



SILVERLINE
ANIMATION TECHNOLOGIES LIMITED

Annual Report
2009-2010

BOARD OF DIRECTORS

Krishnakumar Subramanian, Chairman & Managing Director
Dr. Narayan Raman
Hitesh Kadakia
Mohan Subramanain

AUDITORS

M/s CNGSN & Associates
Chartered Accountants
“Agastyar Manor”, 20, Raja Street
T Nagar, Chennai 600 017.

REGISTERED OFFICE

Mohan Mills Compound,
Kolshet Road, Dhokali,
Thane West, District Thane,
Maharashtra - 400607,
India.

REGISTRAR & SHARE TRANSFER

Link Intime India Pvt. Ltd.,
C-13, Kantilal Maganlal Industrial Estate,
Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai 400 078.
Tel. No.: 25963838 Fax: 25946969

From the Desk of Mr. Krishnakumar Subramanian, Chairman, Silverline Animation Technologies Limited

Dear Friends,

Welcome to all of you!

It gives me an immense pleasure to share this moment with each of you and extend a warm welcome to the fourth Annual General Body Meeting of your company.

During the fiscal year 2009-10, your Company has commenced domestic work in addition to the overseas activities. Domestic work included making of a movie. This would typically mean from the stage of creating a story to production of the actual animated movie. During the current year, the Company has delivered the Story line, creation of some characters and CGI and special effects for South Indian Movies accordingly the revenue from the domestic business is determined. I would like to draw your attention that this has been a good beginning into the domestic industry and a step towards our vision. While it is normally understood that the movie would mean a large project and lot of task associated with it and largely would help establishing the Company as a large player with a lower margin. Overall, while the revenue has increased when compared to the previous year, your Company has added a foray into the International Market namely **Germany, Canada and USA through WOS Advaitaa Inc.** Accordingly the team working on the new projects has come up with a healthy pipeline of opportunities, which is to be explored. Here again we are hopeful of being successful with some additional business in the current year. We are also hopeful that efforts put by the team would become successful as the Client would benefit from the cost arbitrage without compromising on the quality of the work.



Krishnakumar Subramanian
Chairman and Managing Director

I am glad to inform you that to review the performance of new state-of-the-art infrastructure for animation and gaming development, company acquired from **Tech Mahindra**. With this landmark acquisition, the company takeover the best and ready studio meeting international standards and expand its operation last year in the centre where international experts of the industry are available and could also meet up with the most expectations of its customers.

The state-of-the-art technology and world-class facilities, together with its depth and breadth of experience, has earned it an unparalleled reputation in global animation circles. SA Limited studio spans over an area of 15000 sq. ft. and capacity to accommodate up to 150 creative artists. The team at Chennai is experienced for over several years which would be more than 200 man years and recent being delivery of films like **Kutty Pisasu, Dasavatharam, Wanted & Special Effects for Hollywood Movie**. Here exceptional team of creative artists has been consistently delivering 2D, 3D and VFX content to the international and Indian Media & Entertainment markets for more than 15 years including international well-known publishing house, Indian Bollywood, Tollywood and Kollywood industry and popular TV channel.

The recent downturn has also helped the Company to introspect, consolidate and move forward on the activities and also look at the domestic market to meet the vision of the Company. During the year, again the Company is also looking at expansion in these areas and has scaled lot of activities and accordingly implementing inorganic strategy using GDR's / ADR's.

The growth drivers for the animation sector include entry of global entertainment majors leading to co-production of movies, end-to-end production out of India, original IP creation and growth in the domestic market. However, the gaming industry witnessed growth in mobile and console segment, contributing to domestic consumption and the services business was propelled by enhanced partnerships with international game publishers.

According to Economic times dated 8th October 2010 globally, the animation industry is poised to touch USD 100 billion by 2012 and India's animation industry is expected to hit USD 1 billion by 2012, aided by increased outsourcing and a growing domestic market.

Thus, India is emerging as an outsourcing hub for animation, gaming and visual effects with large number of international media companies entering into joint ventures with animation studios in India.

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

Following are some excerpts from the report, via PWC.

The Indian animation and gaming industry marked a positive Hampered by the global economic recession, the industry reported minimal growth in the first half of 2009. However, the industry picked up paces in the second half, with several new projects being ushered in India's way. The entire animation and Gaming industry was estimated at Rs.15.7 billion in 2007, Rs. 23.8 billion in 2009 and is expected to grow at CAGR 23 percent. A typical animation movie can cost approximately Rs. 100 million with movie production forming around 60-70% of the cost.

Though the rapidly expanding broadband penetration in India has led to increase in the number of active gamers in the country, fragmented distribution network and piracy are holding the sector back. Indian gaming industry is currently estimated to be Rs. 5.3 billion in 2009 as compared to Rs. 4.0 billion in 2008 registering a CAGR of 34.4%.

Indian animation and gaming industry has shown tremendous growth in the past and it seems that this growth would continue in the future. Broadband penetration and 3G auction will boost the gaming industry in India, especially the mobile gaming segment which will be the largest contributor to the gaming industry in India. In the case of films, though there is a strong pipeline, most of these are projects that were commissioned about two years back. Major new projects starting production have not seen the light of the day. Hence, growth in locally produced film animated content could be sluggish.

- Needless to add, the areas of focus in the year gone by and in the coming years would be creation of the **Intellectual Property Rights (IPR), Theatrical content, Home Video segment and game development & services.**
- In the area of education your Company has shortlisted in North America and also looking for setting up Residential Animation program in India and also in Middle East. While it can be said that your Company has achieved limited success during the year under review, but your Company is pursuing the same as the entire business is manpower centric and it is important to keep attracting good talents and retain them.
- Positioning to the vision of the company we got an approval from ROC for the name change **NEXTGEN ANIMATION MEDIAA LIMITED.** This is also in line with company's vision of creating Next generation contents to be distributed through all different platforms.

Your Company is in the growth path after a year of consolidation and the hybrid strategy of organic growth, strategic alliances and acquisitions in India and North America. It is in advanced levels of discussion with potential suitors in each of the areas.

I will keep you posted on our successes.

Finally, I must express my profound gratitude for your continued support. I also thank all the Directors of the Board, employees, and all persons associated with the Company for creating a solid infrastructure and base to start a good beginning for your Company.



Krishnakumar Subramanian

Chairman and Managing Director

Silverline Animation Technologies Limited

9th November 2010

NOTICE

NOTICE is hereby given that the Fourth Annual General Meeting of the members of SILVERLINE ANIMATION TECHNOLOGIES LIMITED will be held on Friday, 3rd December 2010 at 11.00 AM at The Shanmukhananda Fine Arts & Sangeetha Sabha, Conventional Hall, Flank Road, Sion (East), Mumbai 400 022 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Profit and Loss account of the Company for the year ended 30th June 2010 and the Balance Sheet as at that date together with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Mohan Subramanian, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint M/s CNGSN & Associates, Chartered Accountants, who retire at this meeting, being eligible and willing to act as Auditors, be appointed Auditors of the Company to hold office till conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors”

SPECIAL BUSINESS

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

Sub-division of the Face value of Equity Shares:

“**RESOLVED THAT** pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act 1956 and subject to the consent of other appropriate authorities, if any, and in accordance with the Article 62 of the Articles of Association of the Company, the listing Agreement entered into by the company with the Bombay Stock Exchange Limited where the shares of the company are listed and subject to all such other approvals permission and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the board of directors of the Company (hereinafter referred to as the “Board”. Which term shall be deemed to include any duly authorized committee thereof for the time being exercising the powers conferred on the Board this Resolution) the Consent of the Members be and is hereby accorded for sub-division of each of the existing issued equity shares of Rs. 10/- (Rupees Ten Only) each in the issued subscribed and paid up capital of the Company into 5 (Five) Equity Shares of the face value of Rs. 2/-(Rupees two Only) each fully paid up and the relevant clause in the Memorandum of Association pertaining to the Share Capital of the Company is accordingly altered.”

“**RESOLVED FURTHER THAT** each of the existing un-issued equity shares of Rs. 10/-(Rupees Ten Only) each in the Authorized Capital of the Company be and is hereby sub-divided into 5(Five) Equity shares of the face value of Rs. 2/- (Rupees Two only) each.”

“**RESOLVED FURTHER THAT** Clause (V) (being Capital Clause) of the Memorandum of Association of the Company relating to equity shares be altered accordingly and which shall read as follows:

The authorized Capital of the company is Rs. 67,00,00,000/- (rupees Sixty Seven Crores Only) divided into 33,50,00,000(thirty three Crores and fifty lakhs only) equity shares of Rs. 2/- (Rupees Two Only) each with the power to the Company to consolidate, convert sub-divide, reduce or increase the capital and issue any new shares with any preferential or special rights and the conditions attached thereto subject to the provisions of the Companies Act 1956.

“**RESOLVED FURTHER THAT** in the event there are any pending share transfers, whether lodged or outstanding of any shareholder of the Company, the board be and is hereby empowered in appropriate cases, even subsequent to the Record Date (as may be fixed by the Board) as the case may be at its sole discretion to effectuate such transfer in the Register of Members of the Company as if such change were operative as on the Record Date.”

“**RESOLVED FURTHER THAT** no fractional certificate be issued by the Company in respect of fractional entitlements, if any, to which the shareholders of the Company may be entitled on sub-division of the equity shares and the Board be authorized to consolidate all fractional entitlements and thereupon issue and allot equity shares in lieu thereof to director or an officer of the Company / other agency who shall hold the shares in trust on behalf of such shareholders of the Company, with the express understanding that such director or officer of the Company/ other agency to whom such equity shares shall be allotted shall sell the same in the market at the best available price and pay the net sale proceeds subject to tax if any (after deduction of expenses incurred in this regard) to the shareholders entitled to the same in proportion to their respective fractional entitlements”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the above the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may in its absolute discretion deem necessary

desirable or expedient including but not limited fixing record date or closing register of members and share transfer books, issue fresh equity share certificate representing the sub divided equity shares with new distinctive numbers consequent upon sub-division of shares as aforesaid of appropriate numbers to shareholders holding equity shares in physical form and to give appropriate and automatic dematerialization effect in respect of equity shares held in electronic form and listing thereof with the stock exchange (s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed sub division of the share capital of the Company and to do all acts deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit without being required to seek any further consent or approval of the Members of otherwise to the end and intent that they shall be deemed to have give their approval thereto expressly by the authority of this resolution”.

