

**ideaspace**<sup>TM</sup>  
Where Ideas Drive IT

**9<sup>th</sup>**

**Annual Report**

**2001 - 2002**

**IDEASPACE SOLUTIONS LIMITED**

Regd. Office : Skip House, 25/1, Museum Road, Bangalore 560 025

Website : [www.ideasp.com](http://www.ideasp.com)

**BOARD OF DIRECTORS**

Shri. G. Mallikarjuna Rao – Chairman  
Shri. G. Kiran Kumar – Vice Chairman & Managing Director  
Shri. C. Prasanna  
Shri. A. P. Rao  
Shri. Mukul Agrawal  
Shri. Pawan Jhunjhunwala

**REGISTERED OFFICE**

Skip House,  
25/1, Museum Road,  
Bangalore 560 025

**AUDITORS**

Price Waterhouse  
Chartered Accountants  
6-3-550 II Floor, L.B.Bhavan,  
Somajiguda, Hyderabad – 500 082.

**COMPANY SECRETARY**

Mohesh Kumar Agrawal

**BANKERS**

The Vysya Bank Limited  
Citibank

**SHARE TRANSFER AGENTS**

Karvy Consultants Limited  
No.51/2 T K N Complex,  
Vanivilas Road,  
Basavanagudi,  
Bangalore – 560 004.

**NOTICE**

NOTICE is hereby given that the adjourned Ninth Annual General Meeting of the Members of Ideaspac Solutions Limited, will be held on Tuesday the 25<sup>th</sup> of March 2003 at 11-00 A.M. at No. 93/A, 4<sup>th</sup> 'B' Cross, 5<sup>th</sup> Block, Industrial Area, Koramangala, Bangalore - 560 095 Karnataka to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2002, Profit and Loss Account for the year ended 31<sup>st</sup> March 2002 and the Reports of the Board of Directors and Auditors' thereon;
2. To declare Dividend.

**Notes:**

1. Please refer to the Notes given hereunder in respect of the adjourned Ninth Annual General Meeting against items No. 1 and 2 of this Notice.
2. **A Member entitled to attend and vote at the General Meeting may appoint a proxy, who need not be a Member to attend and vote on a poll, on his behalf. Such proxies to be effective should be duly stamped, completed and signed and should be deposited at the Registered Office of the Company not less than Forty Eight hours before the time for holding the aforesaid Meeting.**

**Members who had already registered valid proxies with the Company for the 9<sup>th</sup> Annual General Meeting held on 24<sup>th</sup> December, 2002 may please note that such proxies would continue to be valid for this adjourned meeting also. No further confirmation letter or proxy form is required to be sent in this regard.**

3. Shareholders are requested to furnish change of address, if any, immediately to the Share Transfer Agent M/s Karvy Consultants Limited No.51/2 T K N Complex, Vanivilas Road, Basavanagudi, Bangalore - 560 004.
4. Shareholders who have multiple folios in identical names or joint names in the same order are requested to intimate the same to the Company to enable consolidation of all such shareholdings into one folio.

5. As per SEBI's Directives, the Shares of the Company can be traded only in Demat form. The company has agreements with NSDL (ISIN INE 311B01011) and CDSL (ISIN INE 311B01011) for this purpose. M/s. Karvy Consultants Limited are the Share Transfer Agents for both Physical and Electronic form of Company's shares.
6. Members desirous of obtaining any information concerning the Accounts and operations of the Company are requested to send their queries atleast seven days before the date of the Meeting to the Company, so that the desired information may be made available at the Meeting.

**Explanatory Statement for Items 1 and 2.**

The Company had filed application with the Hon'ble High Court of Karnataka at Bangalore seeking sanction for the amalgamation of Ideaspac Financial Technologies Pvt. Ltd with the Company with the transfer date being January 1, 2002, in terms of the approvals given by the members of the Company, to the Scheme of Amalgamation, at their meeting held on 9<sup>th</sup> August, 2002. Similar application was also filed by Ideaspac Financial Technologies Pvt. Ltd. in this regard with the Hon'ble High Court of Karnataka. As the sanction for the amalgamation was expected to take time, the Accounts of the Company for the year ended on 31<sup>st</sup> March, 2002 were kept pending for finalization with a view to presenting the accounts of the Amalgamated Company.

In the meanwhile, the 9<sup>th</sup> Annual General Meeting of the Company was held on 24<sup>th</sup> December, 2002, in terms of the statutory requirements in this regard, to consider the business enumerated in the notice of the said meeting dated 30<sup>th</sup> November, 2002. While all other items on the agenda were considered and completed, items No. 1 and 2 were deferred for consideration and the meeting was adjourned "sine die". This meeting being adjournment of the said meeting would consider the said items No. 1 and 2.

Place : Bangalore

By Order of the Board

Date : 17-02-2003

**Mohesh Kumar Agrawal**  
 Manager Finance and Company Secretary

**DIRECTORS' REPORT****DEAR MEMBERS,**

The Board of Directors of your Company are pleased to present their report for the Financial Year 2001-02.

