



SPARC SYSTEMS LIMITED

ANNUAL REPORT 2004 - 2005



BOARD OF DIRECTORS

J. T. D'souza Chairman & Managing Director
Anand Raj Jain
Punit Neb Wholetime Director
Santosh Shetty
Pankaj Patel Upto January 22, 2005
Ralph D'souza Upto January 22, 2005

BANKERS

Union Bank of India
Indian Overseas Bank
ICICI Bank

AUDITORS

M/s Sanklecha & Co.
Chartered Accountants, Mumbai

REGISTERED OFFICE & WORKS

Sparc Systems Limited
Plot No.11
Survey No.118/1 - 2
Village Pundhe
Taluka Shahapur
At Post Athgaon
District Thane - 421301

CORPORATE OFFICE

Sparc Systems Limited
138, Hiranandani Industrial Estate
Kanjurmarg (W)
Mumbai - 400078
Phone: 25770864
25796698
25791165
Fax: 25796698
Email: sparc@bom3.vsnl.net.in

SHARE TRANSFER AGENTS

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

NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of Sparc Systems Limited will be held on Friday, September 30, 2005 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, Dist Thane - 421301, to transact the following business:

ORDINARY BUSINESS:

- To receive, consider, and adopt the Audited Balance Sheet as at March 31, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
- To appoint a Director in place of Mr. Anand Raj Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors and to fix their remuneration.

NOTES:

- 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.
- The Register of Members and Share Transfer Books of the Company will remain closed from 26.09.2005 to 30.09.2005, inclusive of both days.
- 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.
- Members are requested to:
 - Notify immediately any change in their address to the Company's Share Transfer Agents;
 - Bring their copy of the Annual Report and the Attendance Slip with them at the Annual General Meeting.

For and on behalf of the Board

J. T. D'souza
Chairman & Managing Director
Mumbai, June 30, 2005

DIRECTORS' REPORT

The Directors present the Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

	Rs. In lacs	
	2004-2005	2003-2004
Profit before Depreciation	16.17	6.53
<u>Less:</u> Depreciation	5.82	5.78
Profit after Depreciation	10.35	0.75
<u>Less:</u> Provision for Taxation	.60	--
<u>Add:</u> Deferred Tax assets / Liabilities	(4.90)	0.38
Profit after Tax	4.85	1.13
<u>Add:</u> Balance Profit brought forward from Previous Year	(20.39)	(21.52)
Deferred Tax Assets	--	--
Surplus carried to Balance Sheet	(15.54)	(20.39)

OPERATIONS

During the year, income of the Company was higher at Rs. 62.60 lacs as compared to Rs. 38.35 lacs during the previous year. Net profit after tax was at Rs. 4.85 lacs as compared to Rs. 1.13 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 Company has added several new clients covering different industry segments. The Company's Vehicle tracking and delivery systems have been well received. The Company has also launched Biometric Security products. The Company has implemented Customised Software Solutions for clients. The Company has received inquiries from foreign buyers for various projects. The Company is actively pursuing these inquiries. However competition on account of global players continues to be very high. The Company also intends to utilize its existing expertise and intellectual property for creating embedded solutions for the Information economy.

These will have favorable impact on the Company's structure and efficiency of operations. In view of this the outlook for the coming years is positive.

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.

DISCLOSURE OF PARTICULARS

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.

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.

The Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement except Audit Committee. The Company has not complied with the requirements of Audit Committee only for the quarter ended March 31, 2005 due to unexpected resignation of Director Mr. Pankaj Patel. To comply with the requirement, the Company is in the process of selecting a suitable person as Independent Director.

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.

LISTING AND DEMATERIALIZATION OF SHARES

The Equity Capital of the 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 2005-2006 to The Stock Exchange, Mumbai.

SUSPENSION IN TRADING OF EQUITY SHARES

During the year, trading of the Equity Shares has been suspended by The Stock Exchange, Mumbai, due to non compliance of Clause 49 of the Listing Agreement with effect from December 21, 2004. The Company has submitted required application along with all the necessary documents as required by The Stock Exchange, Mumbai for revocation of suspension of trading of Equity Shares.

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.