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

“RESOLVED THAT in accordance with the provisions contained in the Articles of Association of the Company and applicable provisions of the Companies Act, 1956 (“the Act”) for the time being in force, the consent of the Company be and is hereby accorded to the Board of Directors of the company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including ESOP Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), to offer, issue and allot at any time to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether working in India or out of India under a Scheme titled “Equity Incentive Plan 2010” (hereinafter referred to as the “ESOP” or “Scheme” or “Plan”) such number of equity shares and / or equity linked instruments (including Options), and / or any other instruments to securities (hereinafter collectively referred to as “Securities”) of the Company which may result into the issue of 5,000,000 Equity Shares of Rs. 2 each amounting to and not exceeding Rs.1,00,00,000 (Rupees One Crore only)) at such price in one or more tranches and on such terms and conditions as may be determined by the Board in accordance with the applicable provisions of the law or guidelines and as may be prevailing at that time.”

“RESOLVED FURTHER THAT the said securities may be allotted directly to such employees / directors or in accordance with a Scheme framed in that behalf or through a trust which may be setup in any permissible manner and that the scheme may also envisage for providing financial assistance to the employees or to the trust to enable the employee / trust to acquire; purchase or subscribe to the Securities.”

“RESOLVED FURTHER THAT the Securities may be allotted directly to such employees / directors or in accordance with a Scheme framed in that behalf or through a trust which may be setup in any permissible manner and that the scheme may also envisage for providing any financial assistance to the employees or to the trust enable the employee / trust to acquire, purchase or subscribe to the Securities.”

“RESOLVED FURTHER THAT issue of Securities to any non –residents Employee, Non –resident Directors shall be subject to such approval, permissions or consents as may be necessary in this regard.”

“RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the Company shall rank pari passu in all respects with the existing Equity Shares of the Company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue allotment of Securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations to revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any Statutory authority and to do all such acts, deeds matters, and things as may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board any further consent or approval of the members of the Company”

6. To consider and pass the following resolution as **Special Resolution:**

“RESOLVED THAT RESOLVED THAT pursuant to section 21 and all other applicable provisions of the Companies Act, 1956 and subject to approval of the Central government, and subject to such terms and conditions as may be prescribed or imposed by the Central Government, the name of the Company be changed from “SILVERLINE ANIMATION TECHNOLOGIES LIMITED’ to **“NEXTGEN ANIMATION MEDIAA LIMITED”**.

RESOLVED FURTHER THAT the name “SILVERLINE ANIMATION TECHNOLOGIES LIMITED’ wherever it appears in the Memorandum of Association of the Company and all other documents or paper(s), be Replaced with the new name **“NEXTGEN ANIMATION MEDIAA LIMITED”**.

RESOLVED FURTHER THAT Mr. Krishnakumar Subramanian Chairman & Managing Director or Mohan Subramanian Director

of the Company be and are hereby severally authorized to intimate to change of name with all statutory authorities and to carry out to change in all the documents, certificates, records etc. of the company wherever required and to do all such acts and things and deal with all such matters and take all such steps as may be necessary to give effect to this resolution.

7. **To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution:**

“RESOLVED THAT pursuant to section 81(1A) and all other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and in accordance with the enabling provisions of the memorandum and articles of association of the Company, the provision of chapter VII of the securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulation, 2009, as amended from time to time (“SEBI (ICDR) Regulation 2009”) and other applicable Rules, Regulations and Guidelines, if any prescribed by the Securities and Exchange Boards of India (“the SEBI”), the Reserve bank of India (“the RBI”), the stock exchange and/or any other and the listing agreement entered into by the Company with the stock exchange where the shares of the Company are listed and subject to such approvals, consents, permissions and/or sanction, if any of the appropriate authorities, institution or bodies as may be required, and subject to the such conditions as may be prescribed by the any of them while granting such approvals, consent, permission and/or sanction and which may be agreed to by the Board of directors of the company (Including existing Management Committee of the Boards of Directors delegated or as may be delegated with its power including the power conferred by this resolution), consent of the shareholders be and hereby accorded to of directors of the company (“Board”)/ Managing Committee of the Board of Directors of the Company (Managing Committee), to create, offer, issue, allot and deliver, not exceeding 1,00,00,000 (One Crore only) Optionally Fully Convertible Share Warrants (OFCSWs /warrants), upto 1,00,00,000 equity shares of Rs. 2/- each totalling to Rs. 2,00,00,000/- with an option to apply for conversion into equity shares of the Company viz. one equity share of Rs.2/- each for cash to one of the promoters of the company Mr. Krishnakumar Subramanian, in such a manner and on such terms and conditions as may be determined by the board in its absolute discretion, in accordance with the Guidelines for the preferential Issue contained in chapter VII of the SEBI (ICDR) Regulations 2009 or other provision as may be prevailing at such time, provided that the price of the resultant shares (“pursuant to the exercise of the warrants issued”) shall not be less than the price arrived at in accordance with the Provision of Chapter VII of the SEBI (ICDR) Regulation, 2009.”

“RESOLVED FURTHER THAT that the Convertible Share Warrants resolved to be offered and allotted as per the fore going resolution shall be allotted at the earliest of 15 days from the date of this resolution or 15 days from the date of receipt of any approval of the Securities and Exchange Board of India or any other authority as may be required and as per the provision of SEBI (ICDR) Regulation, 2009.”

“RESOLVED FURTHER THAT the Warrant holders must exercise the option to convert the warrants into equity shares of the Company, in one or more tranches, any time after the date of allotment of the Warrants but on or before the expiry of 18 months from the date of the said allotment, and the “relevant date” for calculation of the price of the resultant equity shares on conversion shall be the date specified with the guidelines for the preferential issue contained in Provision of Chapter VII of the SEBI (ICDR) Regulation, 2009 as amended from time to time in this behalf.”

“RESOLVED FURTHER THAT the equity shares when allotted in terms of this resolution shall rank pari passu with the then existing equity shares of the Company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above,the board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of the aforesaid warrants and listing thereof with the stock exchange as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of such warrants / equity shares utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the board in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise and that they shall be deemed to have given their expressly by the authority of resolution.”

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

“RESOLVED THAT in accordance with the provisions of section 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Authorised Share Capital of the Company be and is hereby increased from Rs.67, 00,00,000/- divided into 33,50,00,000 Equity Shares of Rs.2/- (Rupees two only) each to Rs. 80,00,00,000/- divided into 40,00,00,000 Equity Shares of Rs. 2/- (Rupees two only) each by the creation of 6,50,00,000 Equity Shares of Rs.2/- (Rupees two only) each and that Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company be altered accordingly.”

FURTHER RESOLVED THAT pursuant to Section 16 of the Companies Act, 1956, the existing Clause V of the Memorandum

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of Association of the Company as to the Share Capital be and is hereby deleted and in its place the following Clause V be substituted:

“The Authorised Share Capital of the Company is Rs. 80, 00, 00,000/- (Rupees Eighty Crore) divided into 40, 00, 00,000 (Forty crore only) Equity Shares of Rs.2/- (Rupees two only) each.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Special Resolution**:

RESOLVED THAT pursuant to the provisions of Section 31 of Companies Act, 1956, the existing Article 4 of the Articles of Association of the Company be and is hereby deleted and in its place the following Article 4 be substituted:

“The Authorised Share Capital of the Company is Rs. 80,00,00,000/- (Rupees) divided into 40,00,00,000(only) Equity Shares of Rs.2/- (Rupees two only) each with power to increase or reduce the said Capital from time to time in accordance with regulation of the Company in force and the Legislative provisions for the time being in force in this behalf.

Place: Mumbai

Date: 9th November 2010

Krishnakumar Subramanian

Chairman

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, 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 FORTY-EIGHT HOURS BEFORE THE ANNUAL GENERAL MEETING.
2. The relevant Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Special Business items in the notice is annexed hereto.
3. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Directors of the Company at the Company's Registered Office, so as to reach at least 7 days before the date of the meeting, so that the information required may be made available at the meeting to the best extent possible.
4. Members are requested to direct all correspondence relating to shares to the Company's Registrar and Share Transfer Agents, Link Intime India Pvt. Ltd. at C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West) Mumbai 400 078.
5. Re-appointment / Appointment of Directors. At the ensuing Annual General Meeting, Mr. Mohan Subramanian is retiring by rotation and being eligible offer himself for re-appointment. The information or details pertaining to the Directors to be provided in terms of Clause 49 of the Listing Agreement is furnished in the Statement on the Corporate Governance published elsewhere in this Annual Report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956:

Item No.2

The information or details pertaining to the Director retiring in this meeting and offering himself for re-appointment is as under:

Name	: Mohan Subramanian
Date of Birth	: 26th May 1956
Experience in specific functional area	: Mohan Subramanian, 54, is a seasoned Entrepreneur with over 25 years of rich experience in Managing Technologies business; he is also a social and respectable citizen and has undertaken many social work.
Qualifications	: Arts Graduate

Other public Companies in which

Directorship held	: Silverline Technologies Limited Platinum International Limited
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Other public Companies in which

In which membership of committee : Remuneration committee –Silverline Technologies Limited

No. Of Shares held on 30th June, 2010 : Nil

Item-4

The equity shares of the Company are listed on the Bombay Stock Exchange Limited and admitted as permitted for trading under 'B' segment category. The shares are actively traded on the BSE.

