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Annual Report

2003 - 2004

IDEASPACE SOLUTIONS LIMITED

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

BOARD OF DIRECTORS

Shri. A. P. Rao

Shri. G. Kiran Kumar

Shri. A. Subba Rao

Shri. A.S. Cherukupalli

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

Hari Babu Thota

BANKERS

ING Vysya Bank Limited

SHARE TRANSFER AGENTS

Karvy Computershare Private Limited

No.51/2 T K N Complex,

Vanivilas Road,

Basavanagudi,

Bangalore – 560 004.

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of Ideaspace Solutions Limited will be held on Thursday, 30th September 2004 at 9.30 a.m. at 25/1, Skip House, Museum Road, Bangalore-560 025, Karnataka to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2004, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon;
2. To appoint a Director in place of Mr. G.Kiran Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT A A G J & Co. Chartered Accountants, Bangalore, be and are hereby appointed as the Auditors of the Company in place of retiring auditors M/s. Price Waterhouse, Chartered Accountants, Hyderabad, to hold office from the conclusion of this meeting till the conclusion of the Next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company."

Special Business

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. A.Subba Rao, who was appointed as an Additional Director of the Company by the Board of Directors, who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

6. 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 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr.A.Subba Rao, be and is hereby appointed as 'Manager' for a period of 5 years, without any remuneration with effect from 30th August, 2004.

NOTES:

1. 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. The proxy forms to be effective, should be deposited at the Registered Office of the Company not less than Forty Eight hours before the time for holding the aforesaid Meeting.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from 27.09.2004 to 30.09.2004(both days inclusive)

3. Members (those holding shares in the physical form only) are requested to inform, change of address, if any, immediately to the Share Transfer Agent M/s Karvy Computershare Private Limited, No.51/2 T K N Complex, Vanivilas Road, Basavanagudi, Bangalore - 560 004.

4. 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.

5. Members / Proxies should fill the Attendance Slip for attending the meeting.

6. Shareholders are requested to bring their copy of Annual Report to the Meeting.

7. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund (IEPF) established by the Central**

Government pursuant to Section 205C of the Companies Act, 1956. Information in respect of such unclaimed dividend when it is due for transfer to the said Fund is given below:-

Financial Year	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.1998	26.09.1998	25.09.2005	23.10.2005
31.03.2000	25.10.2000	24.09.2007	23.10.2007
31.03.2001	04.08.2001	03.08.2008	02.09.2008

9. The retiring auditors M/s. Price Waterhouse have requested not to consider them for re-appointment as Statutory Auditors owing to prior commitments. A special notice under Section 190 of the Companies Act, 1956 has been received from a shareholder proposing M/s. A A G J & Co, Chartered Accountants, Bangalore, as Statutory Auditors of the Company for the financial year 2004-05.

10. At the ensuing Annual General Meeting Mr. G.Kiran Kumar retires by rotation and being eligible offers himself for re-appointment. Mr. A.Subba Rao and Mr. A.S.Chelukupalli are being proposed for appointment as Directors. As required by Clause 49 of the listing agreement, Information pertaining to these directors is provided in the statement on corporate governance published in this Annual Report.

By Order of the Board
For IDEASPACE SOLUTIONS LIMITED

Hari Babu Thota
Company Secretary

Bangalore
August 30, 2004

Explanatory Statement

Item. No.4

Mr. A.Subba Rao was appointed as Additional Director pursuant to provisions of Section 260 of

the Companies Act, 1956 at the Board meeting held on 8th April, 2004. Notice under section 257 of the Companies Act, 1956, has been received from a shareholder along with the requisite deposit, proposing him for the directorship of the Company.

The Board of Directors recommends the resolution for approval.

None of the Directors except Mr.A.Subba Rao is interested in the resolution.

Item. No. 5

Mr.A.S.Chelukupalli was appointed as Additional Director pursuant to provisions of Section 260 of the Companies Act, 1956 at the Board meeting held on 8th April, 2004. Notice under Section 257 has been received from a shareholder along with the requisite deposit, proposing him for the directorship of the Company.

The Board of Directors recommends the resolution for approval.

None of the Director except Mr.A.S.Chelukupalli is interested in the resolution.

Item No. 6

At the Board Meeting held on 30th August, 2004, the Board of Directors appointed Mr. A.Subba Rao as 'Manager' for a period of 5 years without any remuneration, under Section 269 of the Companies Act, 1956. Mr. A.Subba Rao is a Chartered Accountant and has wide experience in the Corporate sector. His areas of specialization include restructuring of business, mergers, taxation, accounts and allied areas.

