



SPARC SYSTEMS LIMITED

ANNUAL REPORT 2009 - 2010

Sparc Systems Ltd.

BOARD OF DIRECTORS

Mr. J. T. D'souza	Chairman & Managing Director
Mr. Anand Raj Jain	Director
Ms. Punit Neb	Wholetime Director
Mr. Santosh Shetty	Director
Mr. Amit Bothra	Director
Mr. Bharat Jain	Director

BANKERS

Union Bank of India
Indian Overseas Bank

AUDITORS

M/s Singhal Sanklecha & Co.
Chartered Accountants, Mumbai

REGISTERED OFFICE & WORKS

Plot No.11
Survey No.118/1 - 2
Village Pundhe
Taluka Shahapur
At Post Athgaon, District Thane – 421301
Phone 9820166973
Fax 27792481

CORPORATE OFFICE

#16-17 Ground Floor,
Lovely, Sector 2,
Airoli, Navi Mumbai - 400708
Phone 27792473 / 27792478 / 27792481
Fax 27792481
Email sparc@bom3.vsnl.net.in
Email sparc@mtnl.net.in

REGISTRAR AND SHARE TRANSFER AGENTS

Mondkar Computers Pvt. Ltd.

21 Shakil Niwas
Mahakali Caves Road
Andheri (E) Mumbai – 400093
Phone 28207201 / 28207203-05
Fax 28207207
Email mcplrt@bom7.vsnl.net.in

Notice

NOTICE is hereby given that Annual General Meeting of the Members of Sparc Systems Limited will be held on Thursday, September 30, 2010 at 10.00 am, at the Registered Office of the Company at Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Taluka Shahapur, At Post Athgaon, District Thane - 421301, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Santosh Shetty, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Bharat Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution

"Resolved that M/s. R Soni & Co., Chartered Accountants be and are hereby appointed as Auditor of the Company in place of M/s Singhal Sanklecha & Co., Chartered Accountants to hold the office from the conclusion of this meeting until the conclusion of next AGM of the Company and in respect of whom the Company has received a special notice from a member pursuant to the provision of section 190 read with section 225 of the Companies Act 1956 significant his intention to propose the appointment of M/s. R Soni & Co., as Auditors on a remuneration to be fixed by the Board of Directors."

For and on behalf of the Board

J. T. D'souza
Chairman & Managing Director
Mumbai, June 30, 2010

NOTES:

- i. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS PLACE AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- ii. Proxies in order to be effective must be received at the Registered Office of the Company not less than

48 hours before the commencement of the meeting.

- iii. The Register of Members and Share Transfer Books of the Company will remain closed from 27.09.2010 to 30.09.2010, inclusive of both days.
- iv. Members seeking any information with regard to Accounts are requested to write to the Company at an early date so as to enable the Company to keep the information ready.
- v. Members are requested to:
 - a. Notify immediately any change in their address to the Company's Share Transfer Agents;
 - b. Bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.
- vi. Additional details in terms of Clause 49 of Listing agreement in respect of Directors seeking appointment / re-appointment are as below.

Disclosure pursuant to Clause 49 of the Listing agreement

Disclosure of Directors seeking appointment / re-appointment at the Annual General Meeting

Director seeking re-appointment

Mr. Santosh Shetty, aged 37 years, is an Engineer and Masters in Marketing Management from Mumbai University. He has about 16 years of experience in Marketing and Sales. His area of specialization are OEM and B-2-B market segments. He is also experienced in setting up of Dealer / Distributor Network. Mr. Santosh Shetty does not hold any Committee positions in any other company.

Director seeking re-appointment

Mr. Bharat Jain, aged 39 years, is on the Company's board since March 30, 2009. Mr. Jain has about 18 years of experience as Accountant and Auditor. His areas of expertise encompass Accounting, Auditing and Financial Planning. Mr. Bharat Jain does not hold any Committee positions in any other company.

For and on behalf of the Board

J. T. D'souza
Chairman & Managing Director
Mumbai, June 30, 2010

Directors' Report

The Directors present the Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2010.