In order to improve the liquidity of the Company's shares in the stock market and to make it also affordable to the small investors, the Board of Directors of the Company considered it desirable to sub-divide each of nominal value of the equity shares of the Company into 5 equity shares of Rs. 2/- each

Accordingly it is required to amend Clause 4 of the Memorandum of Association of the Company which defines the Capital Clause of the Company.

Pursuant to the provisions of Sections 16 and 94 of the Companies Act, 1956 any amendment in the Memorandum of Association is required to obtain approval of members. Hence this resolution is commanded for the approval of members

A copy of the Memorandum and Articles of Association as amended is kept open for inspection during the business hours on any working day at the Registered Office of the Company.

None of the directors of the Company is in any way concerned or interested in the resolution, except to the extent of the shareholding held by them. The Board recommends the resolution set forth in Item 4 for approval of shareholders.

ITEM NO. 5 – Employee Stock Option

Disclosures, which are required to be given in terms of Clause 6.2 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and amendments thereto

Intellectual capital is the source of competitive advantage for organizations to a large extent depends on its ability to attract, and motivate its human resources. Offering stock options goes a long way in achieving the above key objectives. With this in view and in order to enable the employees to participate in the long term growth and financial success of the company, the Board of Directors at their meeting held on 7th September 2010 approved an employees stock Option Scheme, subject to the approval of the members, granting stock options to the eligible employees of the company. The salient features of the Employees Stock Option Scheme are set out below: total Options to be Allocated options each entitling the holder thereof to be issued and allotted one Equity Share in the Company, at the price to be approved by The Board of Directors Identification of classes of employees entitled to participate in the ESOP Scheme, Person who are "employees" of the Company, including Directors, as defined in the ESOP Guidelines (including any statutory modifications(s) or re-enactment of the Act or the Guidelines, for the time being in force). and as may be decided by the ESOP Compensation Committee, from time to time.

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive set of regulations for the same known as SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and amendments thereto. (the "Guidelines"). The Board of Directors of the Company considered the matter in its meeting held on 9th November, 2010, and thought it prudent to take recourse to the aforesaid Guidelines and recommended introduction of Employee Stock Option Scheme (the "Scheme") pursuant to which employees/ directors of the Company who comply with certain eligibility criteria would be granted options to subscribe to a specified number of Equity shares and/ or certain other securities of the Company in conformity with the provisions of the Guidelines.

Before any Option is granted or issued under the scheme, the Board will be constituting a Committee of Directors known as "ESOP Compensation Committee" consisting of a majority of independent Directors for the implementation, administration and superintendence of the scheme. The ESOP Compensation Committee will formulate the Scheme on the following mentioned terms and conditions:

- (a) Quantum of option to be granted under an ESOS per employee and in aggregate;
- (b) Conditions under which option vested in employees may lapse in case of termination of employment for misconduct;

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- (c) Exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
- (d) Specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- (e) Right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- (f) Procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues, merger, sale of division and other corporate actions or otherwise;
- (g) Grant, vest and exercise of option in case of employees who are on long leave;
- (h) Procedure for cashless exercise of options;
- (i) Lock-in period, if any, for the shares issued pursuant to exercise of the options;
- (j) Any other related or incidental matters in conformity with the guidelines.

The other salient terms and conditions of the scheme are as under:

(a) Total number of Options to be granted

Total number of Options which may result into Equity Shares of Rs. 2/ each under this Scheme is 50,00,000 (Fifty Lac)

(b) Identification of classes of Employees entitled to participate in the Scheme

The ESOP Compensation Committee of the Company has formulated the Scheme SA Limited ESOP 2010 pursuant to the Guidelines for issue of Options to present and future employees and Directors of the Company but excluding promoter Directors.

- I) The following employees are eligible to participate in the Plan based on such criteria as may be decided by the Committee at its own discretion from time to time:-
 - a. A permanent employee of the Company working in India or outside India;
 - b. An Employee as defined in sub clauses (a) above of a subsidiary, in India or outside India.

- II) The following employees are not eligible to participate in the Plan.

An Employee who is a :-

- a. Promoter; or
- b. Belongs to the Promoter Group; or
- c. A Director, who either by himself or through his relative or through any body corporate, directly or indirectly, holds more than 10 percent of the outstanding Shares of the Company.

Employees will be granted Option rights based on performance and such other parameters as the ESOP Compensation Committee, in its discretion, from time to time, decide in this regard and subject to the Guidelines.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

(c) Requirements of Vesting and Period of Vesting

Requirements of vesting and period of vesting – Vesting of options may commence at any time after the grant of the options, and may extend upto five years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOP Compensation Committee, in its discretion, and which will include performance appraisal of the employee, Exercise Price of options and the process of Exercise and will expire not later than seven years from the date of grant of options, or such other period as may be decided by the ESOP Compensation Committee, from time to time. The Options will be exercisable by the Employees by a written application to the company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the ESOP Compensation Committee, from time to time. The options will lapse if not exercised within the specified exercise period. Of two years Appraisal Process for determining the eligibility of employees to ESOP. The appraisal process for determining the eligibility of the employee will be specified by the ESOP Compensation Committee, and will be based on criteria such as the seniority of the employees, length of service, performance record merit of the employee, and/or any such other criteria that may be determined by the ESOP Compensation Committee at its sole discretion.

(d) Disclosure and accounting policies

The company shall follow and conform to the Accounting Policies as mentioned in Clause 13.1 and Schedule I of Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, (the "SEBI Guidelines") and the applicable accounting policies issued by the Institute of Chartered Accountants of India from time to time.

(e) Listing of the Shares

The shares allotted pursuant to the exercise of the option shall be listed on the Stock Exchange, Mumbai (BSE), where the Company's other Equity Shares are listed and necessary applications will be made to those Stock Exchanges in that behalf.

(f) A statement to the effect that the Company shall conform to the accounting policies specified in Clause 13.1

It is hereby stated that the Company shall conform to the accounting policies specified in Clause 13.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Company shall use the market value approach or such other method in accordance with SEBI Guidelines to value its Options as may be decided by the Compensation Committee.

(g) Accounting Policies

The Company will conform to the accounting policies prescribed by the Guidelines.

Section 81(1A) of the Companies Act, 1956, provides inter alia, that whenever, it is proposed to increase the subscribed capital of the Company by the allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in the section unless the shareholders in General Meeting decide otherwise. The consent of shareholders is, therefore, sought to authorise the Board of Directors of the Company (including the committee thereof) to issue the shares in the manner set out in the resolution.

(h) Exercise Price or Pricing Formula

The options granted under the plan shall be exercisable at an exercise price, at such times and under such conditions as may be determined by the ESOP Compensation Committee of the Board of Directors from time to time. The exercise price for the grant of options will be the closing price of the Company's Equity Shares quoted at the Stock Exchange, Mumbai (BSE), where the shares of the Company are listed, on the date of grant of option. If the share price is not quoted on the given date, then the share price on the next trading date shall be considered.

(i) Exercise Period and Process of Exercise

The exercise period will commence from the date of vesting of Options and will expire not later than seven years or such other period as may be decided by the Compensation Committee from time to time. The options will be exercisable by the employees by a written application to the Company in such manner and on execution of such documents as are prescribed by the compensation Committee from time to time.

(j) Maximum Number of options to be issued per Employee and in Aggregate

The maximum number of options granted per employee will not exceed 2.5% of the paid up equity capital of the company as on the date of the last audited balance sheet.

Your Directors recommend the resolutions to the shareholders passed under item no 5 for their approval. None of the Directors are concerned or interested in the said resolution.

Item- 6

In order to reflect the Company's long-term vision to transform itself into next generation content creator and distributed through all different platforms, it is proposed to change the name of the Company by substituting the word "Nextgen Animation Mediaa Limited" in place of "Silverline Animation Technologies Limited" in the name of the company.

The Register of Companies, Maharashtra, Mumbai ("ROC") has approved the availability of the name "**NEXTGEN ANIMATION MEDIAA LIMITED**" to the company.

The Board recommended the resolution at item no.6 of the Notice to the members for approval.

A copy of the Memorandum and Articles of Association of the Company along with the alterations as aforesaid of the Name Clause of the Memorandum and the letter of the ROC approving the availability of name are available for inspection at the Registered Office of the Company during business hours.

None of the Directors are concerned are interested in this resolution.

Explanatory Statement**Item No. 7**

This resolution is passed for infusing capital to be utilized for the growth and working capital needs of the company. It is proposed to offer, issue and allot not exceeding 1, 00, 00,000 Optionally Fully Convertible Share Warrants (OFCSWs) to the promoters in accordance with the SEBI's Guidelines, as proposed in the resolution.

The proposed resolution is an enabling resolution, authorizing, the board to issue warrants with an option to apply for equity shares.

The details of the proposed issue and other particulars as required in terms of the preferential issue guidelines are given as under,

- 1) Object:** To consolidate a position and holding and commitment towards running the business which will also strengthen the financial position.
- 2) Securities to be issued:** The board may issue warrants with an option to apply for equity shares.
- 3) Terms of Warrant:** The board may allot warrant at a price not less than the price arrived at in accordance with the Provision of Chapter VII of the SEBI (ICDR) Regulation, 2009". Which will entitle the holder to subscribe for one-equity shares of the face value of Rs. 2/- per equity share of the company against each warrant. An amount, as may be decided by the board of directors not being less than 25% or any minimum threshold limit as may be applicable under the relevant provisions of the Act, statute, applicable from time to time of the issue price shall be payable upon subscription of the warrants. The warrants would be allotted on the following terms;

The holder of the warrants will have an option to apply for the allotted 1 (one) equity share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment, in one or more tranches. In this connection, either the Company or the warrant holder will give an advance notice of at least ten days, calling upon the other party to exercise / avail the aforesaid option specifying the number of warrants within 10 days of the service of the notice. Upon receipt of the payment as above, the board (or Committee thereof) shall allot one equity share per warrant by appropriating Rs. 2/- towards equity share capital.