**FINANCIAL HIGHLIGHTS**

	2001-02 (Rs./ Lacs)	2000-01 (Rs./ Lacs)
Total Income	1065.89	635.07
Operating Expenditure	806.18	452.70
Operating Profit (PBITD)	259.71	182.37
Finance Charges	33.52	10.05
Profit before Depreciation & Write Off	226.19	172.32
Depreciation	38.07	20.17
Miscellaneous Expenditure w/off	—	15.28
Extraordinary Items		
- Provision for diminution in Investment in subsidiary	20.57	—
- Income Tax of earlier years	12.01	39.27
Profit before Tax	155.54	97.60
Tax		
- Current	6.50	—
- Deferred	22.72	—
Profit after Tax	126.32	97.60
Transfer to General Reserve	0.00	15.00
Proposed Dividend (including Dividend Tax)	0.00	62.30
Balance carried forward	126.32	20.30

The financial results for the year 2001-02 above include the financial results of M/s. Ideaspace Financial Technologies Private Limited for the period of 1<sup>st</sup> January 2002 to 31<sup>st</sup> March 2002 consequent to amalgamation of Ideaspace Financial Technologies Pvt. Ltd. with the Company as of 1<sup>st</sup> January 2002.

**OVERVIEW**

During the year under review, your Company recorded income from operations of Rs. 1,036.95 lakhs including Rs. 229.59 lakhs being the income from operations of Ideaspac Financial Technologies Pvt. Ltd for the period 1<sup>st</sup> January 2002 to 31<sup>st</sup> March 2002. The growth in income, without considering the amalgamated figures was 22.82%.

**DIVIDEND**

In view of the aggressive growth path planned for the Company by your Directors, the Board of Directors decided to plough back the profits for the year. Hence, no Dividend is proposed for the Financial Year 2001-02.

**FIXED DEPOSITS**

Your Company has not accepted any deposit during the year.

**SHIFTING OF REGISTERED OFFICE**

Your Directors are pleased to inform that subsequent to the approval of Members at their extra ordinary general meeting held on 16<sup>th</sup> October 2001, for shifting of the Registered Office of the Company, the same has been shifted from the State of Andhra Pradesh to the State of Karnataka vide Order of the Company Law Board, Chennai, dated 6<sup>th</sup> June 2002. The new address of the Registered Office is the Skip House, 25/1, Museum Road, Bangalore - 560 025 Karnataka.

**AMALGAMATION OF IDEASPACE FINANCIAL TECHNOLOGIES PVT. LTD.**

Your directors are pleased to inform that Ideaspac Financial Technologies Pvt. Ltd., a company incorporated on 22<sup>nd</sup> September 2000, which had its registered office at Bangalore, Karnataka was amalgamated with the Company as of 1<sup>st</sup> January 2002 pursuant to the Order of the Honourable High Court of Karnataka at Bangalore vide their Order dated 14th January 2003.

Pursuant to the above and in terms of the Scheme of Amalgamation providing for issue of 3 Equity Shares of the Company for every 2 Equity Shares held in Ideaspac Financial Technologies Pvt. Ltd., the Board of Directors issued and allotted 21,90,030 Equity Shares of Rs. 10/- each fully paid up aggregating to Rs. 2,19,00,300/- for consideration

other than cash, at their meeting held on 17<sup>th</sup> February 2003. All the assets and liabilities of Ideaspac Financial Technologies private Limited stood transferred and vested in your Company with effect from 1<sup>st</sup> January 2002 as per the Scheme of amalgamation.

Your Directors welcome the Shareholders, Employees and all other constituents of Ideaspac Financial Technologies Pvt. Ltd. for a long lasting relationship of mutual benefit and growth.

The merger of both the Companies has created a team of talented and experienced employees having industry specific experience and information technology skills. These skills will be further nurtured and effectively utilised in providing quality services to the financial services industry in India and Overseas.

**BUSINESS**

Your Company shall henceforth focus its efforts on providing information technology services to the financial services industry in India with primary focus on banking and insurance sectors. The banking industry in India is making huge investments in information technology with a view to offer to their customers banking facilities the way they are provided in the developed countries. With its pool of skilled and experienced employees, your Company is confident of meeting the information technology demands of the Indian banking and insurance sectors.

During the financial year 2001-02, the Company opened a wholly owned subsidiary, Ideaspac Solutions (UK) Ltd. in the United Kingdom which was incorporated on 21<sup>st</sup> May 2001. Till 31<sup>st</sup> March 2002, the Company invested a sum of Rs. 24.70 lakhs in the Share Capital of the subsidiary. Due to adverse market conditions post 9/11 events in the USA, which had their effect throughout the World, the operations of the subsidiary were not encouraging. However, the loss of Rs.20.57 lakhs in the subsidiary provided in the Company's books of accounts for the year ended on 31<sup>st</sup> March 2002 was contained by controlling the overheads in the UK.