Financial Highlights

	Rs. In lacs	
	2009-2010	2008-2009
Profit before Depreciation	2.93	4.24
<u>Less</u> Depreciation	(5.74)	(5.68)
Profit (Loss) after Depreciation	(2.81)	(1.43)
<u>Less</u> Provision for Taxation	0.14	0.34
Less provision for Fringe Benefit Tax	0.00	0.17
<u>Add</u> Deferred Tax Assets / Liabilities	(0.43)	(0.92)
Profit (Loss) after Tax	(2.53)	0.48
<u>Add</u> Balance Profit brought forward from previous year	2.55	2.07
Surplus carried to Balance Sheet	0.03	2.55

Operations

During the year, income of the Company was Rs. 11.44 lacs as compared to Rs. 11.10 lacs during the previous year. The Company has incurred a net loss amounting Rs. 2.53 lacs as compared to a profit of Rs. 0.48 lacs during the previous year.

The Management intends to continue to pursue Software and Hardware Solutions for Office Automation, Electronic Security Systems, Embedded and Internet Appliances. The Telematic range of products have been expanded and the Company has launched Server room monitoring equipment. The Company continues to add several new clients covering different industry segments which are expected to generate revenues. The Company's Vehicle Asset Tracking and Delivery Systems have been well received. Sales of the same are expected to pick-up in synchronisation with the recovery in the gems & jewellery segment. The Company's Biometric Security products are being pushed hard in the market. The Company's existing systems and components like Video Conference, Security Systems, Firewalls, Access Control Systems etc are spreading into the market.

Dividend

The Directors do not recommend declaration of any dividend for the year.

Fixed Deposits

The Company has not invited or accepted any Public Deposits during the year.

Particulars of Employees

Particulars of employees under Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 as amended have not been furnished, as there was no employee in the aforesaid category.

Statutory Information

Information in accordance with the provisions of 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, requiring disclosure of particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure 'A' forming part of this Report.

Directors

Mr. Santosh Shetty and Mr. Bharat Jain, Directors of the Company retire by rotation from the Board of Directors and being eligible, offer themselves for re-appointment.

During the year Mr. J. T. D'souza & Ms. Punit Neb have been re-appointed as Managing Director & Wholetime Director respectively w.e.f. December 1, 2009, for a period of three years.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 2000, the Directors confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed with proper explanation relating to material departures;
- Appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company as at March 31, 2010 and of the loss of the Company for the year;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the

provisions of the Companies Act, 1956 for safeguarding the assets of the Company & for preventing & detecting fraud & other irregularities;

iv. The Annual Accounts have been prepared on a going concern basis.

Corporate Governance Report

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance, together with a certificate from Statutory Auditors is given in Annexure 'B' forming part of this Report.

Management Discussion and Analysis Report

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report, giving segment wise performance and outlook, is given in Annexure 'C' forming part of this Report.

Secretarial Compliance Report

Pursuant to Section 383A(1) of the Companies Act, 1956, a copy of the Compliance Certificate issued by a Practising Company Secretary for the year ended March 31, 2010 is attached herewith, forming part of this Report.

Listing and Dematerealisation of Shares

The Equity Capital of the Company is listed on Bombay Stock Exchange Ltd., Ahemdabad Stock Exchange, and Bangalore Stock Exchange. The Company has paid the listing fees for the year 2010-2011 to Bombay Stock Exchange Ltd. On November 5, 2009, suspension of trading of the Company's Equity Shares was revoked by Bombay Stock Exchange Ltd.

Auditors

During the year under review, Auditors to the Company M/s. Sanklecha & Co., Chartered Accountants, have changed their organization's name to M/s. Singhal Sanklecha & Co., Chartered Accountants.

The Board recommends the appointment of M/s. R Soni & Co., Chartered Accountants as Auditors of the Company for whom the Company has received a notice U/S 225 read with section 190 of the Companies Act from a shareholder seeking their appointment in place of retiring Auditors M/s. Singhal Sanklecha & Co., who have expressed inability to seek the re-appointment on account of other commitments. M/s. R Soni & Co., have confirmed that the appointment if made, shall be with the limit of section 224 (1b) of the Companies Act. 1956.

M/s R Soni & Co. Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting.

