidy	583	-
Profit and Loss Account	374,627	208,800
	<u>555,048</u>	<u>589,635</u>
Schedule 4: Secured loans		
Hire purchase loans		
- From a body corporate	-	120,563
(secured by way of hypothecation of specific assets acquired on hire purchase basis)		
	<u>-</u>	<u>120,563</u>
Schedule 5: Unsecured loans		
Short term loans and advances		
- Overdraft Facilities from a bank*	-	174,234
- Loan from bodies corporate	-	103,233
- Interest Accrued but not due	-	944
	<u>-</u>	<u>278,411</u>
* Given by bank against the lien on units of mutual funds held by the Company		
Schedule 6A: Deferred Tax Liabilities (net)		
Deferred Tax Liabilities		
- Differences in depreciation / amortisation and other differences in block of fixed assets / intangible assets as per tax books and financial books	32,356	36,222
Gross Deferred Tax Liabilities	<u>32,356</u>	<u>36,222</u>
Deferred Tax Assets		
- Provision for doubtful debts and advances	16,519	15,944
- Effect of expenditure debited to Profit and Loss Account in the current / earlier periods but allowable for tax purposes in following periods	8,745	9,879
Gross Deferred Tax Assets	<u>25,264</u>	<u>25,823</u>
Deferred Tax Liabilities (net)	<u>7,092</u>	<u>10,399</u>

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
Schedule 6B: Deferred Tax Assets (net)		
Deferred Tax Assets		
- Provision for doubtful debts and advances	6,420	1,843
- Effect of expenditure debited to Profit and Loss Account in the current/ earlier years but allowable for tax purposes in following years	9,425	6,279
Gross Deferred Tax Assets	15,845	8,122
Deferred Tax Liabilities		
- Differences in depreciation / amortisation and other differences in block of fixed assets / intangible assets as per tax books and financial books	8,999	5,858
Gross Deferred Tax Liabilities	8,999	5,858
Deferred Tax Assets (net)	6,846	2,264

Schedule 7: Fixed Assets

(Amount in Rs. '000)

Particulars	Freehold Land	Leasehold Land	Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements	Total	Previous year
Gross Block:											
At April 1, 2010	9,456	42,980	145,218	199,490	187,558	142,193	392,721	15,702	306,584	1,441,902	70,598
Transfer from Transferor Company	-	-	-	-	-	-	-	-	-	-	9,509
Acquired on Amalgamation*	-	-	-	-	-	-	-	-	-	-	1,296,917
Adjustments**	-	30,899	81,402	-	139	223	11,480	1,098	-	125,241	-
Additions	-	-	-	18,793	29,919	12,916	60,976	6,917	29,236	158,757	90,484
Deductions	-	-	-	155,653	52,799	4,315	38,792	206	34,575	286,340	25,604
At March 31, 2011	9,456	73,879	226,620	62,630	164,817	151,017	426,385	23,511	301,245	1,439,560	1,441,902
At March 31, 2010	9,456	42,980	145,218	199,490	187,558	142,193	392,721	15,702	306,584	1,441,902	
Depreciation:											
At April 1, 2010	-	4,569	19,261	53,611	52,231	42,069	224,921	4,322	127,128	528,111	20,575
Transfer from Transferor Company	-	-	-	-	-	-	-	-	-	-	866
Acquired on Amalgamation*	-	-	-	-	-	-	-	-	-	-	461,055
Adjustments**	-	1,535	5,341	-	40	33	1,898	96	-	8,943	-
Additions	-	2,476	8,645	3,987	35,537	18,591	56,051	977	132,758	259,023	65,475
Deductions	-	-	-	40,405	29,730	1,311	22,658	22	33,282	127,408	19,860
At March 31, 2011	-	8,580	33,247	17,193	58,078	59,382	260,212	5,373	226,604	668,669	528,111
For previous year	-	617	2,814	6,909	7,822	3,846	19,095	722	23,650	65,475	
Net Block:											
At March 31, 2011	9,456	65,299	193,373	45,437	106,739	91,635	166,173	18,138	74,641	770,891	913,791
At March 31, 2010	9,456	38,411	125,957	145,879	135,327	100,124	167,799	11,380	179,458	913,791	
Capital work in progress											
Capital work in progress including capital advances (unsecured, considered good)										409,092	42,288

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Notes:

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

(Amount in Rs.'000)

Particulars	Gross Block		Depreciation		Accumulated Depreciation	
	As at Mar 31, 2011	As at Mar 31, 2010	For the Year ended Mar 31, 2011	For the year ended March 31, 2010	As at Mar 31, 2011	As at Mar 31, 2010
Factory Building	6,920	6,920	495	495	3,146	2,651
Total	6,920	6,920	495	495	3,146	2,651

2. Additions to Computers and Office Equipments during the year include foreign currency translation reserve of Rs. 126 thousand and Rs. 34 thousand Rs. 34 thousand respectively.

3.* Represents fixed assets / accumulated depreciation of the Erstwhile Spice Televentures Private Limited, its subsidiaries and a joint venture as at January 1, 2010 amalgamated with the Company pursuant to Scheme of Amalgamation (Refer Note No 6 of Schedule 26).

4.** Adjustments represents fixed assets / accumulated depreciation of subsidiary companies, Beoworld SDN. BHD., Spice VAS Kenya Limited and Kimaan Exports Private Limited, acquired during the year.

5. Deletions from Data Processing Machines include Fixed assets of the cost of Rs. 214 thousand WDV of Rs. 113 thousand (Previous year Rs. 6,701 thousand and Rs. 2,683 thousand respectively) transferred to Cost of goods sold.

6. Capital work in progress includes fixed assets of the cost of Rs. 4,987 (Previous Year Nil), bills of which are in the name of agency.

Schedule 8: Intangible Assets

(Amount in Rs.'000)

Particulars	Computer Softwares	Web site Development Cost	Trade mark	Goodwill	Total	Previous year
Gross Block:						
At April 1, 2010	389,483	811	10,764	15,000	416,058	-
Acquired on Amalgamation*	-	-	-	-	-	344,533
Additions	67,467	-	-	-	67,467	71,525
Deductions	64,129	-	-	-	64,129	-
At March 31, 2011	392,821	811	10,764	15,000	419,396	416,058
At March 31, 2010	389,483	811	10,764	15,000	416,058	-
Amortisation:						
At April 1, 2010	176,879	263	698	973	178,812	-
Acquired on Amalgamation*	-	-	-	-	-	162,145
Additions	65,970	270	3,588	5,000	74,828	16,668
Deductions	22,715	-	-	-	22,715	-
At March 31, 2011	220,134	533	4,286	5,973	230,926	178,813
For previous year	14,936	61	698	973	16,668	-
Net Block:						
At March 31, 2011	172,687	278	6,478	9,027	188,470	237,245
At March 31, 2010	212,604	548	10,066	14,027	237,245	-
Software under development	19,414				19,414	23

* Represents intangible assets / accumulated amortisation of the subsidiary companies and a joint venture consolidated w.e.f. January 1, 2010 pursuant to Scheme of Amalgamation (Refer Note No. 6 of Schedule 26).

Note : 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. 50,648 thousand has been capitalised as Intangible Asset as per Accounting Standard-26 on Intangible Assets notified by Companies Accounting Standard Rules, 2006 (as amended). The costs have been determined on the basis of actual time spent by the technical persons on each software and technical / marketing evaluation basis. The costs have been appropriated from software development account where such cost are being debited when incurred by way of Salaries and other administrative expenses.

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
Schedule 9: Investments		
Long Term Investments (At cost)		
Trade		
Quoted		
In equity shares		
Godfrey Philips India Limited 17,300 (Previous year 17,300) equity shares of Rs.10 each fully paid up	24,925	24,925
Spice jet Limited 140,288 (Previous year 140,288) equity shares of Rs.10 each fully paid up	7,788	7,788
Other than trade		
Unquoted		
In mutual fund units of Rs 10 each		
Nil (Previous year 5,717,840) units of HDFC Mutual Funds Monthly Income Plan - Long Term Growth	-	120,000
1,000,000 (Previous year Nil) SBI Debt Fund Series -370 Days- 9 -Dividend	10,000	-
1,000,000 (Previous year Nil) IDFC Fixed Maturity Yearly Series 37 - Dividend	10,000	-
2,000,000 (Previous year Nil) Kotak FMP Series 35 - Dividend	20,000	-
1,000,000 (Previous year Nil) BNP Paribas MF Fixed Term Fund - Ser 21 H Cal Quarterly Dividend	10,000	-
1,000,000 (Previous year Nil) ICICI Prudential FMP - Ser 55-13 Months Plan B Dividend	10,000	-
Nil (Previous year 160,000,000) units of HDFC FMP 13M Oct 09G	-	1,600,000
In Government securities		
5 (Previous year 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 Company		
Plus Paper Foodpac Limited 3,403,000 (Previous year 3,403,000) equity shares of Rs 10 each fully paid up)	68,060	68,060
In a Trust		
Interest as sole beneficiary in an Independent Non Promoter Trust*	373,799	-
Current Investments (At lower of cost and net assets value)		
Other than trade Unquoted		
Units in Mutual Funds of Rs. 10 each		
Nil (Previous year 10,885,999) HDFC MF Monthly Income Plan - Long Term - Quarterly Dividend	-	140,000
Nil (Previous year 3,519,701) Reliance Monthly Income Plan- Quarterly Dividend Plan	-	40,000
Nil (Previous year 23,579) HDFC-CMF - Treasury Advantage Plan- Wholesale- Daily Dividend	-	237
Nil (Previous year 48,685,492) HDFC MF Fixed Maturity Plans - SR- XI-FMP GROWTH	-	500,344
3,000,000 (Previous year Nil) ICICI Prudential FMP Series 55 - 6 Months Plan A Dividend	30,000	-

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
2,000,000 (Previous year Nil) K Multi Asset Alloc Fund-Quarterly Dividend	20,000	-
8,065,520 (Previous year Nil) units of Birla Sunlife Floating Rate Fund-Daily Dividend	80,655	-
77,501,764 (Previous year Nil) units of HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option-Dividend Reinvestment daily	781,288	-
24,853 (Previous year 18,607,877) units of HDFC Cash Management Fund Treasury Advantage Plan-Wholesale-Daily Dividend, Option Reinvest	249	186,665
9,541,256 (Previous year Nil) units of Birla Sunlife Mangnum Dynamic Bond Fund-Retail Plan-Monthly Dividend	100,244	-
1,693,781 (Previous year Nil) units of SBI Magnum Income Fund - Savings Plus Bond Weekly Dividend	18,516	-
Units in Mutual Funds of Rs. 1000 each		
Nil (Previous year 18,556 Templeton India Short Term Income Retail Plan - Quarterly Dividend Payout)	-	20,000
	1,565,574	2,708,069
Aggregate amount of quoted investments in equity shares [Market Value Rs. 38,589 thousand, (Previous year Rs. 42,087 thousand)]	32,713	32,713
Aggregate amount of investments in units of Mutual Fund [Net Asset Value Rs. 1,092,277 thousand, (Previous year Rs. 2,657,692 thousand)]	1,090,952	2,607,246
Aggregate amount of other unquoted investments	441,909	68,110
* The trust is holding 35,301,215 equity shares of the Company, the sole beneficiary of which is the Company (Refer Note No 6(d) of Schedule 26)		
Schedule 10: Inventories (at lower of cost and net realisable value)		
Raw materials (Including stock in transit Rs. 27,101 thousand, previous year Nil)	104,739	1,181
Service components and spares (Including stock in transit Rs. 1,941 thousand, previous year Nil)	75,587	54,221
Work-in-progress	1,601	1,557
Finished goods and traded goods (Including stock in transit Rs. 55,715 thousand, previous year Rs 60,708 thousand)	973,731	1,622,607
	1,155,658	1,679,566
Schedule 11: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	74,443	25,228
Considered doubtful	69,719	49,052
Other debts		
Considered good	1,414,074	1,228,730
Considered doubtful	20,883	20,279
	1,579,119	1,323,289
Less : Provision for doubtful debts	90,602	69,331
	1,488,517	1,253,958