If the entitlement against the warrants to apply for the equity share is not exercised within the period specified in the notice referred herein above the entitlement of the warrant holders to apply for equity shares of the Company along with the rights attached hereto shall expire and any amount paid on such warrants shall stand forfeited.

The warrant holders shall be entitled to any future bonus / right issue(s) of equity shares or any other securities in the same proportion and manner as any other shareholders of the Company for the time being. The warrant by itself does not give the holder(s) thereof any rights of the shareholders of the Company. The equity shares issued as above shall rank pari passu in all respects with the existing equity shares of the Company. The warrants and equity shares shall be subject to the memorandum and Articles of Association of the Company.

- 4) Lock-in:** The warrants issued under the above preferential issue shall be locked-in for a period of three years from the date of allotment of warrants. The lock-in on the shares allotted on the exercise of option attached to warrants, if any, shall likewise be locked-in for a period of three years.

5) Intention of the subscribers: The following persons have agreed to the warrants under the said preferential issue:

Sr. No.	Name of the proposed subscribers	Category	No. Of warrants proposed to be issued/allotted	No. of Equity Shares Proposed to be entitled on exercising Issued /allotted option
1	Krishnakumar Subramanian	Promoter	1,00,00,000	1,00,00,000

Your Directors recommend the resolution set out at item no 7 of the notice for the approval of the members.

Share Holding Pattern-Pre -Stock Splits and Pre-Promoters Issues as on 31st October,2010

Category	Number of Shares	% of Shareholding
Promoters	2,224	0.004
Banks,Mutual Funds Financial institution	1,638	0.003
Domestic Corporate bodies	4,536,693	7.32
Indian Public	11,212,380	18.09
NRI/OBCs/FII/Foreign Company	241,260	0.39
Shares held through depository	46,000,000	74.20
Total	61,994,195	100.00

Share Holding Pattern-Post Stock Splits and Pre- Promoters Issues

Category	Number of Shares	% of Shareholding
Promoters	11,120	0.004
Banks,Mutual Funds Financial institution	8,190	0.003
Domestic Corporate bodies	22,683,465	7.32
Indian Public	56,061,900	18.09
NRI/OBCs/FII/Foreign Company	1,206,300	0.39
Shares held through depository	230,000,000	74.20
Total	309,970,975	100.00

Holding Pattern-Pre -Stock Splits and Pre-Promoters Issues as on 31st October, 2010

Category	Number of Shares	% of Shareholding
Promoters	10,011,120	3.13
Banks,Mutual Funds, Financial Institutions	8,190	0.003
Domestic Corporate Bodies	22,683,465	7.09
Indian Public	56,061,900	17.52
NRI/OBCs/FII/Foreign Company	1,206,300	0.38
Shares held through depository	230,000,000	71.88
Total	319,970,975	100.00

ITEM NO. 8 & 9 – Increase of Authorised Capital

Consequent to the increased in the authorised capital, the article is amended as under:

This resolution is moved to increase the authorised capital from the existing Rs. 67 Crore to the proposed increase upto Rs. 80 Crore with a view for the expansion and growth of the Company. Consequent to this increase, the Articles of Association of the Company is also amended. Your Directors recommend the resolution set out in above item No 8 & 9 of the Notice for the approval of members. None of the Directors are concerned or interested in the said resolution

On behalf of the Board of Directors

Place: Mumbai

Krishnakumar Subramanian

Date: 9th November 2010

Chairman

DIRECTORS' REPORT

Your Directors are pleased to present you the Fourth Annual Report with the Audited Accounts for the fiscal year from 1st July 2009 to 30th June 2010.

Financial Results

	Year Ended 1/7/2009 to 30/6/2010	Year Ended 1/7/2008 to 30/6/2009
	Rs. In million	Rs. In million
Income	64.67	57.51
Total Income gross Profit (PBDIT)	19.97	27.01
Depreciation	10.12	19.25
Preliminary and Deferred Revenue Expenses	0.77	-
Profit before Taxes	9.08	7.76
Less: provision for Taxation	1.5	0.92
Net profit/Loss	7.58	6.84
Profit available for appropriation- brought Forward	21.43	14.58
Profit available for appropriation	29.01	14.59
Share Capital	619.94	119.94
Reserve Account	824.57	641.99
Less: Miscellaneous Expenses (deferred)	3.08	0.02
TOTAL	1441.45	761.90
Transfer from General Reserve to Balance Sheet	1441.45	761.90

Performance

Your Company has been performing satisfactory. During the year your company has reported revenues at 64.67 million.

The Post-tax profit during the period increased by 10.86% to Rs. 7.58 million approximately as compared to the previous year ended June 30, 2009.

The review of the performance for the period ended June 30, 2010 and the business outlook of the company is included in section on Management Discussion and Analysis included in Annexure "C" to this report.

Fixed Deposits:

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

Directors:

Mr. Mohan Subramanian retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

Auditors:

The Auditors M/s. CNGSN & Associates, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Directors' Responsibility Statement:

Your Directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures; the management maintains that the Intellectual Property Rights created through the process of digital animation techniques have perpetual value and hence is not subject to the amortization or impairment as per the AS 26.

- ii) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 or loss of the company for that period;
- iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that they had prepared the annual accounts on a going concern basis.

Qualification from the Audit report

The Board would like to clarify on the two comments of the Auditors thus;

- 1. The provision for the impairment would not be required as the value to be earned through the Intellectual property is more than the carrying cost of IPRs and accordingly no provision for the write-off is made during the current year.
- 2. The provision for the Deferred Tax is not required by the Company as per the advice given to the Company, as the liability as per the Income Tax Act is similar to the provision of the Income Tax.

The Qualification of the auditor is as follows;

- d) In our opinion, the Balance sheet and Profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 **subject to non- provision for impairment of the intellectual property rights as required under AS-26 and non provisioning of deferred tax liability under AS-22.**

Corporate Governance:

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance is given in Annexure “B”

Management Discussion and Analysis

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance is given in Annexure “B”

Employee Particulars

Particulars of employees as required under section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employee) Rules, 1975, as amended, forms part of this report.

However, in pursuance of section 219(a)(b)(iv) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company excluding the aforesaid information. The members interested in obtaining such particulars may write to the Company at the Registered Office of the Company.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as prescribed under 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, are set out in Annexure “A” included in this report.

Acknowledgements

Your directors place on record their appreciation of the support extended by Customers, Investors, Bankers, Business Associates, Vendors, Share Holder’s and various Government Agencies. Your directors would also like to place on record the contribution made by the employees / consultants who have together contributed for the success of your Company.

On behalf of the Board of Directors

Place: Mumbai

Krishnakumar Subramanian

Date: 9th November 2010

Chairman

ANNEXURE “A”
TO THE DIRECTORS’ REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy:

The Company’s operations are not power intensive. Nevertheless, your Company has introduced various measures to conserve and minimize the use of energy.

B. Research & Development (R & D):

a) Specific areas in which R & D is carried out by the Company:

R&D activities include tools development with the object of devising efficient methods of pre-production phase The Company has in place a quality assurance team to ensure adherence to stringent quality norms.

b) Benefits derived as a result of the above R&D:

Reduction in cost and improvement in quality adaptability of Software Systems and Packages.

C. Technology Absorption, Adaptation & Innovation:

No technology has been imported.

Indigenous technology available is continuously being upgraded to improve overall performance.

D. Foreign Exchange Earnings & Outgo:

Activities relating to Exports & Export Plans:

The Company is making continuous efforts to explore new foreign markets and to enlarge its shares in the existing markets for export of digital animation content.

Information on Foreign Exchange earnings and outgo are specified in the notes to the accounts

On behalf of the Board of Directors

Place: Mumbai

Krishnakumar Subramanian

Date : 9th November 2010

Chairman

ANNEXURE “B”

TO THE DIRECTORS’ REPORT ON CORPORATE GOVERNANCE

a) Company’s Philosophy

Silverline Animation Technologies Limited’s business objectives to be Next Generation content creator using world class technology distributed through all different platforms for animation and game development. This will result in a good performance and revenue that can be sustained over the long term for the customers, shareholders, employees, business partners and the national economy.

b) Board of Directors

During the period under review the Board of Directors comprised a Chairman with Managing Director and 3 Non Executive Directors.

During the period from 1/7/2009 to 30/6/2010, 9 Board Meetings were held on 01.08.2009, 01.09.2009, 30.10.2009, 29.10.2009, 07.12.2009, 30.01.2010, 05.02.2010, 12.03.2010, 15.04.2010, 30.04.2010 and 15.05.2010.

The Composition of the Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also no. of other Directorships, etc. are as follows:

Name of Director	Category of Directorship/No. of other committees of where member/chairmanship	No. of Board meeting attended	Attendance at last AGM on 23 rd November 2009	No. of other Directorship
Mr. Krishnakumar Subramanian	Promoter- Chairman Chairman-1 Member -2	9	Yes	3
Dr. Narayan Raman	Independent Non Executive Director Chairman- Nil Member - Nil	8	NA	2
Mr. Mohan Subramanian	Promoter- Whole-time Director Chairman-1 Member -2	9	Yes	4
Mr. Hitesh Kadakia	Independent Non Executive Director Chairman- Nil Member - Nil	4	NA	1

Particulars of directors seeking reappointment at the existing Annual General Meeting

The information or details pertaining to the Director retiring in this meeting and offering himself for re-appointment is as under:

Name : Mohan Subramanian
Date of Birth : 26th May 1956
Experience in specific functional area : Mohan Subramanian, 54, is a seasoned Entrepreneur with over 25 years of rich experience in Managing Technologies business; he is also a social and respectable citizen and has undertaken many social work.
Qualifications : Arts Graduate

Other public Companies in which

Directorship held : Silverline Technologies Limited
Platinum International Limited

Other public Companies in which

In which membership of committee : Remuneration committee –Silverline Technologies Limited
No. Of Shares held on 30th June, 2010 : Nil

c) Audit committee**i) Terms of reference**

The role and terms of reference of the Audit Committee covers the areas mentioned in clause 49 of the Listing Agreement with Stock Exchanges and section 292A of the Companies Act, 1956, besides other terms as may be referred to by the Board of Directors. The minutes of the Audit Committee Meetings are taken note of by the Board.

ii) Composition

The Audit Committee was reconstituted for the year July 2009 to June 2010 and comprised of 3 Directors. The committee held four meetings during the period from 01/07/09 to 30/06/10. The attendance of the members at the meetings were as follows:

Name of the member	Status	No. of meeting attended
Mr. Mohan Subramanian	Chairman	4
Mr. Hitesh Kadakia	Member	1
Mr. Krishnakumar Subramanian	Member	4

d) Remuneration Committee

Qualification and experience of the employee, responsibilities handled, individual performance, etc.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent and reward merit.

