



**SILVERLINE**  
ANIMATION TECHNOLOGIES LIMITED

**Annual Report**  
**2008-2009**

**BOARD OF DIRECTORS**

Krishnakumar Subramanian, Chairman  
Dr. Narayan Raman  
Hitesh Kadakia  
Mohan Subramanian

**AUDITORS**

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

**REGISTERED OFFICE**

1405 Maker Chamber V,  
Nariman Point,  
Mumbai 400021

**REGISTRAR & SHARE TRANSFER**

Link Intime India Private Limited  
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 Third Annual General Body Meeting of your Company.

During the fiscal year 2008-09, your Company has commenced domestic work in addition to the overseas activities. This pro-active step has helped the Company to combat against the economic slowdown, which has taken a heavy toll on the business of the Company.

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 and creation of some characters and 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 reduced when compared to the previous year, your Company has added a foray into the domestic market. Your Company hopes to target newer markets in the future years namely Europe, besides North America/ Accordingly the team working on the new projects have 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.

I am glad to inform you that the Company has identified a centre in Chennai where good artists / animators and other relevant and specialized persons are available and through which quality work can be delivered. Project team has also advised that the business in the animation content, movies, VFX and games can be more profitable and can give a healthy business opportunity and a sound track record.

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 have scaled lot of activities and accordingly is raising funds through GDRs / ADRs.

“Cost Advantage is the most important and attractive value proposition for India as an animation and gaming content development destination. India’s low cost-high quality advantage offers a 60-80 percent cost saving for the international studios outsourcing/off shoring to studios in India. This has become an even more attractive proposition for India due to overall skill enhancement of the companies enabling them to cater to the whole value chain rather than service labor intensive low end jobs.

The growth drivers for the animation sector includes 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.

India is emerging as an outsourcing hub for animation and visual effects with large number of international media companies entering into joint ventures with animation studios in India. Animation sector comprises of education, multimedia/web design, and entertainment and custom content development.

### **Following are some excerpts from the report, via Animation Xpress.**

“The animation industry in India can be divided into the following key segments: Animation entertainment, animation education, custom content development and multimedia/web design and VFX. The entire animation industry in India was estimated at USD 314 million in 2006, USD 494 million in 2008 and is expected to grow at CAGR of 22 percent to reach USD 1 billion by 2012. In absolute terms, custom content development and multimedia/web design is the largest segment today, followed by animation entertainment, animation education and VFX, respectively and is expected to remain so in 2012.



**Krishnakumar Subramanian**

*Chairman and CEO*

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

---

“The gaming industry can be divided into the following key segments: Online Games (MMORPG and Casual Games), Mobile Games, PC Games and Console Games (Regular and Handheld Devices). The Indian gaming industry was estimated at USD 50 million in 2006, USD 167 million in 2008 and is forecasted to grow at CAGR of 49 percent to reach 830 million by 2012. The overall size of the Indian gaming industry represents revenues from the consumer market, services market and revenues from non development activities such as services rendered as technical support to international gaming companies. The consumer gaming market was estimated at USD 105 million in 2008 and is expected to grow at a CAGR of 55 percent to reach USD 610 million by 2012. The services market for gaming was estimated at USD 61 million in 2008 and is expected to grow at a CAGR of 38 percent to reach USD 220 million by 2012. In 2008, the console gaming segment is estimated to account for the largest share of the Indian gaming market, followed by mobile gaming, online gaming and PC gaming respectively. In 2012, it is expected to remain the same.

“The production budget of an animation movie made in India has increased from USD 1.7 million – USD 2.2 million to USD 4.5 million- USD 6.7 million over the last few years. Moreover, the production budget of international movies outsourced to India has increased from USD 8.8 million to USD 11.1 million.

Consequently, realization for domestic work has gone up from USD 1,300 to USD 2,667 per seat per shift per month. The realization for international outsourcing is in the range of USD 2,200 to USD 3,100. This increase in realization is the result of animation companies providing higher-end services such as long form and 3D animation films.

- 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 Movie Making, VFX effects, Games and other related work.**
- In the area of education your Company is evaluating strategic partners in North America and also looking for setting up an International Residential Animation College 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.