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011 Rs. '000	As at March 31, 2010 Rs. '000
Included in other debts are :		
Due from companies under the same management :		
(i) Spice Global Investment Private Limited (Maximum amount outstanding during the year Rs 24 thousand (Previous year Rs Nil))	24	-
Schedule 12: Cash and bank balances		
Cash on hand (including Stamps in hand Rs 85 thousand, Previous year Rs 85 thousand)	19,465	29,405
Cheques on hand	48,512	1,302
Balances with scheduled banks:		
On current accounts	348,369	724,003
On unpaid dividend accounts	3,026	1,666
On fixed deposit accounts (Receipts pledged with banks and others Rs. 804,090 thousand, Previous year Rs. 495,661 thousand)	1,717,900	977,175
Balance with OCBC Bank, Singapore, in SGD account {Maximum amount outstanding during the year Rs. 100,223 thousand (Previous year Rs. 20,956 thousand)}	21,577	2,305
Balance with OCBC Bank, Singapore, in USD account {Maximum amount outstanding during the year Rs. 195 thousand (Previous year Rs. Nil)}	44	-
Balance with Zenith Bank, Nigeria, in Naira account {Maximum amount outstanding during the year Rs. 1,976 thousand (Previous year Rs. Nil)}	257	-
Balance with Zenith Bank, Nigeria, in USD account {Maximum amount outstanding during the year Rs. 5,337 thousand (Previous year Rs. Nil)}	4,181	-
Balance with First Bank PIC, Nigeria, in Naira account (Maximum amount outstanding during the year Rs. 6 thousand (Previous year Rs. Nil))	6	-
Balance with Hong Leong Bank, Malaysia, in Ringgit account (Maximum amount outstanding during the year Rs. 5,086 thousand (Previous year Rs. Nil))	4,083	-
Balance with Hong Leong Bank, Malaysia, in USD account (Maximum amount outstanding during the year Rs. 393 thousand (Previous year Rs. Nil))	392	-
Balance with Barclays Bank, Kenya, in Shillings account {Maximum outstanding during the year Rs. 39 thousand (Previous year Rs. Nil)}	40	-
Balance with Barclays Bank Kenya, in Shillings account { Maximum outstanding during the year Rs. 191 thousand (Previous year Rs. Nil)}	191	-
Balance with Standard Chartered Bank, Kenya, in Shillings account {Maximum outstanding during the year Rs. 15 thousand (Previous year Rs. Nil)}	15	-
Balance with Standard Chartered Bank, Kenya, in USD account {Maximum outstanding during the year Rs. 43 thousand (Previous year Rs. Nil)}	43	-
Balance with Barclays Bank, Kenya, in USD account {Maximum outstanding during the year Rs. 345 thousand (Previous year Rs. Nil)}	345	-
Balance with Stanbic Bank, Uganda, in USD account {Maximum outstanding during the year Rs. 2,124 thousand (Previous year Rs. Nil)}	421	-
Balance with Stanbic Bank, Uganda, in Shillings account { Maximum outstanding during the year Rs. 511 thousand (Previous year Rs. Nil)}	40	-
	2,168,907	1,735,856

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011		As at March 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 13: Other current assets				
Fixed Assets held for sale (at lower of net book value and estimated net realisable value)		10,307		10,307
Unamortised Premium on Forward Contract		8,587		7,434
Inventory of Promotional Items		4,924		–
Unbilled revenue		437,757		216,350
Interest Receivable on Income Tax		21,963		–
Interest accrued on fixed deposits with banks		26,265		24,488
Interest accrued on loan to others*		8,002		27,917
Incentive receivable on purchases		30,491		1,088
Income Accrued on Fixed Maturity Plan Investments		964		–
Dividend receivable on current investment		70		497
		<u>549,330</u>		<u>288,081</u>
* Included in other current assets are:				
Due from a director of the Company (Maximum amount outstanding during the year Rs 2,533 thousand (Previous year Rs 2,533 thousand))		–		2,533
Schedule 14: Loans and advances				
Secured, considered good				
Loans to employees		29,464		1,431
Unsecured, considered good				
Loans to bodies corporate		43,900		142,826
Loans to employees/ director		12,347		25,990
Advances recoverable in cash or kind or for value to be received Recoverable from Trust on account of amalgamation		111,712		142,283
– Independent Non–Promoter (Spice Employee Benefit) Trust			126,052	
– Independent Non-Promoter Trust		–	373,798	499,850
Balances with customs, excise, etc		25,061		204,454
VAT Recoverable		93,688		21,536
Security deposits		249,042		201,205
MAT Credit Entitlement (Refer Note No 11 of Schedule 26)		177,380		190,532
Advance Tax / Tax deducted at source	1,040,018		737,356	
Less: Provision for Income Tax	624,390	415,628	454,081	283,275
Advances for investments (Refer Note No 18 of Schedule 26)		56,440		41,858
Unsecured, considered doubtful				
Advances recoverable in cash or kind or for value to be received		31,096		24,575
Security deposits		35,260		30,895
		<u>1,281,018</u>		<u>1,810,710</u>
Less: Provision for doubtful loans and advances		66,357		55,470
		<u>1,214,661</u>		<u>1,755,240</u>
* Included in Loans and Advances are:				
(i) Due from a director of the Company (Maximum amount outstanding during the year Rs.10,000 thousand (Previous year Rs.10,000 thousand))		–		10,000
(ii) Due from Spice Global Investments Private Limited, a private company in which a director of the Company is interested as director (Maximum amount outstanding during the year Rs.40,500 thousand (Previous year Rs.Nil)) (Since received)		40,500		–

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

Particulars	As at March 31, 2011		As at March 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 15: Current Liabilities				
Acceptances		211,226		8,340
Sundry creditors				
a) total outstanding dues of Micro and Small Enterprises		3,680		5,813
b) total outstanding dues of creditors other than Micro and Small Enterprises		2,473,197		3,445,987
Advances from customers		59,610		24,190
Security deposits		76,682		76,508
Book Overdraft with a bank		2,945		3,463
Interest Accrued but not due		–		4,895
Unaccrued Income		10,019		32,972
Unpaid dividend - to be transferred to Investor Education and Protection Fund (as and when due)		3,026		1,666
		2,840,385		3,603,834
Schedule 16: Provisions				
Provision for Fringe benefit tax	5,315		5,748	
Less: Fringe benefit tax paid	5,136	179	5,290	458
Proposed dividend		357,130		111,957
Tax on proposed dividend		57,935		19,027
Provision for leave encashment		45,572		45,816
Provision for gratuity (Refer Note No 15(b) of Schedule 26)		41,221		30,653
Provision for warranties (Refer Note No 14(a) of Schedule 26)				
– Opening balance	194,644		46,771	
– Additions during the year	314,240		363,292	
– Amount used / adjusted during the year	(338,723)	170,161	(215,419)	194,644
		672,198		402,555

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Particulars	For the Year ended March 31, 2011 Rs. '000	For the Year ended March 31, 2010 Rs. '000
Schedule 17: Turnover (Gross)		
Sales of traded and manufactured goods	17,817,234	11,939,823
Value Added Service Revenue	2,061,951	390,576
Sale of Telecom related Software	21,472	55,652
Commission on Airtime, Maintenance Revenue and other Operating Income	169,718	34,114
	<u>20,070,375</u>	<u>12,420,165</u>
Schedule 18: Other Income		
Interest		
– On Bank deposits (Tax Deducted at Source Rs 8,951 thousand, Previous year Rs 2,693 thousand)	81,323	61,065
– On loan to Employees and Bodies corporate (Tax Deducted at Source Rs 1,774 thousand, Previous year Rs 483 thousand)	23,147	16,658
– Interest on Income Tax Refund	22,984	–
Sundry balances /unspent liabilities written back	69,482	10,618
Income on Long term investments in Fixed Maturity Plan Investments (other than trade)	111,667	–
Income on current investments in Fixed Maturity Plan Investments (other than trade)	21,396	–
Profit on sale of Long Term Investment in units of mutual fund (other than trade)	10,647	–
Profit on sale of Current Investment in units of mutual fund (other than trade)	4,171	–
Dividend on Long term trade investments	433	433
Dividend on Long term trade investments (other than trade)	–	2,897
Dividend on current investments (other than trade)	40,080	2,557
Rent Received	850	478
Management Fees	–	3,291
Miscellaneous income	30,594	19,037
	<u>416,774</u>	<u>117,034</u>
Schedule 19: Raw materials consumed		
Inventories as at March 31, 2010	1,181	15,301
Add : Purchases	462,336	2,830
	<u>463,517</u>	<u>18,131</u>
Less : Inventories as at March 31, 2011	(104,739)	(1,181)
	<u>358,778</u>	<u>16,950</u>
Schedule 20: Connectivity and Content cost		
Value added service charges	783,877	127,765
Short message service distribution charges	288	170
Sub contract charges	135	2,344
	<u>784,300</u>	<u>130,279</u>

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Particulars	For the Year ended March 31, 2011		For the Year ended March 31, 2010	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Schedule 21: Personnel expenses				
Salaries, wages and bonus *		952,384		337,549
Contribution to provident fund and other funds		52,418		15,169
Leave Encashment expenses		18,574		6,492
Gratuity expenses		16,104		5,562
Workmen and staff welfare expenses		46,084		17,358
		<u>1,085,564</u>		<u>382,130</u>
*Including Rs 15,771 thousand (Previous year Nil) pertaining to previous year but settled during the year.				
Schedule 22: Operating and other expenses				
Power and fuel		793		807
Rent		291,595		131,460
Rates and taxes		69,019		56,554
Insurance		13,921		10,226
Repairs and maintenance				
– Buildings		2,064		330
– Plant & Machinery		13,232		2,869
– Others		63,189		17,108
Freight and forwarding charges		82,233		65,080
Advertisement and sales promotion		650,714		1,014,512
Commission on sales - other than sole selling agent		26,033		5,498
Travelling and conveyance		164,557		77,955
Directors' Commission		7,742		–
Directors' sitting fees		868		270
Legal and professional expenses		102,165		65,640
Customer service expenses		313,888		361,059
Donation and contributions to charitable institutions		283		6
Provision for doubtful debts and advances		33,675		3,981
Bad debts and advances written off	40,995		22,475	
Less :Adjusted against provision for doubtful debts and advances	(1,517)	39,478	(12,020)	10,455
Exchange difference (net)		1,115		1,875
Loss on sale of Investments		125		26
Loss on disposal of fixed assets (net)		5,386		3,065
Miscellaneous expenses		231,531		64,789
		<u>2,113,606</u>		<u>1,893,565</u>

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Particulars	For the Year ended March 31, 2011 Rs. '000	For the Year ended March 31, 2010 Rs. '000
Schedule 23: (Increase) / Decrease in inventories		
Inventories as at March 31, 2011		
Work-in-progress	1,601	1,557
Finished goods and Traded goods	973,731	1,622,607
Service components and spares	75,587	54,221
	<u>1,050,919</u>	<u>1,678,385</u>
Inventories as at March 31, 2010		
Work-in-progress	1,557	–
Finished goods and Traded goods	1,622,607	182,448
Service components and spares	54,221	52,577
	<u>1,678,385</u>	<u>235,025</u>
	<u>627,466</u>	<u>(1,443,360)</u>
Less: Inventories transferred on consolidation		
Finished goods and Traded goods	–	460,655
(Increase) / Decrease in inventories	<u>627,466</u>	<u>(982,705)</u>
Schedule 24: Financial expenses		
Interest		
– to banks	12,749	4,749
– to bodies corporate	5,397	4,481
– on income tax	3,443	–
– to others	4,246	6,739
Credit Card Charges	32,997	7,291
Bank charges	8,995	3,403
	<u>67,827</u>	<u>26,663</u>
Schedule 25: Earnings per share (EPS) *		
Net profit as per profit and loss account	1,040,318	525,586
Net profit for calculation of Basic and Diluted EPS	1,040,318	525,586
Number of equity shares at the beginning of the year	74,638,000	74,638,000
Number of equity shares allotted to erstwhile shareholders of Transferor Company on account of amalgamation appointed date 1st January, 2010	163,448,285	163,448,285
Number of equity shares at the end of the year	238,086,085	238,086,085
Weighted average number of equity shares in calculating basic and diluted EPS	238,086,085	115,500,021
Basic and Diluted Earnings per share (in Rs.)	<u>4.37</u>	<u>4.55</u>
Nominal Value of shares (in Rs.)	<u>3.00</u>	<u>3.00</u>

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

Notes annexed to and forming part of the Consolidated Balance Sheet as at March 31, 2011, Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date.

1. Nature of Operations

The Group is primarily engaged in the trading and manufacturing of Mobile handsets, IT products and their accessories and the Information and Communication Technology business providing Value Added Services, Mobile Content and Roaming Management Services to the Telecom Operators. It also undertakes development and sale of telecom related software. The Group has plant at its facility in Baddi, in the state of Himachal Pradesh, for manufacturing of mobile handsets

2. Principles of Consolidation

The Consolidated Financial Statements relate to Spice Mobility Limited (Parent Company), its subsidiary companies and a joint venture Bharat BPO Services Limited (disposed on April 1, 2010) (hereinafter referred as the "Spice Group" or "the Group"). Pursuant to the scheme of amalgamation ("the Scheme") under Section 391 and 394 of the Companies Act, 1956, Spice Televentures Private Limited ("Transferor Company" or the erstwhile holding company of the Parent Company) stands merged with the Parent Company w.e.f January 1, 2010. As a result, comparative numbers for the previous year, includes figures of the Transferor Company, its subsidiaries and a joint venture for the period from January 1, 2010 to March 31, 2010 in these consolidated financial statements.