Members approval is sought for the appointment of Mr. A.Subba Rao as 'Manager' under Section 269 of the Companies Act, 1956.

Details contained in the resolution may be treated as abstract of the terms of appointment of Mr.A.Subba Rao under Section 302 of the Companies Act, 1956.

The Board of Directors recommends the resolution for approval.

None of the Directors except Mr.A.Subba Rao is interested in the resolution.

DIRECTORS' REPORT**DEAR MEMBERS,**

The Board of Directors of your Company are pleased to present their report for the Financial Year 2003-04.

FINANCIAL HIGHLIGHTS

	2004 (Rs./Lacs)	2003 (Rs./Lacs)
Total Income	602.26	1252.90
Total Expenditure	734.62	1597.78
Interest & Finance Charges	11.19	39.39
Depreciation	15.93	47.79
Profit/(Loss) before taxation and Extra-Ordinary Item	(159.48)	(432.06)
Extraordinary Item	613.75	—
Profit/(Loss) before Tax	454.27	(432.06)
Provision for Taxation		
- Current	35.00	—
-Deferred Tax	88.54	(136.47)
Profit/(Loss) after Tax	330.73	(295.59)
Profit/(Loss) Brought Forward	(142.99)	152.60
Balance Carried to Balance Sheet	187.74	(142.99)

BUSINESS OPERATIONS

During the year, revenues from Software Development and Services were at Rs.669.73 Lacs as against Rs.1234.13 Lacs during the previous year.

Pursuant to the approval of members by way of special resolution at the 11th Extraordinary General Meeting held on 10th December, 2003 the Company disposed off the entire business of IT sourcing and providing IT Solutions to a company called IT & T Technology Services Limited, Noida for a consideration of Rs. 7, 67, 28,968 (Rupees Seven Crores Sixty Seven Lacs Twenty Eight Thousand Nine Hundred and Sixty Eight only).

Company is reviewing various options for deciding on the new business to be pursued.

In view of this the Management and Analysis Report has not been provided

FIXED DEPOSITS

Your Company has not accepted any deposit during the year. There were no unclaimed or unpaid deposits, with the company.

DIRECTORS

During the year under review Mr. G. M. Rao and Mr. Shantanu Ghosh, had resigned from the directorship of the company. Mr. G. Kiran Kumar resigned as Managing Director and continues to be the director of the company. The Board places on record its appreciation for the valuable services rendered by them during their tenure of office.

Mr. A. Subba Rao and Mr. A. S. Cherukupalli were appointed as additional directors on 8th April 2004 and notices have been received under Section 257 of the Companies Act, 1956 for their appointment as directors of the company. Mr. G. Kiran Kumar retires by rotation and being eligible, offers himself for reappointment.

AUDITORS

M/s Price Waterhouse, Chartered Accountants, Hyderabad, the existing statutory auditors of the company have requested not to consider them for re-appointment owing to prior commitments. A special notice under Section 190 of the Companies Act, 1956 has been received from a shareholder proposing M/s. A A G J & Co, Chartered Accountants, Bangalore, as statutory auditors of the Company for the financial year 2004-05. The Company has received a letter from them confirming that their appointment, if made,

would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956 and also that they are not otherwise disqualified within the meaning of sub section (3) of Section 226 of the Companies Act, 1956, for such appointment.

DELISTING OF SHARES

Shareholders had authorised at the Extraordinary General Meeting held on 30th April, 2003, to delist the shares of the company from the Stock Exchanges of Mumbai, Bangalore and Hyderabad, M/s. Rao Investments Private Limited with other companies acting in concert, through reverse book building process acquired 5,99,585 Equity Shares in electronic form and 5,500 Equity shares in physical form at Rs. 15 per share. Consequent to the acquisition the public shareholding, (Non promoter shareholding) has fallen to 4.92% of the share capital of the company. Necessary Applications have been filed with the aforesaid stock exchanges for delisting the shares of the company.

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 31st March, 2004, 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 profit of the company for the year ended 31st March, 2004;
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 31st March 2004 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 provided 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 - Nil

Outgo - Nil

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continued support and trust received and reposed by the Shareholders, company Bankers - ING Vysya Bank Ltd, Depositories - National Securities Depository Limited and Central Depository Services (India) Limited. Stock Exchanges of Mumbai, Bangalore, Hyderabad and S T P I. They also place on record their appreciation of the contribution of the Employees.