Name of the member	Status
Mr. Hitesh Kadakia	Chairman
Mr. Mohan Subramanian	Member
Mr. Krishnakumar Subramanian	Member

e) Shareholder's/Investor's grievance committee**i) Terms of reference**

To look at redressing of shareholders and investors complaints like transfer of shares, non-receipt of Balance Sheet, non receipt of dividends etc. The minutes of the Shareholder's/Investor's Grievance Committee Meetings are taken note of by the Board.

ii) Composition

The Shareholder's/Investor's Grievance Committee was re-constituted on July 2009 and comprised the following Directors:

Name of the member	Status
Mr. Krishnakumar Subramanian	Chairman
Dr. Narayan Raman	Member
Mr. Mohan Subramanian	Member

The Committee met once during the period 01/07/2009 to 30/06/2010 where all the members were present.

The Board has delegated the powers of approving transfer of shares to the Registrar and Share Transfer Agents M/s. Link Intime India Private Limited, Mumbai.

iii) Shareholders Complaints

Particulars		Total number of Shareholders letters
1.	No. of Shareholders complaints received during the period 1-7-2009 to 30-6-2010	22
2.	No. of Shareholders complaints mentioned above not to the satisfaction of the shareholders	22
3.	Pending Share Transfers as on June 30, 2010	0

f) General Body Meeting

Particulars of the General Meetings held:

Financial Year	Date	Location
2006-2007	31-07-2007	20, Mahavir Mansion, Trinity St. Dhobi Talao, Mumbai
2007-2008	29-09-2008	The Shanmukhananda Fine Arts & Sangeetha Sabha, Conventional Hall
2008-2009	23-11-2009	The Shanmukhananda Fine Arts & Sangeetha Sabha, Conventional Hall

g) Disclosures

Related party transactions:

Please refer to page number 9 of notes of accounts provided with financial statements.”

h) Means of communication

- i) Quarterly results are published in daily newspapers viz. The Free Press Journal, Nav-Shakti etc.
- ii) Management's Discussion and Analysis forms part of this Annual Report, which is posted to the shareholders of the Company.

i) General Shareholders information

- i) The Annual General Meeting is proposed to be held on 3rd December 2010 at 11.00 A.M. at Shanmukhananda Conventional Hall, Sion, Mumbai.

- ii) Financial Calendar

Annual Results of previous Year	End of June 2009
Mailing of Annual Reports	30th October 2009
First Quarter Results	30th October 2009
Annual General Meeting	23rd November 2009
Payment of dividend	NIL
Second quarter results	30th January 2010
Third quarter results	30th April 2010

- iii) Date of book Closures : 27th November 2010 to 3rd December 2010

- iv) Dividend Payment Date : Not Applicable

- v) Listing Equity Shares on Stock Exchanges : The Bombay Stock Exchange, Stock Code: 532999, Rolling Settlement

- vi) Registrar and share transfer agent : Link Intime India Private Limited,
C-13, Kantilal Manganlal Industrial Estate,
Pannalal Silk Mills Compound, LBS Marg,
Bhandup (west), Mumbai-400078.

- vii) Share Transfer System

The Company's Shares are traded on the Stock exchanges compulsory in demat mode. In case of transfers not on the floor of the stock exchange physical shares, which are lodged for transfer with the Transfer Agents are processed and returned to the shareholders within a period of 30 days.

- viii) Distribution of shareholding as on 30th October 2010.

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Up to 5000	189,851	98.695	56,990,540	9.193
5001-10000	1,351	0.702	9,926,730	1.601
10001- 20000	591	0.307	8,480,880	1.368
20001-30000	187	0.097	4716920	0.761

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
30001-40000	89	0.046	3205910	0.517
40001-50000	70	0.036	3211380	0.518
50001-100000	112	0.058	7815890	1.261
100001 and above	111	0.058	525593700	84.781
TOTAL	192,362	100	619,941,950	100

ix) Category of Shareholders as on 30th October, 2010.

Category	No of Shares	Percentage
Promoters	2,224	0.004%
Banks, Mutual funds	1,638	0.003%
Domestic Corporate bodies	4,536,693	7.32%
Indian Public and Others	11,212,380	18.09%
Non-resident/OCBs/FII/Foreign Company	241,260	0.39%
Shares held through depository	46,000,000	74.20%
TOTAL	61,994,195	100%

x) Dematerialization of Shares

As on 30th October 2010, 99.86% of the Companies total Shares representing 61,909,199 shares were held in dematerialized form and the balance 0.014% representing 84,996 shares were held in physical form.

xi) Outstanding ADRs/Warrants/option or any other convertible instrument conversion date and likely to impact on equity.

xii) The outstanding ADSs are backed by underlying equity shares, which are part of the existing capital.

Address of Company

Mohan Mills Compound, Kolshet Road, Dhokali, Thane (W), District Thane, Maharashtra-400607.

Address of correspondence:

The Company's Registered Office is situated at:

Mohan Mills Compound, Kolshet Road, Dhokali, Thane (W), District Thane, Maharashtra-400607.

Shareholders Correspondence should be addressed to

Link Intime India Private Limited, Mumbai.

C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.

Shareholders holding share in electronic mode should address all their correspondence to their respective Depository Participants (DPs)

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under clause 49 of the listing agreement.

Remuneration committee comprising 2 directors has already been constituted for reviewing and deciding the Company's policy on specific remuneration packages for executive directors and senior executives of the Company.

On behalf of the Board of Directors

Place: Mumbai

Krishnakumar Subramanian

Date : 9th November 2010

Chairman

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To The Board of Directors of Silverline Animation Technologies Limited We have reviewed implementation of Corporate Governance procedure set by Silverline Animation Technologies Limited ("the Company") for the year ended June 30, 2010 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For **M/s CNGSN & ASSOCIATES**

Chartered Accountants

Place : Chennai

Date : 11th November 2010

C. N. Gangadharan

Partner

Membership No.11205

ANNEXURE "C"

MANAGEMENT DISCUSSIONS & ANALYSIS

Industry Structure and development

The Indian animation and gaming industry marked a positive Hampered by the global economic recession, the industry reported minimal growth in the first half of 2009. However, the industry picked up paces in the second half, with several new projects being ushered in India's way. The entire animation and Gaming industry was estimated at Rs.15.7 billion in 2007, Rs. 23.8 billion in 2009 and is expected to grow at CAGR 23 percent. Traditionally, Indian animation segment has witnessed significant growth on the back of high-end work outsourced from international studios complemented with increased demand of animated content in the film and television industries. As far as the animation industry is concerned, majority of the revenue from India is generated from television (55%), which includes content made for broadcasting and advertisements. The rest is divided between movies (20%) and direct to DVD content (25%). The reason behind such slender contribution from movies is because it is cost prohibitive for Indian film producers to produce full-length animated feature films. A typical animation movie can cost approximately Rs. 100 million with movie production forming around 60-70% of the cost.

Though the rapidly expanding broadband penetration in India has led to increase in the number of active gamers in the country, fragmented distribution network and piracy are holding the sector back. Indian gaming industry is currently estimated to be Rs. 5.3 billion in 2009 as compared to Rs. 4.0 billion in 2008 registering a CAGR of 34.4%.

Indian Outlook

- Indian animation and gaming industry has shown tremendous growth in the past and it seems that this growth would continue in the future. PwC estimates that the animation and gaming industry would be a Rs. 73.4 billion industry by 2014 from the current level of Rs. 23.8 billion in 2009, surging at a CAGR of 25.2%. Animation and VFX industry will see larger investments in studios to provide better quality output to the domestic and outsourcing market.
- Broadband penetration and 3G auction will boost the gaming industry in India, especially the mobile gaming segment which will be the largest contributor to the gaming industry in India.
- Local animation content for television is expected to increase, but in the already established sectors of mythology. Growth beyond this genre is expected only in the medium term future.
- Online and PC gaming will continue to be impacted by piracy and will not be able to achieve its full Potential
- In the case of films, though there is a strong pipeline, most of these are projects that were commissioned about two years back. Major new projects starting production have not seen the light of the day. Hence, growth in locally produced film animated content could be sluggish.
- VFX will be increasingly used as a tool to reduce cost of production for film making in India.
- Internationally outsourced work will continue to be the bread and butter of the Indian animation industry and will advance only to the extent of coproduction.