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 combined 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 and a joint venture which are included in the consolidation and the Parent Company's holding therein is as under:

S.No.	Name	Country Name	Holding %	
			As at March 31, 2011	As at March 31, 2010
1.	Spice Digital Limited	India	80.58%	80.58%
2.	Spice Retail Limited*	India	100%	90.02%
3.	Spice Distribution Limited*	India	100%	90.02%
4.	Mobisoc Technology Private Limited**	India	99.90%	99.90%
5.	Spice Labs Private Limited**	India	80%	80%
6.	Kimaan Exports Private Limited	India	100%	–
7.	Hindustan Retail Private Limited	India	100%	100%
8.	Cellucom Retail India Private Limited*	India	100%	100%
9.	Spice Mobile VAS Pte. Limited**	Singapore	100%	100%
10.	Spice VAS (Africa) Pte. Limited**	Singapore	81.25%	81.25%
11.	Beoworld Sdn. Bhd.**	Republic of Malaysia	100%	–
12.	Spice VAS Kenya Limited**/# (Formerly Cellucom Kenya Limited)	Republic of Kenya	100%	–
13.	Spice Digital Nigeria Limited**	Nigeria	100%	–
14.	Spice VAS Uganda Limited**	Uganda	75%	–
15.	Bharat BPO Services Limited***	India	–	49.75%

* Subsidiary through Hindustan Retail Private Limited.

** Subsidiary through Spice Digital Limited.

*** A Joint Venture Company

An equity interest of 20% in the Company is held by a third party on behalf of Spice VAS (Africa) Pte Limited.

- (iii) The difference of the cost to the 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) Interest in Joint Ventures have been accounted by using the proportionate consolidation method as per (AS) 27– "Financial reporting of Interest in Joint Ventures".

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

- (v) In case of foreign subsidiaries, being non integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the Foreign Currency Translation Reserve.
- (vi) 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.
- (vii) 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.
- (viii) 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.
- (ix) The financial statements of the group entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2011.

3. Statement of Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies Accounting Standard Rules, 2006 (as amended), 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 Group and except for the change in accounting policy discussed below, are consistent with those used in the previous year.

b) Change in Accounting Policy

During the year, two subsidiary companies have changed their policy of recognizing income on investments made in the units of Fixed Maturity Plans of various schemes of Mutual Funds based on reasonable certain yield against the hitherto followed practice of recognizing such income at the time of maturity based on actual yield earned. Due to the above change, the profit before tax for the current year is higher by Rs. 964 thousand.

c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d) Fixed Assets and Intangibles

Fixed assets and intangibles are stated at cost, less accumulated depreciation/amortisation 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.

e) 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.

f) Depreciation / Amortisation

- i) Cost of leasehold land is amortised over the period of lease.
- ii) Leasehold buildings and leasehold improvements are depreciated over the period of lease 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.
- 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.

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SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

- 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. However in case of three Indian subsidiaries, such assets are depreciated over the period of one year from the date of acquisition.
- vi) 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 Profit and Loss Account as and when incurred except in case of one subsidiary where it is recognized and capitalized in the books of account as "Intangible 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 over a period of three years.
- 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.
- 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:

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

- 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:

Assets Class	Rates (SLM)	Schedule XIV Rates (SLM)
Plant and Machinery	10.00%	4.75%
Computers	20.00%	16.21%
Furniture and Fittings	12.50%	6.33%
Office Equipments	10.00%	4.75%
Mobile Handsets (included under office equipments)	50.00%	4.75%

- 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:

Assets Class	Useful life	Rate (SLM)	Sch. XIV (SLM)
Computers	3 Years	31.67%– 33%	16.21%
Furniture and Fitting	5–7 Years	19% – 33.33 %	6.33%
Office Equipments	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%

g) 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.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

h) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto, is charged to the Profit and Loss Account.

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SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

i) Leases

Where the Spice Group is the 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 Profit and Loss Account on a straight-line basis over the lease term.

Where the Spice Group 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.

j) 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.

k) Inventories

Inventories are valued as follows:

Raw materials, service components and spares	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 and spares (Manufactured)	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.
Traded Goods	Lower of cost and net realizable value. Cost is determined on transaction moving weighted average method. In case of a subsidiary cost is determined on first in first out basis.

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.

l) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Spice Group and the revenue can be reliably measured.

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. Turnover is net of trade discount etc. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability that arose 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.

Value Added Service Revenue

Service revenue is recognised at the end of each month in which the services are rendered. The revenue includes income on the value added services, revenue from roaming management services and providing mobile content.

Commission on Airtime, Maintenance Revenue and other operating income.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered. Commission on airtime and other operating income is recognised as and when the services are rendered.

SCHEDULE 26

NOTES TO THE CONSOLIDATED ACCOUNTS

Interest

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

Dividend

Revenue is recognised when the shareholder'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.

m) 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 Group'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.

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

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised 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 forward exchange contract is recognised as income or as expense for the year.

(v) Translation of Integral and Non – Integral Foreign Operation :

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

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at the dates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

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.

n) Retirement and other employee benefits

- (i) Provident fund is a defined benefit obligation for the Parent Company. The Parent Company has a private provident fund trust to whom provident fund contributions are made as and when due. There are no other obligations other than the contribution payable to the trust except where the deficit arises in making the statutory payment by the Trust to its members, the same, is borne by the Parent Company in terms of the provisions under Employee Provident Fund & Miscellaneous Provisions Act, 1952.

In case of subsidiaries, Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the Provident Fund are due. There are no other obligations other than the contribution payable to the Provident Fund Authorities.

- (ii) 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.

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SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

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.

- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (iv) Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

o) 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. Deferred income taxes reflect the impact of current year's timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the companies (within the Spice Group) has unabsorbed depreciation or carry forward of tax losses, all 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. At each balance sheet date, the Group reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably or virtually certain as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The companies (within the Spice 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, 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 Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the companies (within the Spice Group) will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the 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 Group 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 the companies (within the Spice Group) will pay normal Income Tax during the specified period.

p) 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.

q) Provisions

A provision is recognised when the Spice Group 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.

r) Warranty

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

SCHEDULE 26 NOTES TO THE CONSOLIDATED ACCOUNTS

s) Segment Reporting Policies

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.

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.

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

v) Derivative Instruments

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

w) 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 attaching conditions will be complied with.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as a part of shareholders' funds.

4. 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, Mobile Content and Roaming Management 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.

During the current year, the Group has realigned its business with two segments, i.e Mobile Devices and Services as against earlier having four segments, i.e Telecommunications– Mobiles, Retail, VAS and BPO.

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.

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Segment information

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

Business Segments	Devices		Value Added Services		Consolidated Total	
	Mar'11	Mar'10	Mar'11	Mar'10	Mar'11	Mar'10
Revenue						
External Revenue/Sales*	18,049,581	12,043,323	2,159,983	458,057	20,209,564	12,501,380
Less : Inter Segment Revenue / Sales					43,977	48,160
Net Revenue	18,049,581	12,043,323	2,159,983	458,057	20,165,587	12,453,220
Unallocated Corporate Revenue					315,848	83,979
Total Revenue					20,481,435	12,537,199
Results						
Segment result	378,528	761,105	517,390	63,852	895,918	824,957
Unallocated Corporate Revenue/ (Expenses) (net)					(10,051)	(4,785)
Operating Profit					885,867	820,172
Interest Income					127,453	77,723
Dividend					40,513	5,886
Exceptional Item - Profit on sale of Investment in a Joint Venture Company					239,269	-
Income from Investments in Mutual Fund units					147,881	-
Interest Expenses					(25,835)	(15,969)
Net Profit Before Tax					1,415,148	887,813
Income Tax (Expense)					(305,865)	(344,467)
Deferred Tax (Credit)/Charge					7,864	1,391
Fringe Benefit Tax					445	(444)
Net Profit After Tax					1,117,592	544,293
Other Information						
Segment Assets	5,673,975	5,990,747	1,873,478	1,738,735	7,547,454	7,729,482
Unallocated Corporate Assets					4,732,189	4,782,822
Total Assets					12,279,643	12,512,304
Segment Liabilities	2,607,272	3,561,272	481,872	369,202	3,089,144	3,930,474
Unallocated Corporate Liabilities					985,579	1,074,923
Total Liabilities					4,074,723	5,005,397
Capital Expenditure	489,178	101,318	122,986	74,187	612,164	175,505
Depreciation/ amortisation	200,068	39,582	132,693	42,561	332,761	82,143
Unallocated Depreciation/ amortisation					1,090	-
Other Non Cash Expenses						
Provision for Doubtful debts and advances	24,741	(11,466)	7,417	4,022	32,158	(7,444)
Bad Debts and Advances Written off	13,589	22,475	27,406	-	40,995	22,475

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

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Secondary Segment Reporting (by Geographical Segments)

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

Geographical Segment	March 31, 2011 (Rs '000)	March 31, 2010 (Rs '000)
Revenue from the Domestic market	19,811,130	12,228,816
Revenue from the Overseas markets	253,531	191,349
Total Revenue	20,064,661	12,420,165
Debtors of Domestic market	1,417,085	1,233,439
Debtors of Overseas markets	71,432	20,519
Total Debtors	1,488,517	1,253,958

Note: The Group has common assets for producing goods / rendering services for Domestic Market and Overseas Markets. Hence, separate figures for assets/ additions to fixed assets cannot be furnished.

5. Related parties :

List of related parties (As certified by the management)

Relation	Name of the related party
Ultimate Holding / Holding Company	: Spice Global Investments Private Limited (w.e.f. July 11, 2009) Spice Televentures Private Ltd. (Holding Company till December 31, 2009)
Fellow Subsidiary and enterprises where there is control.	: IO System Limited Mudaliar & Sons Hotels Private Limited Spice Innovative Technologies Pvt. Ltd. Spice Solar Technology Pvt. Ltd. Spice Internet Service Provider Pvt. Ltd. Spice Wimax Service Provider Pvt. Ltd Spice Investments & Finance Advisors Pvt. Ltd. Spice Enfotainment Limited Wall Street Finance Limited Goldman Securities Pvt. Ltd. Bharat Towers Private Limited Spice Commodities Private Limited Spice Stock Broking Private Limited Spice Insurance Services Private Limited Nutshell Technology Private Limited Spice Solar Technology Rajasthan Private Ltd (w.e.f. April 9, 2010) Spice Online Retail Private Limited (w.e.f. December 20, 2010) M Pictures Distribution Ltd (till April 12, 2010) G M Modi Hospitals Corporation Pvt Ltd. Harjas Logic Systems Private Limited Bharat IT Services Limited (till November 26, 2009) Spice BPO Services Limited (w.e.f from July 11, 2009 till December 30, 2009) Spice Mobile VAS Pte. Limited (till December 31, 2009) Spice VAS (Africa) Pte. Limited (till December 31, 2009) Cellucom Retail India (P) Limited (till December 31, 2009)

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Relation	Name of the related party
	Hindustan Retail Private Limited (till December 31, 2009) Spice Retail Limited (till December 31, 2009) Spice Distribution Limited (till December 31, 2009) Spice Digital Limited (till December 31, 2009) Kimaan Exports Private Limited (till December 24, 2010) Mobisoc Technology Private Limited (till December 31, 2009)
Individual having significant influence over the Company	: Mr. Dilip Modi Mrs. Divya Modi Mrs. Veena Modi
Key Management Personnel (KMP) & their relatives	: Mr. Kunal Ahooja Ms. Preeti Malhotra Mr. Subramanian Murali Mr. Sanjeev Mahajan Mr. Saket Agarwal Mrs. Usha Murali (Wife of Mr. Subramanian Murali)
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	: Tuberose Investments Pvt. Ltd. VCorp Mercantile Pvt Ltd Prospective Infrastructures Pvt Ltd Plus Paper Foodpac Ltd. Duro International Rubber Pvt Ltd. Plus Pac Holding Private Limited Superior Information Technology Private Limited Gcorp FZE– Sharjah Ridh International FZE– Sharjah Shenzhen Shibashi Catering Management Co.Ltd. Spice i2i Limited (Formly Media Ring) Spice Global Holding Pte Ltd. Mcorp Investments Pte Ltd. Spice Global Pte Ltd. Spice Circle Pte Ltd. Hollywood Travels & Tours Pte Ltd. Spice Bulls Pte Ltd. Spice Studio Pte Ltd. Spice Investment Services Pte Ltd. Spice Telnet Pte Ltd. Innovative Management Pte Ltd. Silvergram Ltd. (A BVI Company) Scorp Investments Ltd. (A BVI Company) Melodist Holdings Ltd. (A BVI Company)