The Directors take this opportunity to acknowledge with gratitude the valuable services rendered by M/s. Singhal Sanklecha & Co. as the Company's Auditors.

Auditors' Remarks

The observations made by the Auditors for the year under review are self-explanatory and need no further comments from the Directors.

Acknowledgements

The Directors acknowledge with gratitude the co-operation and assistance extended to the Company by Shareholders, Employees, Customers, Bankers, Auditors, Maharashtra State Financial Corporation and Vendors.

For and on behalf of the Board

J. T. D'souza

Chairman & Managing Director

Mumbai, June 30, 2010

Annexure 'A' to the Directors' Report

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

A. Conservation of Energy

The Electronic Industry is a low power consumption industry; therefore the cost of electricity purchased and generated through genset is very low in comparison to other industries. Although the consumption of energy is low, efforts are being made at all levels to minimise the use of energy. In view of the multi-product and multi-stage nature of production, it is not possible to furnish data relating to consumption per unit of production.

B. Technology Absorption

Not Applicable

C. Foreign Exchange Earnings and Outgo

	Rs. in lacs	
	2009-2010	2008-2009
Foreign Exchange Earning	NIL	NIL
Foreign Exchange Used - Raw material purchase	0.10	0.29

Annexure 'B' Corporate Governance Report

The primary objective of the Corporate Governance is to create and adhere to a corporate culture of transparency and openness. The Company believes in attainment of highest levels of transparency in all facets of its operations and has always focused on good corporate governance.

1. Board of Directors

The Board comprises of the following members. During the year, the Board met six times. Details of attendance at Board Meetings and last AGM are as below

Name	Category Position	Last AGM Attended	No. of meetings attended
J. T. D'souza	Chairman & Managing Director	Yes	5
Punit Neb	Wholetime Director	Yes	5
Anand Raj Jain	Non-Executive Director	Yes	4
Santosh Shetty	Non-Executive Director / Independent	Yes	3
Amit Bothra	Non-Executive Director / Independent	Yes	5
Bharat Jain	Non-Executive Director / Independent	Yes	4

2. Number of Board Meetings held and dates thereof

During the year, six Board Meetings were held. The meetings were held on June 30 2009, July 30, 2009, October 31, 2009, November 6, 2009, January 30, 2010 and March 30, 2010.

3. Code of Conduct

The Board of Directors has laid down a Code of Conduct for all Board Members and members of Senior Management who have affirmed their compliance therewith. The said code is also posted on the Company's website [www. sparcsys.com](http://www.sparcsys.com).

4. Other Directorships and Membership of Committees (as of date)

Name	Other Directorships
Mr. J. T. D'souza	--
Ms. Punit Neb	--
Mr. Anand Raj Jain	Satta Securities Pvt. Ltd. , Sindhu Valley Technologies Ltd.
Mr. Santosh Shetty	--
Mr. Amit Bothra	Texplast Industries Limited
Mr. Bharat Jain	--

5. None of the Directors of the Company holds Directorship in more than 15 Companies or is a member of more than 10 Committees or Chairman of more than 5 Committees across all such Companies.

6. Audit Committee

The Audit Committee of the Company has Mr. Santosh Shetty, Mr. Anand Raj Jain and Mr. Amit Bothra as members of the Committee. All Committee Members are Non Executive Directors, out of which Mr. Santosh Shetty & Mr. Amit Bothra are Independent Directors. The Audit Committee constitution meets with the requirements under Section 292A of the Companies Act, 1956. During the year, the Committee met 4 times. The terms of reference of the Audit Committee are as contained in the Clause 49 of the Listing Agreement. Mr. Amit Bothra, Independent Director is the Chairman of this Committee.

During the year ended March 31, 2010, 4 meetings of the Audit Committee were held on June 30 2009, July 30, 2009, October 31, 2009 and January 30, 2010.

7. Remuneration Committee

The Remuneration Committee of the Company consists of Mr. Bharat Jain, Mr. Anand Raj Jain and Ms. Punit Neb, as committee members. During the year, Mr. Bharat Jain, Independent Director has been appointed as Chairman of this Committee. The Remuneration Committee has been constituted to review the remuneration package of the Directors and recommend suitable revision to the Board in accordance with the Companies Act. 1956.