By Order of the Board

A.Subba Rao
Director

A. S. Cherukupalli
Director

Bangalore
June 30, 2004

Report on Corporate Governance

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreement with Stock Exchanges. The Company complied with mandatory requirements of the Code.

1. Company's Philosophy

Corporate Governance assumes a great deal of importance in the business life of Ideaspace. The driving forces of Corporate Governance at Ideaspace are its core values, which are belief in people, entrepreneurship, customer orientation and pursuit of excellence. The Company's goal is to find creative and productive ways of delighting investors, customers and associates, while fulfilling the role of responsible corporate representative committed to best practices.

2. Board of Directors

Name	Category	Executive/Non-Executive	Designation	Meetings held during the year	Meetings attended	Memberships in Boards of other companies	Member/Chairman in Board Committee	Attendance of each Director at last AGM
G. M. Rao*	Promoter	Non Executive	Chairman*	9	6	8	-	Absent
G. Kiran Kumar	Promoter	Executive	Director	9	4	6	-	Absent
A. P. Rao	Independent	Non-Executive	Director	9	8	1	3	Present
Shantanu Ghosh*	Independent	Non-Executive	Director*	9	4	-	2	Absent
Pawan Jhunjhunwala	Independent	Non-Executive	Director	9	-	6	3	Absent
A. Subba Rao**	Promoter	Executive	Director	-	-	-	-	Not Applicable
A. S. Cherukupalli**	Promoter	Non-Executive	Director	-	-	-	-	Not Applicable

*Mr. G. M. Rao and Mr. Shantanu Ghosh have resigned from the Board on 27th March 2004, 8th April 2004 respectively.

Mr. A. S. Cherukupalli and Mr. A. Subba Rao have been appointed as additional Directors in the Board Meeting held on 8th April 2004.

Mr. A.S. Cherukupalli (51 years) is a Chartered Accountant, Cost Accountant and Company Secretary having wide experience in the areas of Accounts, Taxation and Corporate Secretarial Services. He is a director on the Board of Rao Investments Private Limited and Medvin Finance Private Limited.

Mr. A.Subba Rao (44 years) is a Chartered Accountant and has wide experience in the Corporate sector. His areas of specialization include restructuring of business, mergers, taxation, accounts and allied areas. He is a director on the Board of GMR Industries Limited, Rao Investments Private Limited, GMR Investments Private Limited and Varalakshmi

Investments Private Limited.

Mr.G.Kiran Kumar is a Commerce Graduate and has wide experience in Finance, Organization Development, Human Resource Management and Contracts Management. He has experience in development of new ventures. He is the Managing Director of Hyderabad International Airport Limited and GMR Operations Private Limited and is a director of GMR Infrastructure Limited, GMR Tambaram Tindivanam Expressways Private Limited, GMR Tuni Anakapalli Expressways Private Limited and GMR Foundation.

Meetings of the Board of Directors

During the year 2003-04, the Board of Directors met nine times on the following dates:

2nd April, 2003, 30th April 2003, 30th July 2003, 30th August 2003, 20th October, 2003, 30th October 2003, 10th December 2003, 30th January, 2004 and 27th March 2004.

3. Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's overall responsibilities, the functions of the Audit Committee include :

Reviewing the adequacy of internal control systems and internal audit reports, and their compliance thereof.

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

Recommending the appointment of external auditors and fixation of their audit fee, and also approval for payments for any other services.

Reviewing with Management the quarterly and annual financial statements before submission to the Board.

Audit committee comprised of the following Directors:

- a) Mr. A P Rao — Chairman
- b) Mr. Shantanu Ghosh*
- c) Mr. Pawan Jhunjhunwala

During the year under review, the Audit Committee met 3 times on 29th August 2003, 30th October, 2003 and 30th January, 2004 and Mr.A.P.Rao attended all the meetings.

Mr.Shantanu Ghosh attended two Committee Meetings.

Mr.Pawan Jhunjhunwala attended two Committee Meetings.

Consequent to the resignation of Mr. Shantanu Ghosh as Director he ceased to be Audit Committee member. Mr. A.S.Chelukupalli and Mr. A.Subba Rao were appointed as members of Audit Committee with effect from 8th April, 2004.