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Details of Consolidated related party transactions for the year ended March 31, 2011 (Amount in Rs. '000)

Particulars		Fellow Subsidiary					KMP				
		Spice Retail Limited	Harjas Logic Systems Private Limited	Wall Street Finance Limited	Bharat IT Services Ltd.	Spice BPO Services Limited (formerly Omnia BPO Services Limited)	Kunal Ahooja	Preeti Malhotra	Usha Murali	Subramaniam Murali	Saket Agarwal
Transactions during the year											
Sales of Goods	March 31, 2011	-	-	-	-	5	-	-	-	-	-
	March 31, 2010	709	-	-	15,893	29	-	-	-	-	-
Purchase of Fixed Assets	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	33	-	-	-	-	-	-	-	-	-
Purchases of traded goods and spares	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Interest Income	March 31, 2011	-	-	-	-	-	1,050	-	-	-	-
	March 31, 2010	-	-	-	5,464	-	1,050	-	-	-	-
Security Deposits/Given	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Security Deposits/Refund	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Remuneration paid	March 31, 2011	-	-	-	-	-	32,351	8,884	-	16,395	12,500
	March 31, 2010	-	-	-	-	-	16,500	-	-	-	-
Recovery of Excess Remuneration	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	2,073	-	-	-	-
Customer Service Expenses	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	10,333	-	-	-	-	-	-
Legal and Professional charges	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	224	-	-	-	-	-	-
Recovery of branding cost (credit)	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Advertisement and sales promotion	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Miscellaneous Expenses	March 31, 2011	-	-	-	-	-	-	-	108	-	-
	March 31, 2010	-	-	192	-	1,807	-	-	-	-	-
Rent Expense	March 31, 2011	-	15,165	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	18	953	-	-	-	-	-
Rent Income	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Management Fee Income	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	4,208	-	-	-	-	-
Dividend paid	March 31, 2011	-	-	-	-	-	-	216	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Loans taken during the year	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Loans/advance given during the year	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Loans/advance repaid during the year	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Loan received back during the year	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	3,150	-	-	-	-	-	-
Purchase of investment	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Sale of investment	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Loan received back during the year	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	-	-	-
Outstanding balances at the end of year											
Receivables Considered Good	March 31, 2011	-	-	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	399	4,410	-	-	-	-	-
Payables	March 31, 2011	-	-	-	-	-	21,000	2,808	-	5,000	-
	March 31, 2010	-	-	-	7,728	70	500	-	-	-	-
Loan/advances receivable	March 31, 2011	-	-	-	-	-	10,000	-	-	-	-
	March 31, 2010	-	-	-	43,900	-	10,000	-	-	-	-
Interest Receivable	March 31, 2011	-	-	-	-	-	1,050	-	-	-	-
	March 31, 2010	-	-	-	2,665	16,877	2,533	-	-	-	-

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Details of Consolidated related party transactions for the year ended March 31, 2011 (Amount in Rs. '000)

Particulars		Individuals having significant influence over the company and their relative		Enterprises over which individual having significant influence over the Company is able to exercise significant influence					Total
		Dilip Modi	Mrs. Veena Modi	Vcorp Mercantile Private Limited	Plus Paper Foodpac Ltd.	Hollywood Travels & Tours Pte Ltd.	Spice i2i Limited (Formerly Media Ring)	Bharat BPO Services Limited	
Transactions during the year									
Sales of Goods	March 31, 2011	-	6,336	-	-	-	634	-	7,113
	March 31, 2010	-	-	-	-	-	-	-	355,005
Purchase of Fixed Assets	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	7,210
Purchases of traded goods and spares	March 31, 2011	-	-	-	885	-	3,255,309	-	3,256,194
	March 31, 2010	-	-	-	-	-	-	-	58,608
Interest Income	March 31, 2011	-	-	-	-	-	-	17	1,067
	March 31, 2010	-	-	-	-	-	-	-	6,514
Security Deposits/Given	March 31, 2011	-	-	-	-	-	-	-	40,500
	March 31, 2010	-	-	-	-	-	-	-	-
Security Deposits/Refund	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	77,827
Remuneration paid	March 31, 2011	23,434	-	-	-	-	-	-	93,564
	March 31, 2010	8,425	-	-	-	-	-	-	24,925
Recovery of Excess Remuneration	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	2,073
Customer Service Expenses	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	10,333
Legal and Professional charges	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	28,804
Recovery of branding cost (credit)	March 31, 2011	-	-	-	-	-	-	-	286,701
	March 31, 2010	-	-	-	-	-	-	-	-
Advertisement and sales promotion	March 31, 2011	-	-	130	-	-	1,040	-	1,169
	March 31, 2010	-	-	-	-	-	-	-	-
Miscellaneous Expenses	March 31, 2011	-	-	-	-	2,382	-	-	2,490
	March 31, 2010	-	-	-	-	-	-	-	1,999
Rent Expense	March 31, 2011	-	-	-	-	-	-	-	8,936
	March 31, 2010	-	-	-	-	-	-	-	8,698
Rent Income	March 31, 2011	-	-	-	529	-	-	-	848
	March 31, 2010	-	-	-	330	-	-	-	405
Management Fee Income	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	4,208
Dividend paid	March 31, 2011	1,500	-	-	-	-	-	-	1,716
	March 31, 2010	450	-	-	-	-	-	-	13,195
Loans taken during the year	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	5,000
Loans/advance given during the year	March 31, 2011	-	-	-	-	-	-	-	10,000
	March 31, 2010	-	-	-	-	-	-	-	2,000
Loans/advance repaid during the year	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	5,000
Loan received back during the year	March 31, 2011	-	-	-	-	-	-	-	-
	March 31, 2010	-	-	-	-	-	-	-	5,150
Purchase of investment	March 31, 2011	-	-	-	-	-	-	-	455,075
	March 31, 2010	-	-	-	-	-	-	-	-
Sale of investment	March 31, 2011	-	-	-	-	-	-	-	50,000
	March 31, 2010	-	-	-	-	-	-	-	-
Loan received back during the year	March 31, 2011	-	-	-	-	-	-	-	10,000
	March 31, 2010	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	March 31, 2011	-	-	-	-	-	-	-	129,856
	March 31, 2010	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	March 31, 2011	-	-	-	-	-	-	-	1,816
	March 31, 2010	-	-	-	-	-	-	-	-
Outstanding balances at the end of year									
Receivables Considered Good	March 31, 2011	-	-	-	-	-	-	-	28
	March 31, 2010	-	-	-	-	-	-	-	5,662
Payables	March 31, 2011	-	-	-	529	-	31,477	-	63,755
	March 31, 2010	-	-	-	-	-	-	-	14,546
Loan/advances receivable	March 31, 2011	-	-	-	-	-	-	-	50,500
	March 31, 2010	-	-	-	-	-	-	-	53,900
Interest Receivable	March 31, 2011	-	-	-	-	-	-	-	1,050
	March 31, 2010	-	-	-	-	-	-	-	22,075

Notes :

- No amount has been provided as doubtful debts or advances/written off or written back in respect of debts due from/to above parties.
- The Company has interest as sole beneficiary in an Independent Non-Promoter Trust which holds 3,53,01,215 equity shares of the Company (refer Note no. 6 d.(ii))

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6. Amalgamation

- a. Pursuant to the Scheme of Amalgamation ["the Scheme"] U/s 391/394 of the Companies Act 1956, Spice Televentures Private Limited (Transferor Company), the erstwhile Holding Company of the Parent Company, stands merged with the Parent Company w.e.f. January 01, 2010 ["the appointed date"] in terms of the Orders dated November 2, 2010 and October 8, 2010 of the Hon'ble High Courts of judicature at Allahabad and New Delhi respectively, sanctioning the Scheme and is effective from November 4, 2010. 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 the Parent Company.
- b. The amalgamation has been accounted for by applying the pooling of interest method of accounting, where in all the assets and liabilities of the Transferor Company has been accounted for at their book values as on January 1, 2010, the summary of which is as below:

Particulars	Amount (Rs.) (in '000)
Fixed Assets	8,643
Investments	4,232,830
Deferred Tax Assets	200
Current assets, loans and advances	952,587
Less: Current Liabilities and provisions	(90,147)
Total assets	5,104,113

Further assets and liabilities of the subsidiaries and proportionate share in the assets and liabilities of the joint venture company have been consolidated at their book values as on January 1, 2010.

- c. In terms of the said Scheme, 163,448,285 equity shares of Rs.3 each aggregating to Rs. 490,345 thousand have been allotted to the equity shareholders of the Transferor Company in the ratio of 791 equity shares of Rs.3/- of the Parent Company for 100 equity shares of the Transferor Company held by the shareholders of Transferor Company at face value.
- d. All the equity shares of the Parent Company as were held by the Transferor Company ("Trust Shares") have not been cancelled but have been transferred to and vested in two separate trusts, ("Independent Non-Promoter Trusts") as follows:
- 1,19,04,314 equity shares of the face value of Rs. 3 each (cost of Rs. 126,052 thousand) to the Independent Non-Promoter (Spice Employee Benefit) Trust, to have and hold such trust shares, in trust together with all additions or accretions thereto, exclusively for the benefit of the employees of the Transferor Company (or its successors) and its associates and subsidiaries; and
 - 3,53,01,215 equity shares of the face value of Rs. 3 each (cost of Rs. 373,799 thousand) to the Independent Non-Promoter Trust to have and hold such trust shares, in trust together with all additions or accretions thereto, exclusively for the benefit of the Transferor Company and its successors.
 - As at March 31, 2011, the Trusts are still holding these shares, further the Employee Benefit Trust is yet to devise an employee benefit plan to give the benefit of the Trust shares to the employees.
- e. Pursuant to the Scheme, an amount of Rs 4,282,816 thousand lying to the credit of Securities Premium Account in the books of the Transferor Company has been transferred to the General Reserves of the Parent Company as free reserves, with effect from Jan 1, 2010.
- f. The difference of Rs 469,681 thousand between the face value of equity shares allotted to the equity shareholders of the Transferor Company and the face value of equity shares of the Transferor Company of Rs. 20,664 thousand has been adjusted from the general reserves of the Parent Company.
- g. In terms of the Scheme, the Authorised Share Capital of the Transferor Company of Rs 120,000 thousand has merged with Authorised Share Capital of the Parent Company.
- h. As per the Scheme, during the period between Appointed Date and Effective Date, the Transferor Company has carried out the existing business in "trust" on behalf of the Parent Company. Further, the subsidiaries and a joint venture of the Transferor Company became the subsidiaries and joint venture of the Parent Company. Accordingly, all profit or income earned and losses or expenses incurred by the Transferor Company and its subsidiaries and the joint venture, during such period for all purposes is the profit or income and expenditure or losses of the Spice Group.
- i. Dividend amounting to Rs. 70,813 thousand paid to erstwhile holding company Spice Televentures Private Limited (STPL), has been reversed during the year, as the same has merged with the Company w.e.f the appointed date i.e. January 1, 2010 pursuant to the Scheme of Amalgamation.

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- j. The title deeds for leasehold, licenses, agreements, loan documents, etc of Transferor Company have been/are in the process of being transferred in the name of the Parent Company.
- k. The audit /limited review of the accounts of the Transferor Company for the year ended March 31, 2010 and period ended December 31, 2009 was carried out by the previous statutory auditors i.e. Gupta, Garg & Agarwal. The Parent Company has merged the accounts of the Transferor Company with the accounts of the Parent Company w.e.f. January 1, 2010 i.e. the appointed date based on the accounts audited/reviewed by the previous auditors.
- l. Goodwill arising on consolidation in respect of subsidiaries acquired pursuant to amalgamation represents the difference between the transferor's company share in the net worth of the subsidiary companies and the cost of acquisition at the time of making the investment in the subsidiary company by the transferor company (also refer Note No. 13 below).
7. During the year, the group has acquired 100% holding in Kimaan Exports Private Limited, Beoworld Sdn. Bhd, Malaysia, Spice VAS Kenya Limited, and has subscribed for 75% shares of Spice VAS Uganda Limited. These subsidiaries have been consolidated from the date of acquisition. Further, the group has acquired additional stake of 9.98% each in Spice Retail Limited and Spice Distribution Limited, resulting in the companies becoming 100% subsidiaries of Parent Company.

The aforesaid acquisitions have the effect of increase in assets and liabilities by Rs. 885,276 thousand and Rs. 62,454 thousand respectively and increase in net profits attributable to shareholders of the parent company by Rs. 5,304 thousand in the consolidated financial statements.