Remuneration paid to Mr. J. T. D'souza, Managing Director is Rs. 75,000/- as salary. Remuneration paid to Ms. Punit Neb, Wholetime Director is Rs. 75,000/- as salary. There was one meeting of the Remuneration Committee during the financial year 2009-2010.

Details of Equity Shares held by Directors is as below

Name	No. of Equity Shares held
Mr. J. T. D'souza	51200
Ms. Punit Neb	27300
Mr. Anand Raj Jain	1000
Mr. Santosh Shetty	Nil
Mr. Amit Bothra	Nil
Mr. Bharat Jain	Nil

8. Shareholders' / Investors' Grievance Committee

The Board of Directors have constituted a Shareholders' / Investors' Grievance Committee. The Committee has been constituted, inter-alia to consider rematerialisation of Equity Shares, transposition of names, consolidation of shares, issue of duplicate Equity Shares and redressal of shareholders' complaints. Mr. Santosh Shetty, Mr. Amit Bothra and Ms. Punit Neb are Members of this Committee. Ms. Punit Neb is the Chairman of this Committee.

During the year under review, the Registrar and Share Transfer Agents of the Company have not received any complaint from members directly or through the Stock Exchanges.

9. Subsidiary Companies

The Company does not have any subsidiary companies.

10. Notes on Director's appointment and re-appointment

Relevant details form part of the Directors' Report.

11. Disclosures on non compliances, related party transactions, if any

The Company has complied with the requirement of regulatory authorities on Capital Markets and no penalties/ strictures have been imposed against the Company in the last three years.

Related party transactions have been disclosed in Note No. 10 of the "Notes to Accounts."

12. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is appended as Annexure 'C'.

13. CEO/CFO Certification

As required under Clause 49 of the Listing Agreement, a certificate duly signed by the Finance Controller was placed at the meeting of Board of Directors held on June 30, 2010.

14. Cautionary Statement

Statements in the Management Discussion & Analysis describing the Company's objectives, projections and expectations maybe "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the Company's operations include economic conditions affecting demand / supply & price conditions in the markets in which the Company operates, changes in Government regulations, tax laws, litigation, exchange rate fluctuations, interest, other cost and certain presumptions on which estimates are based and other incidental factors.

Shareholder Information**1. Annual General Meeting**

A. Date & Time	September 30, 2010 at 10.00 am
B. Venue of AGM	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Taluka Shahapur, At Post Athgaon, District Thane - 421301
C. Dates of Book Closures	September 27, 2010 to September 30, 2010 (Inclusive of both days)
D. Special Resolutions	No Special Resolution was passed at last AGM
E. Financial Calendar	1 st April to 31 st March

During the year special resolutions were passed in the Extra Ordinary General Meeting of the Company held on November 30, 2009 for re-appointment of Managing Director & Wholtime Director for a period of three years.

During last year, no resolutions were put through postal ballot and neither during the current year any resolution is proposed to be conducted through postal ballot.

2. Financial Reporting for 2010 – 2011

Event	Period
1. Unaudited Financial Results for quarter ending June 30, 2010	End of July 2010
2. Unaudited Financial Results for quarter ending September 30, 2010	End of October 2010
3. Unaudited Financial Results for quarter ending December 31, 2010	End of January 2011
4. Audited Financial Results for the Year ending March 31, 2011	End of May 2011
5. Annual General Meeting for the Year ended March 31, 2011	End of September 2011

3. Date of Book Closure and Annual General Meeting in last three years

Financial Year	Date of Book Closure		AGM Date & Time	Venue
	From	To		
2006-2007	Sep 26, 2007	Sep 29, 2007	Sep 29, 2007 10.00 am	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Taluka Shahapur, At Post Athgaon, District Thane - 421301
2007-2008	Sep 24, 2008	Sep 30, 2008	Sep 30, 2008 10.00 am	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Taluka Shahapur, At Post Athgaon, District Thane - 421301
2008-2009	Sep 24, 2009	Sep 30, 2009	Sep 30, 2009 10.00 am	Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Taluka Shahapur, At Post Athgaon, District Thane - 421301