Projected Growth of Animation and Gaming Industry in 2009-14							
Rs. Billion	2009	2010F	2011F	2012F	2013F	2014F	CAGR
Animation	18.5	23	27.6	33.6	42.5	54	23.90%
% change		24.30%	20.00%	21.70%	26.50%	27.10%	
Gaming	5.3	8.1	10.6	13.5	16.3	19.4	29.40%
% change		52.70%	30.70%	27.30%	20.10%	19.00%	
Mobile	3	5.2	6.9	9	10.8	13	34.00%
% change		72%	33%	31%	20.20%	20%	
PO	0.6	0.7	0.8	0.9	1	1.1	14.60%
% change		23.10%	18.80%	10.50%	9.50%	11.60%	
Console	0.8	1	1.3	1.6	1.9	2.2	21.90%
% Change		21.80%	27.10%	23.30%	21.00%	16.40%	
Online	1	1.3	1.7	2.1	2.6	3.1	26.50%
% Change		35.60%	30.80%	23.50%	23.80%	19.20%	
Total Gaming	5.3	8.1	10.6	13.5	16.3	19.4	29.4
Total	23.8	31.10	38.20	47.10	58.80	73.40	25.20%
% Change		30.60%	22.80%	23.30%	24.70%	24.90%	

Opportunity and Threat

The ever-increasing focus towards Media and Entertainment has provided an opportunity for extensive use of Animation and gaming in almost all spheres of Media and Entertainment activity. The advantages available to Silverline Animation Technologies Limited are:

- Strategic alliance of Indian studios with foreign companies to share risk and built long term relationship;
- Availability of skilled professionals at competitive rates;
- With in-depth industry knowledge and experience; and
- Global delivery capability through inshore/offshore delivery Model.
- Brand of Blockbusters Movie Hanuman

Internal Control

The Company has an internal control function inbuilt into its operation environment to validate the efficiency of internal control systems, effect checks regularly and report to the management and the Audit Committee, comprising of independent Board members and the Internal auditors.

Segment wise revenue

The company recognizes Animation Content Development as the single business segment that constitutes the primary basis of segmental reporting set out in financial statements.

Risks and Concerns

The Company, with its current strengths and going forward with strong business opportunities in the pipeline and revenue streams is definitely poised in a better position to grow. To address their growth needs and overall industry demands the Company has to be more innovative and look into good recruitment and compensation strategies for existing staff.

Operations

The Company has positioned itself in the area of Animation and Game development and the directors believe that its position is strengthened with the recent expansion, which the Company has embarked upon. In addition to the above, the directors see strength in the SILVERLINE ANIMATION TECHNOLOGIES LIMITED, a strong Business model, Management experience in the market of Europe & US. The company has started a new project execution unit in Chennai in addition to Mumbai to strengthen its operational base. The Company has already executed VFX projects out for this unit for South Indian Film Production houses. The Company believes it is poised for a strong and robust growth.

The company is already working on projects and also have started new project for operation and revenue. It is also seeking to embark on strategic new business initiatives in the Animation and game development through a direct and indirect sale & marketing and making approach to domestic & overseas clients of its subsidiary. Through this strategy the Company plans to continue to pursue the expansion of its business.

Financial Performance**Share Capital**

The total issue paid-up share capital as on 30th June 2010 is Rs. 619,941,950 comprises 61,994,195 equity shares of Rs. 10/- per share.

Company's sales and service income for the period ended June 30, 2010 is Rs. 64.67 Million towards revenue with CAGR of 20% and 7.57 Million towards the profit after tax.

Fixed Assets

The increase in the fixed assets of the company for the year 2010 was Rs.65.12 lacs while there were no deletions.

Investments

During the Year Company has acquired M/s Adavitaa Technologies Inc. an Animation and Games Content Provider Company for Rs. 67.50 crores. Company issued GDSs with underlying Equity Shares of the Company and the same was utilized to acquire the subsidiary through swap of shares. The entire shares of subsidiary were acquired through this GDS issue and M/s Advaitaa Technologies now is a WOS of the company.

Stock Performance on the Bombay Stock Exchange

	As on 1 st October, 2010	As on July 2009	Appreciation
Stock Price	Rs. 20.00	Rs. 10.8	89.20%

The company's stock price has risen to 100% over the last 15 months.

Human Resources

Silverline Animation has good relations in many of the Art Associated Institution circuit. We focus our recruiting efforts on the top students from these schools, colleges and institutions through campus interviews and tests. We will also be doing lateral recruitment, and use a series of reviews and tests to identify the best applicants.

We majorly emphasize on flexibility and innovation. Applicants are selected on the basis of their ability to learn, their conceptual strength and their temperament for/ and-fit with, our work culture. Their academic achievement is also taken into prior consideration.

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

Silverline Animation seeks to attract, motivate, and retain its professionals by offering:

- Multiple professional challenges and the opportunity to work in one or more of its training divisions
- The ability to work with creative animation content
- Attractive compensation plans that align employee interests and goals with the Company's own;
- The opportunity to receive continuous, ongoing, creative as well as technical training at the Company's in-house training.

Auditors' Report

Auditors Report to the members of Silverline Animation Technologies Ltd

We have audited the attached Balance sheet of Silverline Animation Technologies Ltd as at 30th June 2010, the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 statement. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003, issued by the Department of Company Affairs on 12th June 2003 and as amended under Notification dated 25th November 2004 in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to the comments contained in the annexure mentioned in Para 3 above, we state the following:

- 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 the books of accounts.
- 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 comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 subject to non- provision for impairment of the intellectual property rights as required under AS- 26 and non provisioning of deferred tax liability under AS-22.
- e. On the basis of the written submission received from the Director as on 30th June, 2010 and taken on record by the Board of Directors we report that none of the Directors are dis-qualified as on 30th June 2010 from being appointed as a Director in terms of clause [g] of sub-section [1] of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view subject to (d) above are in conformity with the accounting principles generally accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs of the company as at 30th June 2010,
 - b) In the case of the Profit and Loss account of the Profit for the year ended on that date.
 - c) Cash flow statement for the year ended 30th June 2010.

For CNGSN & ASSOCIATES
Chartered Accountants

Place : Chennai
Date : 11th November 2010

C N GANGADARAN
Partner
Membership No.11205

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

Annexure referred to in paragraph 3 of the report of even date of the Auditors to the Members of Silverline Animation Technologies Ltd on the accounts for the year ended 30th June 2010.

- i) a) The Company has maintained proper records, showing full particulars including quantitative details and situation of fixed assets.
- b) Most of the fixed assets of the company have been physically verified.
- c) None of the fixed assets have been revalued during the year.
- ii) a) There is no physical stock.
- b) As the company does not have any stock, question of physical verification does not arise.
- c) As no stock has been held by the company clause does not apply.
- iii) The Company has maintained register under section 301 and updated the register.
- iv) In our opinion, and according to the information and explanations given to us, the company has adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to purchase of fixed assets and for the sale of goods.
- v) All particulars required for contract/ arrangements
 - a) Referred to Sec 301 of the Companies Act of 1956, have been entered.
 - b) All transactions made in pursuance of such contracts / arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant rates.
- vi) The Company has not accepted any Fixed Deposits from the public during the year and therefore, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under does not arise.
- vii) In our opinion, the Company have an adequate Internal Audit System commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed the maintenance the cost accounting records by the company under section 209(1)(d) of the Act for any of its product.
- ix. According to the information and explanations given to us, there are no employees covered under ESIC Act.
- x. This is the third year of the company's operation and hence this is not applicable.
- xi. There are no secured loans; hence the clause relating to repayment does not apply.
- xii. No loans or advances have been granted by the company against pledge of shares and debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi mutual benefit fund/society.
- xiv. The Company is not dealing in or trading in Shares, Securities, Debentures and other instruments.
- xv. According to the information and explanation given to us, the Company has not given any Corporate Guarantee during the year.
- xvi. The Company has not received any Term Loan during the year and therefore the question of application for the purpose for which they were obtained does not arise.
- xvii. According to the information and explanations give to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. During the year the Company has not made any preferential allotment to parties and companies covered in the register maintained under Section 301 of the companies act, 1956.
- xix. The Company has not issued any debentures during the year and therefore the question of creation of security or charge does not arise.
- xx. During the year, the Company has not raised any money by way of public issue and the question of disclosing the end use of money by the management does not arise.
- xxi. According to the information and explanations give to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For CNGSN & ASSOCIATES
Chartered Accountants

C N GANGADARAN
Partner
Membership No.11205

Place : Chennai
Date : 11th November, 2010

BALANCE SHEETS AS AT 30th JUNE 2010

Currency in Indian Rupees

	Schedule	30-Jun-10	30-Jun-09
Sources of Funds			
Shareholders Funds			
Share Capital	"A"	619,941,950	119,941,950
Reserves & Surplus	"B"	824,571,481	641,991,540
		<u>1,444,513,431</u>	<u>761,933,490</u>
Loan Funds			
Unsecured Loans	"C"	3,769,549	13,119,129
		<u>3,769,549</u>	<u>13,119,129</u>
Total		<u>1,448,282,980</u>	<u>775,052,619</u>
Application of funds			
Fixed Assets	"D"		
Gross Block		450,315,061	443,802,456
Less : Depreciation		<u>387,912,291</u>	<u>377,794,525</u>
Net Block		62,402,771	66,007,931
Value of Intellectual Property		<u>555,300,613</u>	<u>555,300,613</u>
		<u>617,703,384</u>	<u>621,308,544</u>
Investments	"E"	675,000,000	-
Current Assets Loans & Advances			
Sundry Debtors	"F"	117,187,918	110,632,064
Work in Progress		5,529,304	-
Cash and Bank Balance	"G"	235,234	1,514,815
Loans & Advances	"H"	66,003,887	62,355,181
TOTAL		<u>188,956,343</u>	<u>174,502,060</u>
Current Liabilities and Provisions			
Current Liabilities	"I"	19,731,790	6,588,558
Provisions	"J"	16,699,834	14,181,428
		<u>36,431,624</u>	<u>20,769,986</u>
Net Current Assets		<u>152,524,719</u>	<u>153,732,074</u>
Miscellaneous expenditure (to the extent not written off or adjusted)	"M"	3,054,878	12,000
TOTAL		<u>1,448,282,980</u>	<u>775,052,618</u>
Notes to Accounts	"N"		