As regards to the Auditors' observations pertaining to the term loan from MSFC, it is clarified that the Company has taken steps to arrive at a settlement with Maharashtra State Financial Corporation (MSFC). The Company has already paid an amount of Rs. 5.47 lacs to MSFC as an advance for one time settlement. The Development Corporation of Konkan (DCK) owes the Company a sum of Rs. 20Lacs as Special Capital Incentive under the Government of Maharashtra's Special Capital Incentive Scheme for industrial undertakings in D zone backward areas of Maharashtra. The Company has received the sanction letter from DCK for the above amount in December 1999. However the Company has not received any payments for the same. The Company has paid an amount of Rs. 5.47 lacs to MSFC as an advance for one time settlement and during discussions offered MSFC the Special Capital Incentive due to it from the DCK. MSFC is yet to accept the offer.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed with proper explanation relating to material departures;
- ii. 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, 2005 and of the profit of the Company for the year;
- iii. 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.

DIRECTORS

During the year, Mr. J T D'souza and Ms. Punit Neb were re-appointed as Managing Director and Wholtime Director respectively, pursuant to Section 269 of the Companies Act, 1956, at the Extra Ordinary General Meeting held on March 31, 2005.

Mr. Anand Raj Jain, Director of the Company retires by rotation from the Board of Directors and being eligible, offers himself for re-appointment.

During the year, Mr. Ralph D'souza and Mr. Pankaj Patel have resigned as Directors of the Company, in view of their other pressing engagements, which prevented them from devoting adequate time to the Company.

The Directors acknowledge with gratitude the valuable services rendered by Mr. Ralph D'Souza and Mr. Pankaj Patel during their tenure.

AUDITORS

During the year, M/s. Bhandari Pradeep & Co., Chartered Accountants, had expressed their inability to continue as Statutory Auditors of the Company. In their place M/s Sanklecha & Co., Chartered Accountants were appointed as the Statutory Auditors of the Company pursuant to Section 225 of the Companies Act, 1956, at the Extra Ordinary General Meeting held on March 31, 2005.

M/s Sanklecha & Co., Chartered Accountants, the Auditors of the Company, retire at the conclusion of this Annual Meeting and are eligible for re-appointment. Members are requested to appoint Auditors and fix their remuneration.

ACKNOWLEDGMENTS

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

For and on behalf of the Board

J. T. D'souza

Chairman & Managing Director

Mumbai, June 30, 2005

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	
	2004-2005	2003-2004
Foreign Exchange Earning	NIL	NIL
Foreign exchange used		
- Raw material purchase	1.55	NIL

ANNEXURE 'B' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE

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 focussed on good corporate governance.

1. BOARD OF DIRECTORS

The Board comprises of the following members

Mr. J. T. D'souza	Chairman & Managing Director
Ms. Punit Neb	Wholetime Director
Mr. Anand Raj Jain	Non-Executive Director
Mr. Santosh Shetty	Non-Executive Director / Independent

2. ATTENDANCE AT BOARD MEETING

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

Meeting Date	Directors Present	Absent
April 30, 2004	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
July 17, 2004	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
July 31, 2004	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
October 31, 2004	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	Mr. Ralph D'souza Mr. Pankaj Patel
January 31, 2005	Mr. J. T. D'souza Ms. Punit Neb Mr. Santosh Shetty	Mr. Anand Raj Jain
March 5, 2005	Mr. J. T. D'souza Ms. Punit Neb Mr. Anand Raj Jain Mr. Santosh Shetty	—

3. 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.

During the year, Mr. Pankaj Patel, member of the Committee has resigned from the Board of the Company and consequently resigned from the membership of the Committee. In his place Ms. Punit Neb has been appointed as member of the Audit Committee.

The present composition of the Audit Committee is as follows

SR. NO.	DIRECTORS' NAME	CATEGORY
1	Mr. Santosh Shetty	Non-Executive, Independent
2	Mr. Anand Raj Jain	Non-Executive
3	Ms. Punit Neb	Executive

During the year, there were five meetings of the Audit Committee.

4. REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee to review the remuneration package of the Directors and recommend suitable revision to the Board in accordance with the Companies Act. 1956.

During the year Mr. Ralph D'souza, member of the Committee has resigned from the Board of the Company and consequently resigned from the membership of the Committee. In his place Ms. Punit Neb has been appointed as member of the Remuneration Committee.