



SPARC SYSTEMS LIMITED

ANNUAL REPORT 2002-2003

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BOARD OF DIRECTORS

J. T. D'souza Chairman & Managing Director
Anand Raj Jain Director
Punit Neb Wholetime Director
P. S. Patel Director
Ralph D'souza Director
Santosh Shetty Director

BANKERS

Union Bank of India
Indian Overseas Bank
ICICI Bank

AUDITORS

M/s. Bhandari Pradeep & Co.,
Chartered Accountants, Mumbai

REGISTERED OFFICE & WORKS

Plot No.11 Survey No.118/1 - 2
Village Pundhe, At Post Athgaon
Dist. Thane - 421301

CORPORATE OFFICE

138, Hiranandani Industrial Estate,
Kanjurmarg (W),
Mumbai 400078
Ph: 25770864 / 2579 6698 / 25791165
Fax: 25796698
Email: sparc@bom3.vsnl.net.in

SHARE TRANSFER AGENTS

Mondkar Computers Pvt. Ltd.
21, Shakil Niwas, Mahakali Caves Rd.
Andheri (E), Mumbai - 400093
Ph: 28257641 / 28366620
Fax: 28211996
Email: mcplrt@bom7.vsnl.net.in

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of Sparc Systems Limited will be held on Tuesday, the 30th September 2003, at 10.00 a.m. at the Registered Office of the Company at Plot No. 11, Survey No. 118-1 & 2, Village Pundhe, Tal: Shahapur, At Post Athgaon - 421 301, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, and adopt the Audited Balance Sheet as at 31st March 2003 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. Anand Raj Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pankaj Patel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution:

"RESOLVED that Mr. Santosh Shetty, who was appointed as an Additional Director of the Company by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, read with Articles 91 of the Articles of Association of the Company, but being eligible offers himself for re-appointment and in respect of which the Company has received notice in writing under section 257 of the Companies Act, 1956 from a member signifying his intension to propose Mr. Santosh Shetty as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determine by retirement of the Director by rotation."

NOTES:

1. 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. 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.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is attached hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26.09.2003 to 30.09.2003. (both days inclusive).
4. 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.
5. 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.

FOR AND ON BEHALF OF BOARD

J. T. D'SOUZA
J. T. D'SOUZA
CHAIRMAN & MANAGING DIRECTOR
Mumbai, 29th JUNE 2003

ANNEXURE TO NOTICE

Explanatory Statement as required under 173(2) of the Companies Act, 1956

Item No. 5

Mr. Santosh Shetty, who was appointed as an additional director of the Company by the board of directors pursuant to Section 260 of the Companies Act, 1956 and Article 91 of the Articles of Association of the Company with effect from 1st October, 2002. He holds the office up-to the date of this Annual General Meeting,

The Company has received a notice in writing from a member under section 257 of the companies Act, 1956 signifying his intension to propose Mr Santosh Shetty as a candidate for the office of Director of the Company. Santosh Shetty (29) is an engineer from Shivaji University, Kolhapur. He has several years of experience in Marketing and Sales.

The Directors recommend this resolution for approval of members. None of the Directors is interested in this resolution

FOR AND ON BEHALF OF BOARD

J. T. D'SOUZA
J. T. D'SOUZA
CHAIRMAN & MANAGING DIRECTOR
Mumbai, 29th JUNE 2003

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the Fourteenth Annual Report together with the Audited Statement of Accounts of Company for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

	Rs. In lacs	
	2002-2003	2001-2002
Profit before Depreciation	2.60	9.38
Less: Depreciation	5.87	8.37
Profit after Depreciation	(3.27)	1.01
Less: Provision for Taxation	--	--
Add: Deferred Tax assets / Liabilities	(0.32)	1.04
Profit after Tax	(3.59)	2.05
Add: Balance Profit brought forward from Previous Year	(17.93)	(29.13)
Deferred Tax Assets	---	9.15
Surplus carried to Balance Sheet	(21.52)	(17.93)

OPERATIONS

During the year under review, the Company continues to pursue Software and Hardware Solutions for electronic security systems, Embedded, Thin Clients, and Internet appliances. New markets for embedded systems are slowly emerging. However competition on account of global players continues to be very high. The Company intends to utilize its existing expertise and intellectual property for creating embedded solutions for the Information economy.