For and on behalf of the Board of Directors

For CNGSN & Associates

Krishnakumar Subramanian

Chartered Accountants

Director

C.N. Gangadaran

Mohan Subramanian

Partner

Director

Membership No.11205

Date : 11th November, 2010Date : 9th November, 2010

Place : Chennai

Place : Mumbai

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30th JUNE 2010

Currency in Indian Rupees

	Schedule	30-Jun-10	30-Jun-09
INCOME			
Animation Content Development	"K"	64,674,842	53,971,785
Other Income		-	3,539,241
TOTAL REVENUE		64,674,842	57,511,026
EXPENITURE			
Operating and establishment expenses	"L"	44,708,916	30,492,688
Depreciation	"D"	10,117,765	19,254,932
Preliminary Expenses written off	"M"	768,219	6,000
Profit before Interest, tax & extraordinary Items		9,079,941.39	7,757,406.00
Finance Charges		-	-
Profit after extra ordinary items		9,079,941.39	7,757,406
Provision for Income Tax			
Current tax		1,500,000	794,533
Deferred Tax		-	-
Fringe Benefit Tax		-	125,706
Profit after Tax		7,579,941	6,837,167
Balance being Surplus/(deficit) brought forward		21,433,490	14,596,323
Available for Appropriation transferred to Balance Sheet		29,013,431	21,433,490
Basic Earning per share after Extraordinary items		0.34	0.57
Diluted Earning per share after extra ordinary items		0.34	0.57

For and on behalf of the Board of Directors

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

Date : 11th November, 2010

Place : Chennai

Krishnakumar Subramanian

Director

Mohan Subramanian

Director

Date : 9th November, 2010

Place : Mumbai

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	Schedules	30-Jun-10 Actuals	30-Jun-09 Actuals
Capital	“A”		
Authorised			
67,000,000 equity shares of Rs.10 each (2008-09 : 1,50,00,000 Equity Shares of Rs.10 each)		670,000,000	150,000,000
Issued, subscribed and paid-up			
61,994,195 equity shares of Rs. 10 each fully paid up (2008-09 : 11,994,195 Equity Shares of Rs. 10 each)		619,941,950	119,941,950
		619,941,950	119,941,950
Reserves & Surplus	“B”		
Capital Reserves			
Transfer upon demerger		71,394,740	71,394,740
Reserve on account of IPR		549,163,310	549,163,310
Securities Premium Account		175,000,000	-
		795,558,050	620,558,050
Profit & Loss Account			
Opening Balance		21,433,490	14,596,323
Add : Profit/Loss for the year		7,579,941	6,837,167
		29,013,431	21,433,490
Total Reserves & Surplus		824,571,481	641,991,540
Shareholders Equity		1,444,513,432	761,933,490
Loan Funds	“C”		
Unsecured Loans			
Loan from Director		519,549	13,119,129
Loan from Employees/Shareholders		3,250,000	-
		3,769,549	13,119,129

D- Fixed Assets

Assets	Gross Block				Depreciation				Net Block as at	
	1.07.2009 Rupees	Additions Rupees	Deletions Rupees	30.6.2010 Rupees	1.07.2009 Rupees	For the year Rupees	Deletions Rupees	30.06.2010 Rupees	30.06.2010 Rupees	30.06.2009 Rupees
Computer Equipment Inclusive of software	287,837,809	6,481,239	-	294,319,048	287,430,946	88,235	-	287,519,181	6,799,867	406,863
Furniture and Fixtures	98,817,812	-	-	98,817,812	61,726,800	6,255,167	-	67,981,967	30,835,845	37,091,012
Office Equipments	36,101,121	31,365	-	36,132,486	21,357,027	2,286,430	-	23,643,457	12,489,029	14,744,094
Electrical Fittings	21,045,715	-	-	21,045,715	7,279,753	1,487,932	-	8,767,685	12,278,030	13,765,962
TOTAL	443,802,457	6,512,604	-	450,315,061	377,794,526	10,117,765	-	387,912,291	62,402,771	66,007,931
Year ending 30 th June 2009	443,316,824	-	o	443,802,456	358,539,593	19,254,932	-	377,794,525	137,144,608	84,777,231

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	Schedules	30-Jun-10 Actuals	30-Jun-09 Actuals
Investments	"E"		
Advaitaa Technologies Inc.		675,000,000	-
Current Assets Loans and Advances			
Sundry Debtors	"F"		
Considered good			
Out standing for more than six months		106,296,224	93,303,670
Out standing for less than six months		10,891,694	17,328,394
		<u>117,187,918</u>	<u>110,632,064</u>
Work in Process		5,554,217	-
Cash & Bank Balances	"G"		
Bank Balance		27,949	14,451
Cash Balance		207,285	1,500,364
		<u>235,234</u>	<u>1,514,815</u>
Loans & Advances	"H"		
Purusharth Trading Co.		250,000	250,000
Others		59,815,593	62,105,181
Laxmi Subramanian		1,975,000	
Pamela Mendonca		1,000,000	
Sorita Payce		500,000	
Income Tax Paid		405,000	-
Tax Deducted at Source		2,058,294	
TOTAL		<u>66,003,887</u>	<u>62,355,181</u>
Current Liabilities	"I"		
Sundry Creditors		19,431,257	6,588,558
Bank overdraft		300,533	-
		<u>19,731,790</u>	<u>6,588,558</u>
Provisions	"J"		
Profession Tax Payable		2,490	10,835
Provision for taxation		14,194,533	10,695,033
TDS payable		2,377,105	3,349,854
Fringe Benefit Tax		125,706	125,706
B		<u>16,699,834</u>	<u>14,181,428</u>
A+B		<u>36,431,624</u>	<u>20,769,986</u>

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	Schedules	30-Jun-10 Actuals	30-Jun-09 Actuals
INCOME	“K”		
Animation Content Development			
Domestic		8,271,788	15,221,984
Exports		56,403,054	38,749,801
Forex Gain		-	3,539,241
		<u>64,674,842</u>	<u>57,511,026</u>
Operating and establishment expenses	“L”		
Salaries & Consultancy Charges		18,341,707	22,072,146
Rental Expenses		11,252,140	-
Service Tax		429,667	-
Office Expenses		1,098,376	1,066,358
Bank Charges		50,025	19,522
Car Hiring Charges		-	2,011
Repairs & maintenance, Computer Peripherals		760,391	349,916
R&T & Depository Charges		1,172,380	1,605,077
Directors Remuneration		555,293	-
Electricity Charges		2,069,189	369,824
Gifts and Periodicals		117,330	
Petrol and fuel		344,110	
Employee Welfare		499,951	175,143
Legal and Professional Fess		1,254,318	983,843
Motor Car & Insurance Expenses		244,675	402,158
Printing and stationary		754,188	1,095,011
Postage& Courier		24,519	48,657
Sales Promotion Expenses		1,431,410	1,076,545
Telephone & internet Charges		758,068	365,004
Travelling and conveyance		1,239,024	761,473
Foreign Exchange Loss		1,973,432	-
Audit Fees		160,330	100,000
Miscellaneous Expenses		178,393	-
		<u>44,708,916</u>	<u>30,492,688</u>
Miscellaneous Expenditure	“M”		
Opening		12,000	18,000
Addition		3,811,097	-
Total		<u>3,823,097</u>	<u>18,000</u>
Write off		768,219	6,000
		<u>3,054,878</u>	<u>12,000</u>

Notes forming parts of annual accounts for the year ended 30th June 2010
(All the amounts are in Indian Rupees, unless otherwise indicated)

SCHEDULE - N

Notes forming parts of annual accounts for the year ended 30th June 2010. (All the amounts are in Indian Rupees, unless otherwise indicated)

COMPANY'S BACKGROUND

Silverline Animation Technology Limited is in business of producing NEXT GENERATION digital animation content, Creating Intellectual Property Rights & Interactive digital games development using world class technology.

SIGNIFICANT ACCOUNTING POLICIES & BASIS OF ACCOUNTING

The financial statements are prepared on the basis of Historical cost convention in accordance with the Indian generally accepted Principles (GAAP). Applicable accounting standard issued by the institute of chartered accountants of India (ICAI) and the provision of the Company act 1956.

REVENUE RECOGNITION

Revenue from animation digital software development of fixed price contract is recognized according to the milestones achieved as specified in contracts on the basis of works completion method. With respect to time and materials contracts revenue is recognized proportionately over the period in which services are rendered. Interest is recognized using the time proportion method, based on rates Implicit in the transaction.

FIXED ASSETS, CAPITAL WORKS IN PROGRESS AND DEPRECIATION

Fixed assets are stated at the cost of acquisition including taxes, duties, freight, exchange gains/losses and other incidental expenses including interest related to acquisition and installation or transferred and accordingly the Gross Block, depreciation provided till the date of the appointed dated namely 1st July 2006 has been captured in the Accounts. Capital work in progress includes the cost of fixed assets and amount advanced towards capital projects under development.

The company provides depreciation on straight-line basis at the rates and in the manner prescribed under schedule XIV of the companies Act, 1956. Cost of leasehold land is amortized equally over the period of lease.

IMPAIRMENT OF ASSETS

Management evaluates at regular intervals, Using External & Internal source whether there is any impairment of any assets. Impairment Occurs where the Carrying Value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. Any loss on account of Impairment is expensed as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined.

ACCOUNTING OF INTELLECTUAL PROPERTY RIGHTS

The Company creates from time -to time Intellectual Property on the sketches/ characters created by the employees /consultants of the Company. The Company has proprietary rights on the same and accordingly the valuations of these IPRs are done. Some of these sketches / characters have perpetual value and as such the management feels that this has an enduring value and as such is not subject to impairment and hence no provision is made as per the Accounting standard 26.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP require Management to make estimates and assumptions that effects the reported amount of assets and liabilities disclosure of contingent assets & Liabilities at the date of financials Statements and the reported amounts of revenue & Expenses during the reporting periods. Examples of such estimates include estimates of useful life of assets and future obligations under employee retirement benefit plans. Actual results could differ from these estimates.

EMPLOYEE RETIREMENT BENEFITS

During the year under review, the Company has recruited employees who are also covered under the provident fund scheme and other allied acts and provisions. However the company has not yet commenced the benefits like gratuity etc. as this is the third year of appointment of the employees and they have not completed the 5 years of service.