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.

I'd like to thank you personally 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 CEO

Silverline Animation Technologies Limited

29th October, 2009

## NOTICE

**NOTICE** is hereby given that the Third Annual General Meeting of the members of SILVERLINE ANIMATION TECHNOLOGIES LIMITED will be held on Monday 23rd November 2009 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 30<sup>th</sup> June 2009 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. Krishnakumar 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 the 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 thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
 “RESOLVED THAT Dr. Narayan Raman, who was co-opted as an Additional Director of the Company by the Board of Directors, who holds office under section 260 of the Companies Act, 1956 until the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature of the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

5. To consider and pass the following resolution as **Special resolution**

**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 “SA LIMITED” or any other name which may be approved by the Registrar of Companies.

**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 “SA LIMITED” or any other name which may be approved by the Registrar of Companies.

**RESOLVED FURTHER THAT** Mr. Krishnakumar Subramanian Chairman & CEO 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 the 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.

6. 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 of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the memorandum and articles of association of the Company and the listing agreement entered into by the Company with the stock exchange where the shares of the Company are listed and subject to guidelines, regulations and clarifications issued by the Securities and Exchange of India (herein after referred to as SEBI) for the time being in force and subject to the approvals, consents, permissions and sanctions of the appropriate authorities. (herein after collectively referred to as the appropriate authorities’), if and to the extent necessary and subject to such conditions and modifications as may be prescribed under the applicable laws imposed while such approvals, consents, permissions, and the sanctions (hereinafter referred to as “the requisite approvals”) which may be agreed to by the Board of Directors of the Company (hereinafter called ‘the board’ which term shall be deemed to include any committee which the Board of Directors of the Company may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the board be and is hereby authorized to create, offer, issue and allot not exceeding 9,767,442 (Ninety Seven Lakh Sixty Seven thousand Four hundred and Forty Two only) Optionally Fully Convertible Share Warrants (OFCSWs /Warrants) upto 9,767,442 Equity Shares of Rs.10/- each totalling to Rs. 97,674,420/- ,

to Mr. Krishnakumar Subramanian, one of the promoters of the Company, with an option to apply for conversion into equity shares of the Company viz. one equity share of Rs.10/- each of the Company against each warrant, 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 XIII of the SEBI (Disclosure & Investor protection) Guidelines 2000 (hereinafter referred to as the "Preferential Issue Guidelines") in this behalf."

**"RESOLVED FURTHER THAT** that the Convertible Share Warrants resolved to be offered and allotted per the foregoing resolution shall be allotted at the earlier 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."

"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 chapter XIII of the SEBI (Disclosure & Investor protection) Guidelines 2000 (hereinafter referred to as the "Preferential Issue Guidelines") **as amended from time to time in this behalf.**"

**"RESOLVED FURTHER THAT** the equity when allotted in terms of this resolution shall rank pari passu in all respects with 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".

**"RESOLVED FURTHER THAT** the board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or the chairman or any other director(s) or officer(s) of the Company to give effect to the aforesaid resolution."

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

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to the provisions of Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ("**Guidelines**") as in force and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India ("**SEBI**"), the applicable provisions of Foreign Exchange Management Act, 1999 ("**FEMA**"), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with Stock Exchanges wherein the shares of the Company are listed, and subject to requisite approvals, consents, permissions and/or sanctions of SEBI, the Stock Exchanges, Reserve Bank of India ("**RBI**"), the Department of Industrial Policy and Promotion, Ministry of Commerce ("**DIPP**"), the Foreign Investment Promotion Board ("**FIPB**"), and all other authorities as may be required, whether in India or outside India, (hereinafter collectively referred to as "**Appropriate Authorities**"), and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and/or sanction (hereinafter referred to as "**Requisite Approvals**"), 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 committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and they are authorized at their absolute discretion to create, offer, issue and allot in one or more tranches, in the course of domestic/international offerings to Domestic/Foreign Investors/ Institutional Investors/Foreign Institutional Investors, Members, Employees, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the Company or not, through a Public Issue, Rights Issue, Preferential Issue and/or Private Placement, with or without an over-