However the company is in the process of strengthening the role of Audit committee in respect of review of the internal control system and review of financial and risk management policies and participation of statutory auditors, internal auditor and Managing Director in the meetings.

The meetings of the Audit Committee were attended by Company Secretary.

4. Remuneration Committee

The Remuneration committee comprised of the following directors.

- a) Mr. A P Rao — Chairman
- b) Mr. Pawan Jhunjhunwala
- c) Mr. Shantanu Ghosh*

The Remuneration Committee was constituted to evaluate compensation and benefits for Executive Directors and to frame policies of the Company. During the year under review the Remuneration committee met once on January 30, 2004 and attended by Mr.A.P.Rao and Mr. Shantanu Gosh. Leave of absence was granted to Mr.Pawan Jhunjhunwala from attending the meeting.

Consequent to the resignation of Mr. Shantanu Ghosh as Director he ceased to be Remuneration Committee member. Mr. A.S.Chelukupalli and Mr. A.Subba Rao were appointed as members of Remuneration Committee with effect from 8th April, 2004.

Details of Remuneration to Directors

Mr. G. Kiran Kumar, Managing Director (up to 27.03.04)

Salary, Allowances etc., Rs. 11,86,870

5. Investors' grievance committee

As per clause 49 of the listing agreement, investors' grievance Committee comprised of the following directors.

- a) Mr. A P Rao - Chairman
- b) Mr. Pawan Jhunjhunwala

Mr. A.S.Chelukupalli was appointed as member of Investors grievance committee with effect from 8th April, 2004.

The Company attends to the Investor's grievances/ correspondence expeditiously except in the cases that are constrained by disputes or legal impediments.

- a) No. of shareholders complaints

received during the year Nil

- b) No. of complaints not resolved to the

satisfaction to the shareholders Nil

- c) No. of pending share transfers as on

31st March ,2004 Nil

Mr. Hari Babu Thota, Company Secretary is the Compliance Officer of the Company and acts as secretary of the Board / Committees.

6. Annual General Meetings

Date	Venue	Time	No..of Special Resolutions	Members Presented by person	Members presented by proxy
August 4, 2001	BM Birla Science Centre, Adarsh Nagar, Hyderabad	11.00 A.M.	3	16	36
December 12, 2002	1180, 1 B Main 1 Cross, HAL 2 Stage Bangalore	11.30A.M	2	6	-
March 25, 2003 (Adjourned AGM)	93/A, 4 B Cross, 5 Block Industrial Area, Koramangala, Bangalore 95	11.00 A.M	-	8	-
September 30, 2003	93/A, 4 B Cross, 5 Block Industrial Area, Koramangala, Bangalore 95	11.00 A.M.	-	10	-

Resolutions for sale of substantially the whole of the business undertaking at the 10th Extraordinary General Meeting held on 9th October, 2003 and to accord consent to the Board of directors for sale of substantially the whole of the business undertaking, including its rights in pending contracts to IT & T Technology Services limited, Noida for a consideration of Rs.7,67,28,968/- at the 11th Extraordinary General Meeting held on 10th December, 2003, have been passed through postal ballot exercise in accordance with the provisions of Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, during the financial year 2003-04. Mr. Anand Tamirisa, Practicing Company Secretary was the Scrutinizer. Both resolutions were passed with the members voting in favour of the resolution by over 99% the votes exercised.

7. Disclosures

Materially significant related party transaction, which may have potential conflict with the interests of the Company at large.

I. Related Party transaction**a) Names of Related Parties and description of relationship**

(i)	Wholly owned Subsidiary	Ideaspace Solution (UK) Ltd.
(ii)	Enterprise having Significant Influence	Varalakshmi Investments Private Limited GMR Investments Private Limited Rao Investments Private Limited
(iii)	Enterprise where key managerial personnel along with their relatives exercise significant influence	ING Vysya Life Insurance Company Pvt. Limited GMR Energy Limited Varalakshmi Mallikarjuna Charitable Trust GMR Infrastructure Limited. GMR Power Corporation Private Limited Hyderabad International Airport Ltd
(iv)	Key Management Personnel	Mr. G.Mallikarjuna Rao- Chairman (upto 27-03-2004) Mr. G. Kiran Kumar – Managing Director & Vice Chairman upto 27-03-2004 - Director from 28-03-2004 Mr. A P Rao - Director Mr. Pawan JhunJhunwala - Director Mr. Shantanu Ghosh - Director