

Spice Communications Limited

All Indian currency amounts are in Rupees millions unless otherwise stated

Notes to unaudited financial results for the quarter and nine months ended 30 September 2008

1. The above results were reviewed by the Audit Committee and adopted by the Board of Directors under Clause 41 of the Listing Agreement at their meeting held on 23 October 2008. The results for the quarter ended 30 Sept 2008 and for the nine months ended 30 Sept 2008 have been reviewed by the statutory auditors.
2. On 25 June 2008, Idea Cellular Ltd.(Idea) has entered into a Share Purchase Agreement with MCorp Global Communications Private Limited ('MCPL') (previously known as Modi Wellvest Private Limited), for purchase of the entire equity shares of the Company held by MCPL (281,489,350 equity shares) 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 Open Offer to the other public equity shareholders of the company to further acquire upto 20 % 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 open offer commenced on 17th September 2008 and closed on 6th October 2008. Following the successful completion, the above 40.8% stake which was hitherto held in an escrow account pending open offer formalities stands transferred to Idea as of date.

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 the 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, which overlap with Idea's existing service areas. The Company had paid license/entry fee amounting to Rs.4,845 for acquiring licences in additional four circles and accounted for the same as Capital work in progress.

The company has not rolled its services in these overlapping mobility service areas and now intends to de-merge and transfer these licenses pursuant to a scheme of de-merger under sections 391 to 394 of the Companies Act, 1956. It is envisaged that the consideration from the transfer of the overlapping Licenses will accrue for the benefit of the shareholders of the Company as on a specified date to be announced. Further as per the prior commercial agreement between Idea and the person acting in concert with Idea, this consideration will be paid to the shareholders of the Company on record as on the specified date to be announced other than to Idea and its affiliates. The outcome of this matter cannot be presently determined considering the various uncertainties involved and hence as of the balance sheet date the licence fees are being carried at cost.

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. (i) Exceptional items include the following:

Particulars	Quarter ended 30 September 2008	Nine months ended 30 September 2008
Profit on sale of passive infrastructure to SREI Infrastructure Limited	2.65	629.60
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 a below) *	-	(216.00)
Call centre and other support services (refer to note b below)- exclusive of service tax *	-	(239.16)
Unamortised loan origination cost on prepayment of DBS INR loan (refer note c below)	-	(134.84)
Total Exceptional items	2.65	(430.38)

* Transactions pursuant to proposed restructuring in note 2 above.

- (a) 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 previous quarter.
- (b) 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 quarter ended 30 June 2008, on account of restructuring of the Company, and at the party's request the Company had 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.
- (c) 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.
- (ii) Further, during the current financial period, the company has also incurred significant expenses towards call centre costs, VAS outsourcing and foreign exchange losses.
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. 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.

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7. During the current period, Company had received 59 investor complaints and all the complaints were resolved. There were no unresolved complaints, both at the beginning and at the end of the period.
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 Sept 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 period figures have been regrouped / re-arranged wherever necessary to make them comparable.

For and on behalf of the Board of
Spice Communications Limited

Director

Place: Mumbai
Date: 23.10.2008