8. Leases

a) 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 total of future minimum lease payments under the non cancellable operating leases are as under:

Particulars	Year ended March 31, 2011 (Rs. '000)	Year ended March 31, 2010 (Rs. '000)
Lease payments made during the year	9,099	1,328
Future minimum lease payments		
Not later than one year	13,761	5,105
Later than one year but not later than five years	18,660	384
Later than five years	-	-
Total	32,421	5,489

b) Assets given on Operating Leases

The parent has given some portion of factory building at Baddi in the state of Himachal Pradesh on operating lease. The initial lease terms are for 3 years and renewable at the option of the lessee for a maximum renewal period of 6 years. There are no restrictions imposed by lease agreement and there are no contingent rents.

Particulars	Year ended March 31, 2011 (Rs. '000)	Year ended March 31, 2010 (Rs. '000)
Lease payments received for the year	531	330
Future minimum lease payments	529	330
Later than one year but not later than five years	427	757
Later than five years	-	-
Total	956	1,087

A subsidiary has sublet a portion of its office premises on operating lease. The lease term is for 11 months and thereafter renewal on mutual agreement. There is no escalation clause in the lease agreement.

Particulars	For the year ended March 31, 2011 (Rs. '000)	For the year ended March 31, 2010 (Rs. '000)
Sub Lease rent received during the year	319	75

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

9a. Derivative Instruments and Unhedged Foreign Currency Exposure

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 22,153,933 (previous year US\$ 33,588,537)	Hedge of Import Creditors

The amounts of foreign currency exposure that are not hedged by a derivative instrument or others as on March 31, 2011 are as under:

Particulars	31-Mar-11		31-Mar-10		Currency
	Amt (Rs. '000)	Foreign Currency	Amt (Rs. '000)	Foreign Currency	
Import creditors	329,363	7,384,756	561,863	12,513,415	USD
Import creditors	461	12,851	-	-	SGD
Import creditors	-	-	4,042	290,786	AED
Advance to suppliers and other receivable*	371,510	8,329,832	605,275	13,480,513	USD
Debtors	28,632	641,744	22,250	494,975	USD
Debtors	1,538	928,201	1,057	696,795	MUR
Debtors	584	16,286	-	-	SGD
Debtors	431	6,822	343	5,655	Euro
Advance for Investments	56,440	1,264,063	41,940	929,119	USD
Cash	86	1,928	111	2,455	USD
Cash	-	-	139	4,319	SGD
Balance With Banks	5,426	121,532	-	12	USD

* Rs 359,413 thousand (USD 8,058,585) at the year end (previous year Rs 586,640 thousand) (USD 13,065,479) have been adjusted from balances of the creditors in the financial statements.

9b.	Year ended March 31, 2011 (Rs. '000)	Year ended March 31, 2010 (Rs. '000)
Net foreign exchange (gain)/loss charged to profit and loss account	(25,333)	8,152

9c. A sum of Rs.8,587 thousand (Previous year Rs.7,434 thousand) on account of unamortized foreign exchange premium on outstanding forward exchange contracts is being carried forward to be charged to Profit and Loss Account of subsequent year.

10. Consequent to the adoption of the Accounting Standard 22 'Accounting for taxes on Income', 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.

11. The asset of Rs. 177,380 thousand (Previous Year Rs. 190,532 thousand) recognized by the Group 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.

12. Capital commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.147,593 thousand [Previous year Rs. 8,615 thousand] (net of advances).

13. Goodwill on consolidation appearing in the financial statements denotes the goodwill in respect of subsidiaries acquired by the Parent Company pursuant to the Scheme of Amalgamation (Refer Note No. 6 above) and other subsidiaries acquired during the year.

The Group has recognized and is carrying forward a goodwill of Rs.2,026,269 thousand in respect of Hindustan Retail India 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 March 31, 2011.

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

14. Provisions and Contingencies

a) Provision for Warranty

A provision is recognized for expected warranty claims on products sold under warranty by the Parent Company during last fourteen months, based on past experience of level of customer service expenses. It is expected that most of these payments would be made in the next financial year. Assumptions used to calculate the provision for warranties were based on past trend of sales of mobile handsets and customer service expenses incurred.

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

S. No.	Particulars	(Amt. in Rs '000)	
		Year ended March 31, 2011	Year ended March 31, 2010
	Demands and claims from Government Authorities*		
	A. Demand from Excise / Service Tax Authorities		
(i)	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 the Schedule of Loans and Advances.	66,263	66,263
(ii)	Demand in respect of non-charging the service tax on the Short messaging peer-to-peer service including penalty thereon, (including Rs 6,000 thousand {Previous Year Rs. 6,000 thousand} paid under protest which is appearing in the Schedule of Loans and Advances) 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 solicitor/legal opinion taken by the management, the management believes that they have a good chance of success in the above mentioned case and hence, no provision there against is considered necessary.	83,184	78,171
(iii)	Demands in respect of non-registration of corporate office as an input service distributor and availment of input service CENVAT credit. The management is of the view that since the subsidiary company is having central registration there is no requirement for registering the corporate office as input service distributor separately.	14,420	12,786
(iv)	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 i.e. on actualization of the unbilled revenue.	58,430	–
(v)	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 taxable output services provided, and credit for service tax paid of the input services, hence, can be availed.	4,074	–
	B. Demand from Sales Tax Authorities		
(i)	Various Sales Tax Demands.	15,563	5,642
	C. Penalty under Foreign Trade (Development and Regulation) Act, 1992, on account of non fulfillment of export obligation.	40,860	–
	Various other claims against the Parent Company and a subsidiary not acknowledged as debts.*	6,099	5,126

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

15. Disclosure under Accounting Standard-15 (Revised) on 'Employee Benefits'

a) Defined Contribution Plan

S. No.	Particulars	Year ended March 31, 2011 ('000)	Year ended March 31, 2010 ('000)
I	Contribution to Provident Fund	30,902	7,806

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

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 profit and loss account and the funded status and amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss Account

Net employee benefit expense for Gratuity

	March 31, 2011 (Rs. '000)	March 31, 2010 (Rs. '000)
Current service cost	16,762	4,537
Interest cost on benefit obligation	2,832	2,256
Expected return on plan assets	(579)	(653)
Net actuarial gain recognised during the year	(3,003)	(8,957)
Past service cost	91	2,465
Net benefit expense*	16,103	(352)
Actual return on plan assets	654	621

*Rs 5,914 thousand in previous year booked under Sundry credit balances/ unspent liabilities written back.

Balance sheet

Details of Provision for Gratuity – Funded

	March 31, 2011 (Rs. '000)	March 31, 2010 (Rs. '000)
Defined benefit obligation	33,526	24,289
Fair value of plan assets	10,812	8,446
Less: Unrecognised past service cost	-	-
Plan (liability)	(22,714)	(15,843)

Details of Provision for Gratuity – Non Funded

	March 31, 2011 (Rs. '000)	March 31, 2010 (Rs. '000)
Defined benefit obligation	18,507	14,810
Fair value of plan assets	-	-
Less: Unrecognised past service cost	-	-
Plan (liability)	(18,507)	(14,810)

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

	March 31, 2011 (Rs. '000)	March 31, 2010 (Rs. '000)
Opening defined benefit obligation	39,099	4,127
Acquired pursuant to amalgamation	-	35,606
Adjustments*	(489)	-
Current service cost	16,764	4,537
Interest cost	2,832	2,256
Liability transferred to another Company**	(2,644)	-
Past service cost	91	2,465
Benefits paid	(711)	(903)
Actuarial gain / loss on obligation	(2,909)	(8,989)
Closing defined benefit obligation	52,033	39,099

* Relating to Bharat BPO Services Limited, a joint venture company disposed on April 1, 2010.

** Represents liability transferred to another company pursuant to transfer of employees to that company.

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

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

	March 31, 2011 (Rs. '000)	March 31, 2010 (Rs. '000)
Opening fair value of plan assets	8,446	3,780
Acquired pursuant to amalgamation	-	3,511
Expected return	579	653
Contributions by employer	2,330	1,067
Benefits paid	(636)	(533)
Actuarial gains/ (losses)	93	(32)
Closing fair value of plan assets	10,812	8,446
Actual return on Plan Assets	654	621

The Group's expected contribution to the fund in the next year is Rs. 6,358 thousand (Previous year Rs 10,319 thousand).

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

	March 31, 2011	March 31, 2010
Investments with the insurers	100%	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 are shown below:

	March 31, 2011	March 31, 2010
Discount rate	7.5 % – 8 %	7.5 – 8%
Expected rate of return on assets	8 % – 9.15 %	8.65% – 9.15%
Rate of Escalation in salary	10 % – 15 %	10% – 15 %
Employee turnover		
– Upto 30 years	4.0% – 20 %	4.0% – 20 %
– 30–44 years	4.0% – 20 %	4.0% – 20 %
– Above 44 years	1.0% – 20 %	1.0% – 20 %
Mortality rate	As notified by LIC	

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

(Rs. '000)

	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at December 31, 2007	As at March 31, 2007
Defined benefit obligation	52,033	39,099	4,127	3,571	3,646
Plan assets	10,812	8,446	3,780	437	2,138
Deficit	41,221	30,653	347	3,134	1,508
Experience adjustments on plan liabilities (loss)/ gain	3,975	Not Available	623	Not Available	
Experience adjustments on plan assets (loss)/gain	77	Not Available	(2)	Not Available	

Notes:

- The actuarial valuation has been done from the year 2006–07 in accordance with the revised Accounting Standard 15, Employee benefits. Prior to that, the Actuarial valuation was done in accordance with the pre-revised Accounting Standard 15, Employee benefits. Accordingly, comparative numbers have been disclosed since the date of adoption.
- The Parent Company as per its accounting policy, has provided Rs. 4,204 thousand (Previous year Nil) to meet up deficit incurred by the Provident Fund Trust in making interest payment by the Trust to its members as per statutory rate announced by Government of India.
- The Parent Company has never had any obligation towards the provident fund trusts except for the contributions due to the trust. Pending issuance of the Guidance Note from the Actuarial Society of India, the Parent Company's actuary has expressed his inability to reliably measure the Provident Fund liability. Accordingly, no additional disclosures as required by paragraph 120 of AS 15 (revised 2005) have been furnished.

- Exceptional items of Rs. 239,269 thousand represents the profit on sale of investment in Bharat BPO Services Limited, a joint venture company disposed on April 1, 2010. The amount represents the excess of sale proceeds over the Group's proportionate share in the net worth of the joint venture company.

S Mobility Limited (formerly Spice Mobility Limited)

SCHEDULE 26
NOTES TO THE CONSOLIDATED ACCOUNTS

17. i) The Parent Company has an investment of Rs 68,060 thousand in the equity shares of Plus Paper Foodpac Limited (PPFL). As per the latest provisional financial statements of PPFL as certified by the management, the value of one equity share as per net asset value is Rs. 13.26 however, the Parent Company has made the investments @ Rs 20 per share. The said company has earned profit during the financial years ended 31st March 2007, 31st March 2008 and 30th June 2010. This being long term investment and also in view of the projected profitable operations of the company, the management is of the view that the diminution in the value of this investment is temporary in nature and hence no provision is required to be made there against.
- ii) In the opinion of the management, the decline in the market value of quoted investments by Rs. 2,415 thousand in the share capital of Spice Jet Limited at the year end is temporary and hence does not call for any provision there-against.

18. Advances for Investments

One of the subsidiary companies has given an amount of Rs. 7,486 thousand (US\$ 167,653) on behalf of a company in Ghana, which is yet to be incorporated and Rs. 48,955 thousand (US\$ 1,096,410) to Spice VAS Tanzania Limited (together "African Companies"). These advances are made by way of payment through cheque and for procurement of computer hardware on their behalf. These African companies are currently owned and controlled by a director/shareholder of the subsidiary.

The subsidiary is in the process of finalizing Sale and Purchase Agreement with the director/shareholder to acquire a majority stake in Spice VAS Tanzania Limited. The negotiations are in the final stage after which the shareholding pattern will be finalized and shares will be allotted accordingly.

19. Change in useful life of Leasehold Improvements

With effect from July 1, 2010, three subsidiary companies have reassessed the useful life of depreciating the cost of leasehold improvements to three years or unexpired lease period, whichever is earlier from hitherto followed practice of depreciating the same over a period of five years or unexpired lease period, whichever was earlier. Due to the above reassessment, depreciation for the year is higher by Rs. 50,646 thousand.

