

Spice Communications Limited

All Indian currency amounts are in Rupees millions unless otherwise stated

Notes to unaudited financial results for the quarter ended 30 June 2008

1. The above results were reviewed by the Audit Committee and approved by the Special Committee of the Board of Directors formed under Clause 41 of the Listing Agreement at their meeting held on 30 July 2008. The results for the quarter ended 30 June 2008 and for the six months ended 30 June 2008 have been reviewed by the statutory auditors. Since the Company was listed only on 19 July 2007, the corresponding prior period figures i.e quarter ending 30 June 2007 and for the six months ended 30 June 2007 have not been subjected to audit/ review by the auditors as required by clause 41 of the listing agreement. Accordingly these numbers have been presented only for comparative purposes.
2. On 25 June 2008, MCorpGlobal Communications Private Limited ('MCPL') (previously known as Modi Wellvest Private Limited), has entered into a Share Purchase Agreement with Idea Cellular Limited (or 'Idea') for sale of entire equity shares of the Company held by MCPL (281,489,350 equity shares) to Idea representing 40.8% of the total paid up equity capital of the Company at a price of Rs. 77.30 per share. Consequently Idea Cellular Limited vide a letter dated 25 June 2008 has confirmed to the Board of the Company that they shall be the new promoters of the Company and comply with lock-in restrictions to the extent applicable. Idea along with certain Persons Acting in Concert have made a Public Announcement to the other equity shareholders of the company to further acquire 137,985,050 equity shares of Rs. 10 each at a price of Rs. 77.30 per share pursuant to the applicable provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

The existing Shareholders Agreement dated 10 March, 2006 between TM International Sdn Bhd, Modi Wellvest Private Limited, Super Infosys Private Limited, MCorpGlobal Private Limited, Indian Televentures Private Limited, Orion Telecom Limited and Spice Communications Private Limited as amended stands terminated pursuant to termination Agreement dated 25 June 2008.

3. The Company currently is in the business of providing cellular services in the states of Punjab and Karnataka. During the quarter ended 31 March 2008, the Company had signed license agreements with Department of Telecommunications (DoT) for commencing GSM operations in four additional circles viz Delhi, Haryana, Maharashtra and Andhra Pradesh and holds licenses for these circles effective 25 January 2008. The Company had paid license fee amounting to Rs.4,845 for acquiring licences in additional four circles and Rs. 50 (WDV as at 30 June 2008 being Rs. 47) for licences of National/International Long Distance operations and accounted for the same as Capital work in progress and intangible asset respectively.

The members of the Board of the Company have considered the proposal for the merger of the Company with Idea in its board meeting held on 25 June 2008. As envisaged by the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations"), the actual transfer and delivery of the said shares, presently lying with HSBC Escrow Depository Participant A/c – Idea Cell, to Idea will be affected on completion of the public offer formalities. The merger will be completed thereafter on the receipt of all necessary approvals. Accordingly, the Company as well as Idea has filed the intimation with DoT with respect to change in shareholding and proposed merger between Idea and the Company. In the intimation, the Company has stated that if the merger does not take place within a year and such surrender is required by DOT, it would be willing to surrender its new licenses for the Maharashtra, Andhra Pradesh, Delhi and Haryana circles, as required by revised merger and acquisition guidelines of 22 April 2008. The Company is awaiting DOT's response in this regard.

4. In the opinion of the management, the dominant source and nature of risks and returns for the Company is from operations of cellular telephony business and the NLD/ILD operations mentioned above. However in terms of Accounting Standard 17-'Segment Reporting', the Company has only one reportable segment, being the cellular telephony business. The Company has not disclosed segment information in this statement; since per the clause 41 of listing agreement, the said disclosure is only mandatory if the Company has more than one reportable segment.

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5. a) Exceptional items include the following:

Sale of passive infrastructure to SREI Infrastructure Limited	626.95
Repairs and maintenance and incremental cost incurred on passive infrastructure sold earlier.	(362.98)
Due diligence expenditure related to sale of passive infrastructure	(48.61)
Expenditure incurred in relation to new licenses for 20 circles *	(58.39)
Ex-gratia payment to certain employees/ consultants (refer to note b below) *	(216.00)
Call centre and other support services (refer to note c below)- exclusive of service tax *	(239.16)
Unamortised loan origination cost on prepayment of DBS INR loan	(134.84)
Total Exceptional items	(433.03)

* Transactions pursuant to proposed restructuring in note 2 above.

- (b) During the current quarter, ex-gratia payment of Rs. 216 to certain employees/ consultants is approved by the board in the meeting held on 25 June 2008 and the same has been provided in the current quarter.
- (c) During the previous financial year, the Company had entered into the contract with a related party (or 'the party') whereby the party would provide call centre and other support services for prepaid and post-paid subscribers to the Company. Per the agreement and subsequent amendments/ waivers, the party did not charge any service fee for a period from 1 March 2007 to 31 March 2008. During the current quarter, on account of present restructuring proposal of the Company, and at the party's request the Company has accrued liability to pay Rs. 239.16 (exclusive of service tax) for the period 1 July 2007 to 31 March 2008. The same has been approved by the board of the Company.
- (d) The Company has charged off unamortised loan origination cost amounting to Rs. 134.84 pursuant to the prepayment of INR loan amounting to Rs. 5,924.32.
6. The Company was computing the license fee and spectrum charges on Adjusted Gross Revenue ('AGR') based on the Telecom Dispute Settlement Appellate Tribunal ('TDSAT') order dated 30 August 2007 and the Company's understanding of the definition of AGR prior to this TDSAT order. However, DoT had vide its appeal dated 08 January 2008 filed a petition before Supreme Court against the tribunal order dated 30 August 2007. The Honourable Supreme Court had ordered service providers to file a counter affidavit and has also ordered the operators not to make any adjustments from the date of the order. No developments have taken place in the current quarter. In the event that Supreme Court's order is adverse i.e. DOT's view on this matter is upheld, the Company will have to accrue for license fee and spectrum charges amounting Rs.48.02 for the current period, Rs. 597.15 for the year ended 31 December 2007 and Rs. 77.29 for the periods before that. Since the matter is subjudice, based on legal opinion obtained in this regard and based on the evaluation of this matter, Company has not accounted for any such liability in the current period.
7. During the current period, Company had received 26 investor complaints and all the complaints were resolved. There were no unresolved complaints, both at the beginning and at the end of the period.

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8. The details of funds received from initial public offer ('IPO') of Rs. 6,322.44 (including share premium) and utilisation of such funds are given below:

Particulars	To be financed through IPO proceeds as per Prospectus	Actual utilisation till 30 June 2008
Funds received		6,322.44
Utilization		
(i) Part payment of long term debt	3,161.22	3,161.22
(ii) Payment of license fee for NLD and ILD and related capital expenditure	636.00	636.00
(iii) Payment to vendor(s) for network equipment and other capital expenditure	1,776.33	1,465.76
(iv) General corporate expenses and issue expense	748.89	601.95
Total utilisation	6,322.44	5,864.93
Balance of unutilised funds out of IPO funds, details of which are given below:		457.51
Investments in fixed deposits (including margin money)		457.51

9. The previous financial year figures have been regrouped / re-arranged wherever necessary to make them comparable.

For and on behalf of the Board of
Spice Communications Limited

(Mahesh Prasad)
Director

Place: NOIDA
Date: 30th July 2008