DEFERRED REVENUE EXPENDITURE

Deferred Revenue Expenditure is written equally over a period of five years.

TAXATION

The provision for current tax including deferred taxes has been provided on the basis of rates of taxes provided under Income tax act-1961

- (i) Transactions in foreign currency are accounted at the rate prevailing on the transaction date.
- (ii) Current assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the Balance Sheet date.
- (iii) Exchange difference related to acquisition of fixed assets is adjusted to the cost of those assets.
- (iv) In respect of foreign current liabilities and current assets, translations are at the closing exchange rate. Revenue items are translated at the average exchange rate. Fixed Assets and depreciation thereon are translated at the rates prevailing at the time of their acquisition.

EARNINGS PER SHARE (EPS)

The earnings considered in ascertaining the company's earnings per share comprise the net profit after tax (and include post tax effect of any extraordinary items.) The number of shares used in computing basic earnings per share is the weighed average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises of the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises of the weighted average shares considered for deriving basic earning per share, and also the weighted average number of equity shares which could have been issued on conversion of all dilutive potential equity shares.

SEGMENT REPORTING

The company provides comprehensive range of animation development services comprising software development, motion pictures, serials and other animation based services. Accordingly, the company has identified animation services as a single business segment, which constitutes the primary basis of segmental reporting, set out in financial statements. Secondary segments are reported based on geographical location of the customers. Capital expenditure relates to fixed assets purchased during the period.

RELATED PARTY TRANSACTIONS

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related, if one party has the ability, directly or indirectly, to control the other party of exercise significant influence over the other party in making financial or operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

B. NOTES

1. During the year the Company has acquired M/s Advaitaa Technologes inc. an Animation and Games content Provider Company. During the year Company issued GDSs with underlying Equity Shares of the company and the same was utilized to acquire the subsidiary through swap of shares. The entire Shares of the subsidiary were acquired through this GDSs issue and M/S Advaitaa Technologies Inc. now is a WOS of the company w.e.f. 14th May 2010.
2. Payments made to/provided for auditors

	30th June 2010	30th June 2009
Audit fee	110,330	1,00,000
Certification fee	50,000	-
TOTAL	160,330	100,000

3. Information pursuant to the provisions of paragraphs 4C and 4D of part VI the Companies Act, 1956.

	2009-10	2008-09
i) CIF Value of imports	-	-
ii) Expenditure in foreign Currency		
Traveling	448,280	NIL
iii) Remittances received in Foreign Currency	4,78,73,768	1,60,38,826

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

4. Provision for Taxation

	2009-10	2008-09
Provision for Income tax	15,00,000	794,533
Provision for fringe benefit Tax	Nil	125,706
Total	15,00,000	920,239

5. Income Tax, deferred tax, carry forward losses are in the process of being reconciled.
 6. Loans and advances include loans to Group Company and the same will be recovered during the next year.
 7. Foreign Inward Remittance Certificates is in the process of being collecting from the Banks

8. Earning Per Share (EPS)

	30th June 2010	30th June 2009
i) Net profit after tax	79,80,202	68,37,167
ii) Earnings per Share in		
Basic	0.35	0.35
Diluted	0.35	0.55

8. Segment Reporting

Animation Content Development service is the single business segment, which constitutes the primary basis of segmental reporting set out in financial statements. Secondary segmental reporting is based on the geographical location of its customers.

9. Related party transactions

During the year ended June 30 2010, the Company has not entered into any transaction with related party.

a. Subsidiary Companies and follows

Adavitaa Technologies Inc.

b. Key Management Personnel

Mr. Krishnakumar Subramanian.

Summary of the transactions with the above-related parties is as follows

Particulars	Current year (CY)/ Previous Year (PY)	Subsidiaries	Key Mgt. Personnel	Promoters
Rendering of Services	CY	NIL	NIL	NIL
	PY	NIL	NIL	NIL
Increase in Capital investment	CY	67,50,00,000	NIL	NIL
	PY	NIL	NIL	NIL
Guarantees a& Collateral taken/given	CY	NIL	NIL	NIL
	PY	NIL	NIL	NIL
Remuneration	CY	NIL	555,293	NIL
	PY	NIL	NIL	NIL
Loans given	CY	NIL	97,94,129	NIL
	PY	NIL	92,74,580	NIL
Out standing		NIL	519,549	NIL

10. Fixed Assets Balance has been certified by the management.

As per our report of even date For and on behalf of the Board of Directors

For **CNGSN & Associates**

Chartered Accountants

CN Gangadharan

Partner

Membership No.11205

Date: 11th November, 2010

Place: Chennai

Krishnakumar Subramanian

Director

Mohan Subramanian

Director

Date: 9th November, 2010

Place: Mumbai

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

PARTICULARS	Amounts in Rupees	Amounts in Rupees
Profit Before Tax & Extraordinary Items		9,079,941
Non Cash Items		
Add: Depreciation / Amortisation	10,117,765	
Preliminary Expenses Written off	768,219	10,885,984
Less: Foreign Exchange Gain/Loss Unrealised		(736,023)
Provision for Taxation		1,500,000
Operating profit before working Capital Changes		19,201,949
Net change in non-cash working capital		
Decrease/ (increase) in		
Accounts receivable	(6,555,854)	
Loans & Advances	(3,648,706)	
Work-in-Progress	(5,529,304)	
Miscellaneous Expenditure	(3,811,097)	
Increase (decrease) in		
Current Liabilities	13,143,232	
Provisions	2,518,406	
Net change in non-cash working capital		(3,883,323)
CASH FLOW FROM OPERATING ACTIVITIES		15,318,626
Financing:		
Repayment of debt		
Increase in Unsecured Loans	(9,349,580)	
Proceeds from issuance of Share capital and Securities Premium	675,000,000	
		665,650,420
CASH FLOW FROM FINANCING ACTIVITIES		665,650,420
Investments:		
Additions to capital assets		(6,512,605)
Investment in a Subsidiary		(675,000,000)
CASH FLOW FROM INVESTING ACTIVITIES		(681,512,605)
Increase (decrease) in cash position		(543,558)
Bank indebtedness, beginning of the period		1,514,815
Effect of unrealised foreign exchange fluctuation gain/loss		(736,023)
Bank indebtedness, end of the period		235,234

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants
C.N. Gangadaran
Partner
Membership No.11205
Date : 11th November, 2010
Place : Chennai

Krishnakumar Subramanian
Director
Mohan Subramanian
Director
Date : 9th November, 2010
Place : Mumbai

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**
I REGISTRATION DETAILS

Registration number	PTC172039	State code	11
Balance Sheet date		Date	30 Month 06 Year 2010

II CAPITAL RAISED DURING THE Period (Rs in thousands)

Public issue*		Right Issue	
Bonus		Private placements*	
* ADR Issue including premium		*ADR swap including Premium	675,000
* GDR issue on swap basis- no premium			

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs in thousands)

Total Liabilities	1,448,283	Total Assets	1,448,283
Sources of funds		Application of funds	
Paid -up capital	619,942	Net fixed assets	617,703
Application money towards share warrants	-	Investments	675,000
Reserves & Surplus	824,571	Net current assets	152,525
Secured loans	-	Misc. expenditure	3,055
Unsecured loans	3,770	Accumulated losses	-

IV PERFORMANCE OF THE COMPANY - without extraordinary item

Turnover	64,675	Total expenditure	55,595
Profit / (Loss) before tax	9,080	Profit / (Loss) after tax	7,580
Earnings per share (Rs.)	0.34	Dividend rate %	0

V GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item code	8524-90
Product description	producing digital animation content using software and hardware technologies

For and on behalf of the Board of Directors

Krishnakumar Subramanian*Director***Mohan Subramanian***Director*Date : 9th November, 2010

Place : Mumbai

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

Registered Office: Mohan Mills Compound, Kolshet Road, Dhokali, Thane (W), District Thane, Maharashtra-400 607.

ATTENDANCE SLIP

Names of the Members: _____

Folio No. _____

Client ID No.: _____

DP ID No.: _____

No. of shares held: _____

Name of Proxy : _____

Members/ Proxy's Signature: _____

(To be signed and handed over at the entrance of the meeting hall)

I hereby record and confirm my presence at the Fourth Annual General Meeting of the Company held at Shanmukhananda Fine Arts & Sangeetha Sabha, Convention Hall, Flank Road, Sion (East), Mumbai -400 022 on Friday, 3rd December, 2010 at 11.00 am.

- NOTES:
1. Shareholder/proxyholder wishing to attend the meeting must bring the Attendance slip to the meeting and hand it over at the entrance duly signed.
 2. Shareholder/proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

SILVERLINE ANIMATION TECHNOLOGIES LIMITED

Registered Office: Mohan Mills Compound, Kolshet Road, Dhokali, Thane (W), District Thane, Maharashtra-400 607.

PROXY FORM

I/We _____ of

_____ in the district of _____ being a member/

members of the above named Company, hereby appoint _____ of

_____ or failing him _____ of

_____ in the district of _____ as my/

our Proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company held on Friday, 3rd December, 2010 at 11.00 am. at Shanmukhananda Fine Arts & Sangeetha Sabha, Convention Hall, Flank Road, Sion (East), Mumbai -400 022 and at any adjournment thereof.

Signed this _____ day of _____ 2010

1 Rupee
Revenue
Stamp

Signature

Notes:

1. The Proxy form duly completed should be deposited at the Registered office of the Company not less than 48 Hours before the time fixed for the meeting.
2. The proxy need not be a member of the Company.
3. All alterations made in the form of Proxy should be initialed.
4. In case of multiple proxies, proxy later in time shall be accepted.



BOOK - POST

If undelivered, please return to:

Link Intime India Private Limited

(Unit: Silverline Animation Technologies Limited)

C-13, Kantilal Maganlal Industrial Estate,
Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400 078.