20. In respect of few vendors for operating cost of a subsidiary company, the agreement in respect of VAS charges has not yet been finalized. In the absence of the same, the subsidiary company has made provision of Rs. 165,409 thousand based on its estimate. The difference between the amount provided for and final settlement amount, which is not expected to be material, would be accounted for as and when the agreement is entered into with these parties.
21. The Parent Company and one of its subsidiaries has entered into a brand licensing agreement with licensed owner of the Brand, pursuant to which certain expenses promoting the brand like sponsorship of major tournaments, TV commercial and Media spends etc. have been agreed to be undertaken by said licensor. Accordingly, an amount of Rs. 315,918 thousand spent by the Parent Company and a subsidiary in brand promotion exercise during the six months period ended on September 30, 2010 has been recovered from the said licensor by debiting its accounts. With effect from October 1, 2010, such expenses have been borne directly by the licensor.
22. A subsidiary company has, during the year, incurred expenses of Rs. 8,171 thousand for the purpose of filing Draft Red Herring Prospectus with Securities Exchange Board of India. Such filing has been deferred. As a result, expenses incurred by the Company have been charged to the respective expense heads in the Profit and Loss Account.

24. Previous year comparatives

- i. Previous year's figures have been regrouped where necessary to conform to current year's classification.
- ii. Figures pertaining to the subsidiaries/joint venture have been reclassified wherever considered necessary to bring them in line with the Company's financial statements.
- iii. The financial statements incorporate the effect of the consolidation of the transferor company and its subsidiaries and joint venture w.e.f. January 1, 2010 (refer Note No. 6 above). Further, the group has acquired four subsidiaries, increased stakes in two subsidiaries (Refer Note No. 7 above) and disposed of a joint venture during the current year. Hence, the previous year figures are not strictly comparable with the figures in the current year.

Signatures to Schedules I to 26

As per our report of even date

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
 Chartered Accountants

per Anil Gupta
 Partner
 Membership No. 87921

Place : New Delhi
 Date : 30th May 2011

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

Dilip Modi
 Managing Director

Preeti Malhotra
 Executive Director & Company Secretary

Subroto Chattopadhyay
 Director

S. Murali
 Group President Finance

Manish Pengoriya
 Chief Financial Officer

S Mobility Limited (formerly Spice Mobility Limited)

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

Value in thousands (Rs.)

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	-	428,897	2,440,263	3,318,439	3,318,439	90,249	2,207,190	642,725	144,634	498,091	-	India
2	Hindustan Retail Pvt. Ltd.	INR	-	596,100	(14,132)	2,428,419	2,428,419	-	-	(4,941)	-	(4,941)	-	India
3	Kimaan Export Pvt.Ltd.	INR	-	200	(11,001)	111,523	111,523	-	-	(13,179)	-	(13,179)	-	India
4	Spice Retail Limited	INR	-	367,594	(1,395,360)	1,696,918	1,696,918	-	8,261,575	(124,089)	-	(124,089)	-	India
5	Spice Distribution Limited	INR	-	397,901	827,717	1,573,095	1,573,095	-	4,406,543	(93,125)	-	(93,125)	-	India
6	Mobisoc Technology Pvt. Limited	INR	-	100,100	(24,689)	84,490	84,490	20,000	67,625	14,143	(900)	15,043	-	India
7	Spice Labs Pvt. Limited	INR	-	500	(10,374)	97,677	97,677	-	20,686	(11,283)	-	(11,283)	-	India
8	Spice Mobile VAS Pre. Ltd.	SGD	35.88	263,201	(16,300)	280,720	280,720	-	12,494	(6,357)	-	(6,357)	-	Singapore
9	Cellucum Retail India Pvt. Ltd.	INR	-	200,000	(469,837)	136,474	136,474	-	1,244,541	(58,885)	-	(58,885)	-	India
10	Spice VAS (Africa) Pre. Ltd.	SGD	35.88	67,690	(31,237)	152,952	152,952	-	-	(25,929)	-	(25,929)	-	Singapore
11	Beoworld Sdn. Bhd.	MYR	14.98	5,198	19,951	32,729	32,729	-	48,565	21,372	3	21,369	-	Malaysia
12	Spice VAS Kenya Ltd.	KSH	0.55	55	(23,600)	24,248	24,248	-	3,725	(21,402)	(10,388)	(11,014)	-	Kenya
13	Spice Digital Nigeria Ltd.	Naira	0.29	2,900	(8,837)	19,826	19,826	-	10,619	(8,351)	(486)	(8,837)	-	Nigeria
14	Spice VAS Uganda Ltd.	UGX	0.02	20	(3,308)	7,174	7,174	-	30	(3,308)	-	(3,308)	-	Uganda

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

Dilip Modi
Managing Director

Subroto Chattopadhyay
Director

Manish Pengoriya
Chief Financial Officer

Preeti Malhotra
Executive Director & Company Secretary

S. Murali
Group President Finance

Place : New Delhi
Dated : 30th May 2011

LIST OF CLUSTER OFFICES

NOIDA	S Mobility Limited S Global Knowledge Park, 19A & 19B, Sector-125, Noida-201301 delhicluster@spicemobile.in
JAIPUR	S Mobility Limited A-828-B, Frontier Colony, Opp-Indian Oil Office, Adarsh Nagar, Jaipur-302004 jaipurcluster@spicemobile.in
KOLKATA	S Mobility Limited 146-S. P. Mukherjee Road, Kolkata-700026 kolkatacluster@spicemobile.in
MUMBAI	S Mobility Limited Boomerang Building, B-Wing, 1st Floor, Chandivali Farm Road, Chandivali, Near Oberoi Garden, Andheri(E), Mumbai-400072 mumbaicluster@spicemobile.in
BHUBANESHWAR	S Mobility Limited D-1, Center Point, Plot No-501, Kharvel Nagar, Sriya Talkies, Bhubaneshwar: 751001 bhubaneshwercluster@spicemobile.in
CHENNAI	S Mobility Limited MLS Business Centre, Kuppu Arcade, 6th Floor, No-603, NO:4, Venkatnarayana Road, T. Nagar, Chennai-600017 chennaicluster@spicemobile.in
BANGALORE	S Mobility Limited Vatika Business Centre, 11, Divyashree Chambers, 2nd Floor, Wing-A, O'shaugnessy Road, Longford Road, Bangalore-560025 bangalorecluster@spicemobile.in

Industry Recognition with National & International Awards

Product of the year award 2011
Premium Phones - Spice S- 1200

Product of the year award 2011
Value Mobiles - Spice View D (M-67 3D)

Best mGovernance Initiative Award
at eWorld Public Choice Awards 2011 for 'Rail Yatra'

Innovation in mLearning
at Aegis Graham Bell Awards 2011

Innovation in mEntertainment
at Aegis Graham Bell Awards 2011

Mobile Messaging Awards 2011
for SMS 139 Railway Enquiry by 160 Characters Association

Excellence in New Media initiative
received by Mirchi Mobile at India Radio Forum Awards 2011

Golden Peacock Innovation Award 2010

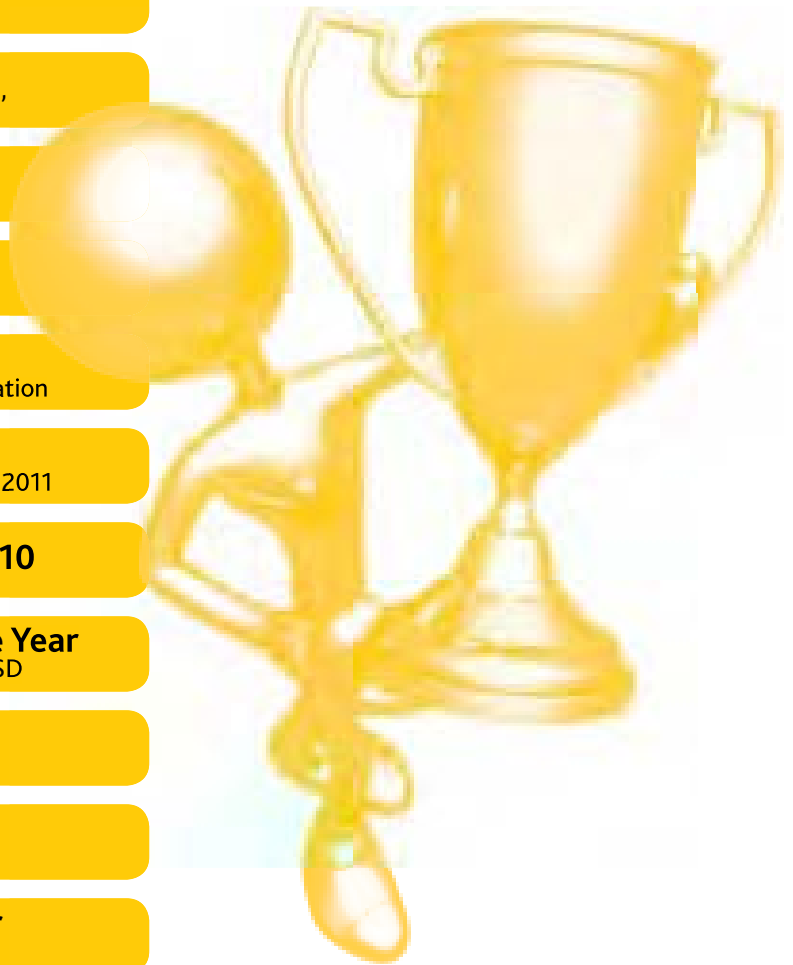
ICT in Financial Inclusion Initiative of the Year
at eIndia 2010 Awards for SBI Mobile Banking on USSD

Best Mobile Application Award
at Indian Digital Media Awards 2010 for BigFlix.

Best Project in M Travel & Tourism
at mBillionth Awards 2010 for SMS 139

M-Governance Initiative of the Year
at eINDIA 2009 for our railway SMS service

Best Music Service Award
received by Airtel at Asia Mobile Awards 2008 for Music on Demand Service



spice

Innovation in Mobile Internet...



Welcome to the vast and vibrant world of Spice Digital - your one-stop shop for all VAS solutions. We operate across all spheres of the VAS domain. From music to social networking to enterprise solutions, we have a bouquet of new services catering to the requirements of approximately 50 million subscribers. Our services and packages can also be customised to suit the requirements of your target audience. So spice up your mobile service and delight your customers.

For more information, please visit www.spicedigital.in



Music Domain

Rock your world with ringtones, background music and mobile radio



Social Networking

Stay in touch with all your online friends with multiple social networking sites



Astro and Devotional

Reach out with Astrology and Devotional services on mobile



Education

Keep learning with language education, counseling, infotainment & more



Rural Zone

Get information on animal husbandry, commodity rates, weather, regional music & online talk



SMS Service

Get ahead with our 139 service, bulk sms & short code services



3G

Enjoy next generation fun with Video on Demand, Video portal & more



M-Governance

Now get all Rail Information on your mobile, through SMS 139



Mobile Advertising

Get creative with innovative solutions as well as quizzes and contests



Mobile Banking

Carry your bank with you with our mobile applications for GPRS phones



S Mobility Ltd.

S Global Knowledge Park, 19A & 19B, Sector - 125, Noida - 201301, Uttar Pradesh, India.

S Mobility Limited

(Formerly Spice Mobility Limited)

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

NOTICE

Notice is hereby given that the Twenty-Third Annual General Meeting of S Mobility Limited will be held on Wednesday, 28th day of September, 2011 at 'Spice World', I-2, Sector-25A, Noida-201 301, U.P. at 10:30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011, and the Profit & Loss Account for the 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 31st March 2011.
3. To consider and appoint a Director in place of Mr. Dilip Modi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and appoint a Director in place of Mr. Subroto Chattopadhyay, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and appoint 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., Chartered Accountants, 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 Ms. Divya Modi, 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 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing, along with requisite deposit under Section 257 of the Act, proposing her 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. Devendra Raj Mehta, 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 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing, along with requisite deposit under Section 257 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Thomas Henrik Zilliacus, 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 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing, along with requisite deposit under Section 257 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Saurabh Srivastava, 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 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing, along with requisite deposit under Section 257 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
10. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT in partial modification of the special resolution passed in the Annual General Meeting of the Company held on 29th September, 2010 and subject to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act (including any notification(s) or re-enactment thereof, for the time being in force) and such other approvals including Central Government, if required, the consent of the Company be and is hereby accorded to revise the terms of remuneration of Mr. Dilip Modi, Managing Director of the Company w.e.f. 1st April, 2011 as per the following details for the remaining term of his appointment as Managing Director of the Company:

Basic Salary (Including Special Allowance):

Rs. 3,00,00,000/- per annum.

RESOLVED FURTHER THAT all other terms and conditions, including Bonus, Perquisites & other allowances and participation in the Employee Stock Option Scheme, Employee Stock Purchase Scheme, Employee Benefit Scheme or any other such scheme as may be formulated by the Company or any Employee Benefit Trust, as approved by the special resolution passed by the Members on 29th September, 2010 shall remain unchanged.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorized to vary the terms and conditions of appointment including the remuneration payable to Mr. Modi upto an amount not exceeding 20% of the Basic Salary on yearly basis provided however that such remuneration shall not exceed the maximum limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be made from time to time.