DIVIDEND

Your Directors do not recommended declaration of any dividend due to losses incurred during the financial year.

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 given in the prescribed format is annexed hereto and forms part of this report.

DIRECTORS

Mr. Santosh Shetty, who was appointed as an Additional Director of the Company with effect from 1st October 2002 and he holds the office up-to the date of this Annual General Meeting. Being eligible, he has offered himself for appointment as a Director of the Company.

Mr. Anand Raj Jain and Mr Pankaj Patel, Directors of the Company retire by rotation from the Board of Directors and being eligible, offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY

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

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed with proper explanation relating to material departures;
2. Appropriate accounting policies have been selected and applied consistently, and have made judgments 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, 2003 and of the profit of the Company for the year;
3. 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;
4. The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE REPORT

A detailed compliance report on Corporate Governance is provided elsewhere in the Annual Report. The Auditor's Certificate on Compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreement is also provided in the Annual 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 as Annexure to this Report.

LISTING AND DEMATERIALIZATION OF SHARES

The Equity capital of your Company is listed on the Stock Exchange Mumbai, Ahmedabad Stock Exchange, and Bangalore Stock Exchange. The Company has paid the listing fees for the year 2002-2003 to The Stock Exchange, Mumbai.

AUDITORS' REMARKS

The observations made by the Auditors with reference to Notes to the Accounts for the year under report are self-explanatory and need no further comments from the Directors.

AUDITORS

M/s. Bhandari Pradeep & Co., Chartered Accountants, the Auditors of the Company, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGMENTS

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

FOR AND ON BEHALF OF BOARD

J. T. D'SOUZA
J. T. D'SOUZA
CHAIRMAN & MANAGING DIRECTOR
Mumbai, 29th JUNE 2003

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

	2001-2002	2002-2003
Foreign Exchange Earning	Nil	Nil
Foreign exchange used	Nil	NIL
Raw material purchase		

REPORT ON CORPORATE GOVERNANCE

The primary objective of the Corporate Governance is to create and adhere to a corporate culture of transparency and openness. A Company to succeed on sustained basis must maintain global standards of Corporate conduct towards its employees, shareholders and society. The Company believes in attainment of highest levels of transparency in all facets of its operations and has always focus on good corporate governance.

BOARD OF DIRECTORS

The Board comprises following members

Mr. J. T. D'souza	Chairman & Managing Director
Ms. Punit Neb	Whole-Time Director
Mr. Anand Raj Jain	Non-executive Director
Mr. Ralph D'souza	Non-executive Director
Mr. Pankaj Patel	Non-executive Director / Independent
Mr. Santosh Shetty	Non-executive Director / Independent

ATTENDANCE AT BOARD MEETING

During the year, the Board met 5 times. Dates of the meetings and attendance thereat was as below

Date of Meeting	Directors Present	Absent
April 30, 2002	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain	Mr. Ralph D' souza Mr. Pankaj Patel
June 29, 2002	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain	Mr. Ralph D' souza Mr. Pankaj Patel
July 31, 2002	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain	Mr. Ralph D' souza Mr. Pankaj Patel
October 1, 2002	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D' souza Mr. Pankaj Patel
October 31, 2002	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D' souza Mr. Pankaj Patel
January 31, 2003	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D' souza Mr. Pankaj Patel
March 31, 2003	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D' souza Mr. Pankaj Patel

AUDIT COMMITTEE

The terms of reference of the Audit Committee include:

- To review the Company's financial reporting process and its financial statement.
- To review the accounting and financial policies and practice.
- To review the efficacy of the internal control mechanism and monitor the management policies adopted by the Company and ensure compliance with regulatory guidelines
- To review reports furnished by the statutory auditors.

The Audit Committee of the Company comprises of Mr. Santosh Shetty, Chairman of the Committee and Mr. Anand Raj Jain and Mr. Pankaj Patel.

There were three meetings of the Audit Committee during the Financial Year 2002-2003. The attendance of each member of the Audit Committee in the committee meeting is given below.