Due to the market conditions and on account of the Company's revised focus, as mentioned earlier, the Company has slowed down its marketing activities in the USA and UK in the current financial year 2002-03 with a view to contain expenditures. However,

your Company is fully committed to meet customer requirements on the ongoing projects and shall fulfill all contractual obligations with respect to the overseas contracts. The overseas offices in the USA and UK will continue to exist in their statutory form and the Company would revive them as and when the market conditions improve and are conducive for business in the respective geographies.

#### **DIRECTORS**

In terms of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Mukul Agrawal and Mr. A. P. Rao, Directors retired by rotation in the Annual General Meeting held on 24<sup>th</sup> December, 2002 and were reappointed in the meeting.

#### **AUDITORS**

The Auditors M/s Price Waterhouse, Chartered Accountants, Hyderabad, held office till the conclusion of the Annual General Meeting held on 24<sup>th</sup> December 2002 and being eligible were reappointed in that meeting to hold office till the conclusion of the next Annual General Meeting on a remuneration to be decided by the Board of Directors.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

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

1. In the preparation of the annual accounts for the financial year ended on 31<sup>st</sup> March 2002, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the company for the year ended on 31<sup>st</sup> March, 2002;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. The Directors have prepared the accounts for the financial year ended on 31<sup>st</sup> March 2002 on a going concern basis.

#### **PARTICULARS OF EMPLOYEES**

Particulars of employees as required to be disclosed under section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, in pursuance of section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company excluding the aforesaid information and the said particulars are made available at the registered office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

#### **PARTICULARS IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.**

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 requires disclosure of particulars relating to Conservation of Energy in Form A and Technology Absorption in Form B prescribed by the said Rules. Since the Company is providing services and does not manufacture any item, the disclosure requirements are not applicable to it.

The details of Foreign Exchange earnings and outgo during the year under review are as under:

Earnings	- Rs. 751.25 Lakhs
Outgo	- Rs. 316.66 Lakhs

#### **ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the continued support and trust received and reposed by the Shareholders, Banks, Depositories, Stock Exchanges and STPI. They also place on record their appreciation of the contribution of the Employees.

By Order of the Board

G. Kiran Kumar  
Managing Director

A.P. Rao  
Director

Place : Bangalore  
Date : 17-02-2003

**AUDITORS' REPORT TO THE MEMBERS OF  
IDEASPACE SOLUTIONS LIMITED**

1. We have audited the attached Balance Sheet of Ideaspace solutions Limited, as at March 31, 2002 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227(4A) of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act;
  - (e) On the basis of written representations received from the directors, as on March, 2002, and taken on record by the Board of Directors of the Company on July 30, 2002, none of the directors is disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss account together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
    - (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date and
    - (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

**P. Rama Krishna**  
Partner

For and on behalf of  
Price Waterhouse

Chartered Accountants

Place : Hyderabad

Date : 17-02-2003

**Annexure to the Auditors' Report to the Members of Ideaspac Solutions Limited**

Annexure referred to in Paragraph 3 of the Report of the Auditors to the Members of Ideaspac Solutions Limited for the year ended March 31, 2002:

- A. 1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. As per the phased programme designed by the Company, all tangible fixed assets of the Company have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such physical verification.
2. The fixed assets of the Company have not been revalued during the year.
3. In our opinion the rates of interest and terms and conditions of loans, secured or unsecured, taken by the company during the year from companies, firms or other parties listed in the register maintained under Section 301 of the 'Act' are prima facie not prejudicial to the interests of the company. The company has not taken any loans secured or unsecured from companies under the same management as defined under sub-section (1-B) of erstwhile section 370 of the 'Act'.
4. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the 'Act'. The company has granted interest-free advances to its wholly owned subsidiary company the terms and conditions of which are, prima facie not prejudicial to the interest of the company. The company has not granted any loans, secured or unsecured to companies under the same management as defined under sub-section (1-B) of erstwhile section 370 of the 'Act'.
5. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated.
6. In our opinion there is an adequate internal control procedure commensurate with the size of the Company and nature of business, for purchase of equipment including components, software, plant and machinery, and similar assets. The activities of the company do not involve sale of goods.
7. In our opinion purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the 'Act' and aggregating during the year Rs 50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials, or services or the prices at which the transactions for similar goods or services have been made with other parties.
8. The Company has not accepted any deposits from the public.
9. In our opinion the Company's present internal audit system is generally commensurate with the size and nature of its business.
10. The Central Government of India has not prescribed the maintenance of cost records by the Company under Section 209(1) (d) of the 'Act' for any of its products.
11. The Company has regularly deposited during the year, Provident fund and Employees State Insurance dues with the appropriate authorities in India. ESI of Rs.9890/- due at year end was subsequently deposited.
12. At the last day of the financial year there was no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Customs Duty, Excise Duty and Sales Tax which were due for more than six months from the date they became payable.
13. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations or normally accepted business practices.