RESOLVED FURTHER THAT pursuant to paragraphs (B) and (C) of Section II (I) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company be and is hereby authorized to pay the abovementioned remuneration as minimum remuneration to Mr. Dilip Modi, Managing Director for that financial year, in which there is inadequacy or absence of profits during his remaining tenure from the effective date of his appointment i.e. 24th April, 2010, subject to the approval of the Central Government as may be necessary.

RESOLVED FURTHER THAT Mr. Dilip Modi shall continue to hold office of Managing Director if he is reappointed as Director immediately after the retirement by rotation and reappointment shall not be deemed to constitute a break in his appointment as Managing Director.

RESOLVED FURTHER THAT the Board of Directors or Committee thereof be and is hereby authorized to take all such steps as may be considered necessary, proper or expedient in order to give effect to the above resolution.”

11. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“**RESOLVED THAT** in partial modification of the special resolution passed in the Annual General Meeting of the Company held on 29th September, 2010 and subject to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act (including any notification(s) or re-enactment thereof, for the time being in force) and such other approvals including Central Government, if required, the consent of the Company be and is hereby accorded to revise the terms of remuneration of Ms. Preeti Malhotra, Executive Director of the Company w.e.f. 1st April, 2011 as per the following details for the remaining term of her appointment as Executive Director of the Company:

Basic Salary (Including Special Allowance): Rs. 84,00,000/- per annum.

Bonus: Such sum as may be decided by the Board of Directors or any Committee thereof but not exceeding Rs. 60,00,000/- per annum, based on achievement of such performance parameters as may be laid down by the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT all other terms and conditions, including Perquisites & other allowances and participation in the Employee Stock Option Scheme, Employee Stock Purchase Scheme, Employee Benefit Scheme or any other such scheme as may be formulated by the Company or any Employee Benefit Trust, as approved by the special resolution passed by the Members on 29th September, 2010 shall remain unchanged.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorized to vary the terms and conditions of appointment including the remuneration payable to Ms. Malhotra upto an amount not exceeding 20% of the Basic Salary and Bonus on yearly basis provided however that such remuneration shall not exceed the maximum limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be made from time to time.

RESOLVED FURTHER THAT pursuant to paragraphs (B) and (C) of Section II (I) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company be and is hereby authorized to pay the abovementioned remuneration as minimum remuneration to Ms. Preeti Malhotra, Executive Director for that financial year, in which there is inadequacy or absence of profits during her remaining tenure from the effective date of her appointment i.e. 24th April, 2010, subject to the approval of the Central Government as may be necessary.

RESOLVED FURTHER THAT Ms. Preeti Malhotra shall continue to hold office of Executive Director if she is reappointed as Director immediately after the retirement by rotation and reappointment shall not be deemed to constitute a break in her appointment as Executive Director.

RESOLVED FURTHER THAT the Board of Directors or Committee thereof be and is hereby authorized to take all such steps as may be considered necessary, proper or expedient in order to give effect to the above resolution.”

12. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the consent of the Members of the Company be and is hereby accorded to substitute the existing Clause 149 of the Articles of Association of the Company with the following Clause:

Clause 149: Declaration of Dividend

- a) The Company in General Meeting may declare dividend to be paid to the Member(s) other than the Member(s) who have waived/foregone their right to receive dividend (either interim and/or final) but no dividend so declared shall exceed the amount recommended by the Board.
- b) Shareholders may waive/forgo the right to receive the dividend (either final and/or interim) to which they are entitled, on some or all of the Equity Shares held by them in the Company as on the Record Date/Book Closure Date fixed for determining the names of Members entitled for such dividend. However, the Shareholder(s) cannot waive/forgo the right to receive the dividend (either final and/or interim) for a part of percentage of dividend on share(s).

- c) The right of Shareholder to waive/forgo the right to receive the dividend for any year shall be voluntary and the same will be irrevocable after the Record Date / Book Closure Date fixed for the payment of such dividend.

RESOLVED FURTHER THAT the Board of Directors or a Committee duly authorized by the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things as may be considered necessary to give effect to this Resolution.”

**By Order of the Board
For S Mobility Limited**

**(Preeti Malhotra)
Executive Director & Company Secretary**

Date : 2nd September, 2011

Place : New Delhi

NOTES:

1. An Explanatory Statement as required pursuant to Section 173(2) of the Companies Act, 1956 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 22nd day of September 2011 to 28th day of September 2011 (both days inclusive).
5. The dividend as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear in the Register of Members as on 28th September, 2011 after giving effect to all valid transfers in physical form lodged on or before 21st September 2011 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 close of business hours on 21st September, 2011.
6. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form 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 form 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 form will not be automatically applicable to shares held in dematerialized form. 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.
8. Members holding shares in physical form 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 amended provisions of the Companies Act, 1956.

Members holding shares in dematerialized (electronic) form are requested to intimate the aforesaid changes directly to their Depository Participant, as applicable.
9. Pursuant to the requirements on Corporate Governance 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.

10. Members desiring any information with regard to Accounts/Reports are requested to submit their queries addressed to the Company Secretary at least 10 days in advance of the meeting so that the information called for can be made available at the Meeting.
11. All documents 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.
12. As part of its Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011 dated 21st April 2011 and 29th April 2011 respectively has allowed companies to send various notices/ documents to their Members through electronic mail. Recognising the spirit of the circulars issued by the MCA, we henceforth propose to send various documents including Annual Report comprising of Notice, Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Reports, etc. to 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 to them on their preferred email address.
13. The Annual Report of the Company for the year 2010-11 circulated to the Members of the Company is available on the Company's website, viz. www.spice-mobile.com.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Ms. Divya Modi was appointed as an Additional Director of the Company by the Board of Directors on 4th November, 2010 and holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act"). A Notice under Section 257 of the Act, 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 Ms. Divya Modi for appointment as a Director of the Company. It will be in the best interest of the Company if she is appointed as a Director liable to retire by rotation.

No Director, other than Ms. Divya Modi herself, Dr. Bhupendra Kumar Modi and Mr. Dilip Modi, who are relatives of Ms. Divya Modi, is in any way concerned or interested in this Resolution.

Item No. 7

Mr. Devendra Raj Mehta was appointed as an Additional Director of the Company by the Board of Directors on 4th November, 2010 and holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act"). A Notice under Section 257 of the Act, 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. Devendra Raj Mehta 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. Devendra Raj Mehta, is in any way concerned or interested in this Resolution.

Item No. 8

Mr. Thomas Henrik Zilliacus, was appointed as an Additional Director of the Company by the Board of Directors on 4th April, 2011 and holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act"). A Notice under Section 257 of the Act, 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. Thomas Henrik Zilliacus 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. Thomas Henrik Zilliacus, is in any way concerned or interested in this Resolution.

Item No. 9

Mr. Saurabh Srivastava was appointed as an Additional Director of the Company by the Board of Directors on 30th May, 2011 and holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 ("the Act"). A Notice under Section 257 of the Act, 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. Saurabh Srivastava 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. Saurabh Srivastava, is in any way concerned or interested in this Resolution.

Item No. 10

Mr. Dilip Modi was appointed as Managing Director of the Company for a period of 3 years by the Board of Directors on 24th April, 2010 and his appointment and the terms of remuneration as Managing Director of the Company was approved by the members of the Company in the Annual General Meeting held on 29th September, 2010

The Board of Directors in their meeting held on 6th August, 2011, on the recommendation of Remuneration Committee and subject to the approval of the Members of the Company, approved the revised terms of remuneration of Mr. Dilip Modi for the remaining term of

his appointment as Managing Director of the Company w.e.f. 1st April, 2011 as specified in the Resolution for item no. 10 of the Notice. Any further increase or variation in future, in the remuneration payable to Mr. Modi shall be finalized by the Board or any Committee thereof and shall also be subject to the overall ceilings prescribed under the Companies Act, 1956.

Where in any financial year, during the tenure of Mr. Modi as Managing Director of the Company, the Company has no profits or its profits are inadequate, the aforesaid remuneration including bonus, perquisites, allowances etc. shall be minimum remuneration subject to such approval(s), as may be required.

Although your Company has achieved growth and profit from operations in the previous financial years and is expected to earn profits in the future years also, it is proposed to approve the above in order to enable the Company to pay the remuneration to its Managing Director in the eventuality of loss/inadequacy of profits. However, if the total remuneration to be paid by way of salary, bonus exceeds the ceiling specified in Clause 1, Section II of Part II of Schedule XIII of the Companies Act (excluding the perquisites provided in Clause 2, Section II of Part II of Schedule XIII of the said Act or such other amount and perquisites as may be provided in the said Schedule XIII), it shall be payable subject to the approval of Central Government.

This explanatory statement together with the accompanying Notice should be treated as an abstract of the terms and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

No Director, other than Mr. Dilip Modi himself, Dr. Bhupendra Kumar Modi and Ms. Divya Modi, who are relatives of Mr. Dilip Modi, is in any way concerned or interested in this Resolution.

The information as required under Schedule XIII Part II Section II (I)(B)(iv) and (C)(iv) is given after the explanatory statement for Item No. 11.

The Board recommends the resolution for your approval.

Item No.11

Ms. Preeti Malhotra was appointed as an Additional Director and designated as Executive Director of the Company by the Board of Directors on 24th April, 2010 and her appointment and the terms of remuneration as Executive Director of the Company was approved by the members of the Company in the Annual General Meeting held on 29th September, 2010.

The Board of Directors in their meeting held on 6th August, 2011, on the recommendation of Remuneration Committee and subject to the approval of the Members of the Company, approved the revised terms of remuneration of Ms. Preeti Malhotra for the remaining term of her appointment as Executive Director of the Company w.e.f. 1st April, 2011 as specified in the Resolution for item no. 11 of the Notice.

Any further increase or variation in future, in the remuneration payable to Ms. Malhotra, shall be finalized by the Board or any Committee thereof and shall also be subject to the overall ceilings prescribed under the Companies Act, 1956.

Where in any financial year, during the tenure of Ms. Malhotra as Whole Time Director of the Company, the Company has no profits or its profits are inadequate, the aforesaid remuneration including bonus, perquisites, allowances etc. shall be minimum remuneration subject to such approval(s), as may be required.

Although your Company has achieved growth and profit from operations in the previous financial years and is expected to earn profits in the future years also, it is proposed to approve the above in order to enable the Company to pay the remuneration to its Whole Time Director in the eventuality of loss/inadequacy of profits. However, if the total remuneration to be paid by way of salary, bonus exceeds the ceiling specified in Clause 1, Section II of Part II of Schedule XIII of the Companies Act (excluding the perquisites provided in Clause 2, Section II of Part II of Schedule XIII of the said Act or such other amount and perquisites as may be provided in the said Schedule XIII), it shall be payable subject to the approval of Central Government.

This explanatory statement together with the accompanying Notice should be treated as an abstract of the terms and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

No Director, other than Ms. Preeti Malhotra, is in any way concerned or interested in this Resolution.

The information as required under Schedule XIII Part II Section II (I)(B)(iv) and (C)(iv) is given below.

The Board recommends the resolution for your approval.

Item No.12

By virtue of Section 36 of the Companies Act, 1956, the Articles operate as contract between the Company and its Shareholders. Even though the Companies Act does not specifically require any provision in the Articles of Association for a waiver/foregoing of dividend, the Board of Directors of the Company, as a matter of good Corporate Governance, has proposed the amendment in the Articles of Association of the Company so as to include a right by the Shareholders of the Company to waive/forego the dividend.

A copy of the Memorandum and Articles of Association as on date and also the amended Articles of Association is available 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.

The proposed substitution of Clause 149 of Articles of Association of the Company requires the approval of the members in the General Meeting. The Board recommends the passing of the resolution as a Special Resolution.

None of the Directors are in any way concerned or interested in the passing of this Resolution.

Pursuant to Item No. 10 and 11 above, the information as required under Schedule XIII Part II Section II (1)(B)(iv) and (C)(iv) is given below:

I. GENERAL INFORMATION

(1)	Nature of industry :	Mobile Devices		
(2)	Date or expected date of commencement of commercial production :	Not Applicable (The Company is an existing Company)		
(3)	In case of new Companies expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:	Not Applicable		
(4)	Financial performance based on given indicators :	Rs. in lacs		
	Particulars	For the year ended 31st March 2011	For the year ended 31st March 2010	For the fifteen months period ended 31st March 09
	Total Income	96,819.52	104,829.30	67,782.32
	Profit before Tax	9,345.61	10,719.94	156.66
	Profit after Tax	7,812.54	7,050.82	102.60
(5)	Export performance and net foreign exchange collaborations /Earnings:	The Company had foreign exchange earnings of Rs.720.62 lacs during the financial year April 1, 2010, to March 31, 2011.		
(6)	Foreign investments or collaborators, if any.	There is no foreign collaboration in the Company. The total foreign holding in the share capital of the Company as on 30 th June, 2011 was as under: Foreign Holders No. of equity Shares (%) 95 9650666 (4.05%)		

II. INFORMATION ABOUT THE APPOINTEE:

	Mr. Dilip Modi	Ms. Preeti Malhotra
1. Background details	The background details of Mr. Dilip Modi are given in Directors' Profile.	The background details of Ms. Preeti Malhotra are given in Directors' Profile.
2. Past remuneration	Basic Salary (including Special Allowance) of Rs.250 lacs for the financial year 2010-11.	Basic Salary (including Special Allowance) of Rs. 70 lacs plus Bonus of Rs. 50 lacs for the financial year 2010-11.
3. Recognition or awards	The recognition or awards are specified in the respective Director's Profile.	
4. Job profile and its suitability	Mr. Modi being the Managing Director of the Company is responsible for leading S Mobility's business operations, strategic alliance initiatives and leveraging growth opportunities. Given the profile of Mr. Modi, his experience and expertise, it is imperative that he draws the remuneration as proposed.	Ms. Malhotra, Executive Director & Company Secretary has over 21 years of varied experience in the fields of secretarial, legal, taxation and corporate affairs. Given her qualification, profile and experience, Ms. Malhotra is best suited for such remuneration.
5. Remuneration proposed	As per details in the Resolution no. 10.	As per details in the Resolution no.11.
6. Comparative remuneration profile with respect to industry, size of the Company, profile of position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration payable to the appointees has been benchmarked with the remuneration being drawn by similar positions in the companies of comparable scale in the industry and has been approved by Remuneration Committee and Board of Directors of the Company.	
7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	Mr. Modi is one of the promoters of the Company. There is no other pecuniary relationship directly or indirectly with the Company except to the extent of his shareholding in the Company and as a relative of Dr. Bhupendra Kumar Modi and Ms. Divya Modi who are on the Board of the Company.	Ms. Malhotra has no pecuniary relationship directly or indirectly with the Company except to the extent of her shareholding in the Company.

III. OTHER INFORMATION

(1) Reasons of loss or inadequate profits (2) Steps taken or proposed to be taken for improvement (3) Expected increase in productivity and profits in measurable terms.	The Company has achieved profits from its operation during the year and it is expected to earn profits in the future years also. This is an enabling provision for payment of remuneration in the scenario of loss/ inadequacy of profits.
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IV. DISCLOSURE

- (1) The shareholders of the Company shall be informed of the remuneration package of the Managerial Person: This information has been furnished above.
- (2) The following disclosures shall be mentioned in the Board of Directors' Report under the heading 'Corporate Governance' if any, attached to the Annual Report:
 - i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors: This has been fully covered under the Corporate Governance Report.
 - ii) Details of fixed component and performance linked incentives along with the performance criteria: Performance criteria are based on the net profits as specified under the Companies Act, 1956 and Schedule XIII of the said Act and the performance of the WTDs as may be determined by the Board from time to time.
 - iii) Service Contracts, notice period, severance fees: There is no severance fee and the employment may be terminated by either side on three months notice or on payment of three months salary in lieu thereof. All other terms and conditions of employment will be as per the service rules of the Company as applicable from time to time.
 - iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: Not applicable.

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 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 Chairman/ Membership of the Committees:

Name of the Director	Mr. Dilip Modi	Mr. Subroto Chattopadhyay	Ms. Divya Modi	Mr. Devendra Raj Mehta	Mr. Thomas Henrick Zilliacus	Mr. Saurabh Srivastava
Date of Birth	12 th March, 1974	4 th September, 1958	29 th January, 1983	25 th June, 1937	15 th March, 1954	4 th March, 1946
Date of Appointment	21 st August, 2006	24 th April, 2010	4 th November, 2010	4 th November, 2010	4 th April, 2011	30 th May, 2011
No. of shares held (As on 30.06.2011)	10 lacs	Nil	Nil	Nil	Nil	Nil
List of Directorship in Companies (other than S Mobility Limited) as on 30.06.2011	<ul style="list-style-type: none"> • Spice i2i Ltd. • Spice Distribution Ltd. • Spice Digital Ltd. • Spice Global Investments Pvt. Ltd. • Spice Retail Ltd. • Mobisoc Technology Pvt. Ltd. • Bharat BPO Services Ltd. • Spice Investments and Finance Advisors Private Ltd. • Spice Labs Private Ltd. 	<ul style="list-style-type: none"> • Audit Bureau of Circulations Ltd. • Plus Paper Foodpac Ltd. • Spice Digital Ltd. • Spice Retail Ltd. • Spice Distribution Ltd. • Peninsula Publications and Studio Pvt. Ltd. • Peninsula Beverages and Foods Pvt. Ltd. 	<ul style="list-style-type: none"> • Spice i2i Ltd. • Spice Global Investments Pvt. Ltd. • Spice BPO Services Ltd. • Bharat IT Services Ltd. • S Corp (Europe) Ltd. • G.M. Modi Hospital Corporation Pvt. Ltd. • Diacolor Pte. Ltd. • Affinity Capital Pte. Ltd. 	<ul style="list-style-type: none"> • Poly Medicare Ltd. • Jain Irrigation Systems Ltd. • Spice Retail Ltd. • JMC Projects India Ltd. • Glenmark Pharmaceuticals Ltd. • Glenmark Generics Ltd. • Atul Rajasthan Date Pvt. Ltd. 	<ul style="list-style-type: none"> • Spice i2i Ltd. • YuuZoo Corporation • Yuupay Management Pte. Ltd. • Mobile FutureWorks Inc. • Asia-Pacific Strategic Alliances Group Inc. • YuuZoo Content Management Pte. Ltd. • YuuZooNow! Pte. Ltd. 	<ul style="list-style-type: none"> • Ascendant Consultancy Services Pvt. Ltd. • Infinity Technology Investment Pvt. Ltd. • Kaleidoscope Entertainment Pvt. Ltd. • Infinity Technology Trustee Pvt. Ltd. • Media Lab Asia Pvt. Ltd. • Sanshadow Consultants Pvt. Ltd.

Name of the Director	Mr. Dilip Modi	Mr. Subroto Chattopadhyay	Ms. Divya Modi	Mr. Devendra Raj Mehta	Mr. Thomas Henrick Zilliacus	Mr. Saurabh Srivastava
	<ul style="list-style-type: none"> • G.M. Modi Hospital Corporation Private Ltd. • Hindustan Retail Private Ltd. • Spice VAS (Africa) Pte.Ltd. • S Global Holdings Pte.Ltd. • Spice-CSL Pte. Ltd. • Spice Mobile VAS Pte. Ltd. • Anytime Learning Pvt Ltd. • Beoworld Sdn. Bhd. • Affinity Capital Pte. Ltd. • PT Selular Global Net • PT Selular Media Infotama • PT Metrotech Jaya Komunika Indonesia • PT Metrotech Makmur Sejahtera 		<ul style="list-style-type: none"> • PT Selular Global Net • PT Selular Media Infotama • PT Metrotech Jaya Komunika Indonesia • PT Metrotech Makmur Sejahtera 		<ul style="list-style-type: none"> • YuuZoo T&S Pte. Ltd. • Piadivi Group Pte. Ltd. • Morningland Pte. Ltd. • OneCap Asia Pte. Ltd. 	<ul style="list-style-type: none"> • Vienova Technology Pvt. Ltd. • Rajasthan Projects Pvt. Ltd. • Indian Angel Network Services Pvt. Ltd. • Robhatah Robotic Solutions Pvt. Ltd. • Indian Innovations Holding MSME Pvt. Ltd. • CA (India) Technologies Pvt. Ltd. • Elara Securities (India) Pvt. Ltd. • Innovation Fund Trustee Pvt. Ltd. • IAN Mentoring and Incubation Services Pvt Ltd. • Rajasthan Asset Management Company Pvt. Ltd. • Infoedge (India) Ltd.
<p>Chairman/ Member of the Committee of the Board of Directors of Companies (other than S Mobility Limited) on which he/she is a Director as on 30.06.2011</p>	<p>Audit Committee Chairman</p> <ul style="list-style-type: none"> • Spice Distribution Limited <p>Member</p> <ul style="list-style-type: none"> • Spice Retail Ltd. • Spice Digital Ltd. <p>• Mobisoc Technology Private Limited</p> <p>Executive Committee Member</p> <ul style="list-style-type: none"> • Spice i2i Ltd. 	<p>Audit Committee Chairman</p> <ul style="list-style-type: none"> • Spice Digital Ltd. <p>Member</p> <ul style="list-style-type: none"> • Spice Retail Ltd. <p>• Spice Distribution Ltd.</p>	<p>Audit Committee Member</p> <ul style="list-style-type: none"> • Spice BPO Services Ltd. <p>Remuneration Committee Member</p> <ul style="list-style-type: none"> • Spice BPO Services Ltd. <p>Executive Committee Member</p> <ul style="list-style-type: none"> • Spice i2i Ltd. <p>Shareholders Value Enhancement Committee Chairperson</p> <ul style="list-style-type: none"> • Spice i2i Ltd. <p>Nominating Committee Member</p> <ul style="list-style-type: none"> • Spice i2i Ltd. 	<p>Audit Committee Chairman</p> <ul style="list-style-type: none"> • JMC Projects India Ltd. 	<p>Nominating Committee Chairman</p> <ul style="list-style-type: none"> • Spice i2i Ltd. <p>Shareholders Value Enhancement Committee Member</p> <ul style="list-style-type: none"> • Spice i2i Ltd. 	<p>Audit Committee Member</p> <ul style="list-style-type: none"> • Infoedge (India) Ltd.

S MOBILITY LIMITED

(Formerly Spice 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 Wednesday, the 28th day of September, 2011 at 10.30 a.m. at 'Spice World', 1-2, Sector-25A, 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

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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 Wednesday, the 28th day of September, 2011 at 10.30 a.m. at 'Spice World', 1-2, Sector-25A, 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, Directors' Reports and Auditors' Report thereon		
2. Declaration of Dividend on Equity Shares		
3. Re-appointment of Mr. Dilip Modi, Director retiring by rotation		
4. Re-appointment of Mr. Subroto Chattopadhyay, Director retiring by rotation		
5. Appointment of Auditors		
6. Appointment of Ms. Divya Modi		
7. Appointment of Mr. Devendra Raj Mehta		
8. Appointment of Mr. Thomas Henrik Zilliacus		
9. Appointment of Mr. Saurabh Srivastava		
10. Approval for revision of the Remuneration of Mr. Dilip Modi		
11. Approval for revision of the Remuneration of Ms. Preeti Malhotra		
12. Approval for alteration of Articles of Association		

Signed this _____ Day of _____ 2011

Specimen Signature of the Proxy _____

Please affix Rs 1/- Revenue Stamp
--

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

*Applicable for investors holding shares in electronic form.

S MOBILITY LIMITED

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Green Initiative in the Corporate Governance-Service of documents through electronic mode

Dear Members,

The Ministry of Corporate Affairs ('MCA') has taken a "Green Initiative in Corporate Governance" by allowing the companies to service the documents to its members through electronic mode. In accordance with the Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 issued by the said Ministry, the companies can now send various notices /documents including Annual Reports etc. to its members by electronic mail.

Recognising the spirit of the circulars issued by the MCA, we are now sending various documents including Annual Report comprising of Notice, Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Reports, etc. to the email addresses of the members made available to the Company by the Depositories (CDSL/NSDL) or registered by the members directly with the Company.

In case you wish to receive future communication in electronic mode, kindly register your email address by sending the "E-communication Registration Form" (given below) duly filled and signed to the RTA of the Company M/s **MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020**; Tel: (011) 26387281/82/83 or at the Registered Office of the Company at **S Global Knowledge Park, 19A & 19B, Sector 125, Noida, District Gautam Budh Nagar, U.P. - 201301**.

Please note that as a Member of the Company you will be entitled to receive all such communication in physical form, upon request.

Thanking you.

Yours faithfully,

For S Mobility Limited

Preeti Malhotra

Executive Director & Company Secretary

S MOBILITY LIMITED

(Formerly Spice Mobility Limited)

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

E-COMMUNICATION REGISTRATION FORM

I agree to receive all communication from the Company in electronic mode. Please register my email ID in your records for sending communication through email as per the details given below:

Folio No.

(For shares held in physical mode) :

DP ID :

Client ID :

Name of First Registered Holder :

Registered Address :

:

:

Email ID of the First Registered Holder :

Date:

Signature of the First Registered Shareholder

Important Notes:

- 1) On registration, all the communication will be sent to the Registered email ID.
- 2) Members are requested to keep informed as and when there is any change in their email addresses to their Depository Participant(s) 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.