allotment option, equity shares and/or equity shares through Global Depository Receipts (“GDRs”) and/or American Depository Receipts (“ADRs”) and/or Foreign Currency Convertible Bonds (“FCCBs”) and/or any securities convertible into equity shares at the option of the Company and/or holder(s) of the securities and/or securities linked to equity shares and/or securities with warrants including any instruments or securities representing either equity shares and/or Foreign Currency Convertible Bonds or Convertible Securities or securities linked to equity shares or securities with equity shares/fully convertible debentures/partly convertible debentures or any securities other than warrants, which are convertible or exchangeable with equity shares at a later date, to Qualified Institutional Buyers (“QIBs”) under Chapter XIII–A of the Guidelines or a combination of the foregoing (hereinafter collectively referred to as “**Securities**”), secured or unsecured, listed on any stock exchange inside India or any international stock exchange outside India, through an offer document and/or prospectus and/or offer letter and/or offering circular, and/or listing particulars, as the Board in its sole discretion may at any time or times hereafter decide, for an amount not exceeding US\$ 20 million inclusive of such premium as may be decided by the Board.

RESOLVED FURTHER THAT in case of any equity linked issue/offering, including without limitation, any GDRs/ADRs/ FCCB offering, the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any such Securities referred to above or as may be in accordance with the terms of issue/offering in respect of such Securities and such equity shares shall rank pari passu with the existing equity shares of the Company in all respects except provided otherwise under the terms of issue/ offering and in the offer document and/or prospectus and/or offer letter and/or offering circular and/or listing particulars.

Resolved further that the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, to the Board to secure, if necessary all or any of the above securities to be issued by the creation of mortgage and/or charge on all or any of the Company’s immovable and/or movable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT the Company and/or any entity, agency or body authorised and/or appointed by the Company, may issue depository receipts representing the underlying Securities issued by the Company in negotiable registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability and free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international market.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board, in consultation with the Lead Managers, Underwriters, Advisors and/or other persons as appointed by the Company, be and is hereby authorized to determine the form, terms and timing of the issue(s)/offering(s) including the investors to whom the Securities are to be allotted, issue price, face value, number of equity shares or other securities upon conversion or redemption or cancellation of the Securities, the price, premium or discount on issue/conversion of securities, rate of interest, period of conversion, listing on one or more Stock Exchanges in India and/or abroad and fixing of record date or book closure and related or incidental matters, as the Board in its absolute discretion deem fit and accept any modifications in the proposal as may be required by the authorities in such issues in India and/or abroad.

RESOLVED FURTHER THAT the relevant date for determining the pricing of the Securities is as per the SEBI Guidelines as amended from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Securities as may be required, including issue and allotment of equity shares upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such equity shares ranking pari passu and inter-se with the then existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such a manner, as the Board may deem fit and as permissible by law.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be authorized on behalf of the Company to take all actions and to 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 Securities and listing thereof with the stock exchange(s) where the Company’s shares are listed and to resolve and settle all questions and difficulties that may arise in the proposed issue,

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

---

offer and allotment of any of the aforesaid Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Chairman or any other Director(s) or officer(s) of the Company to give effect to the aforesaid 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.15,00,00,000/- divided into 1,50,00,000 Equity Shares of Rs.10/- (Rupees ten only) each to Rs. 85,00,00,000/- divided into 8,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each by the creation of 7,00,00,000 Equity Shares of Rs.10/- (Rupees ten 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 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. 85,00,00,000/- (Rupees Eighty Five Crore) divided into 8,50,00,000 (Eight crore fifty lac only) Equity Shares of Rs.10/- (Rupees ten 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. 85,00,00,000/- (Rupees) divided into 8,50,00,000(only) Equity Shares of Rs.10/- (Rupees ten 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.

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

**RESOLVED THAT** in accordance with the provisions contained in the Articles of Association 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 2007” ( hererinafter 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 12,00,000 Equity Shares at Rs.10 each amounting to and not exceeding Rs.1,20,00,000/- (Rupees One Crore Twenty Lac 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 an issue of Securities to any non –residents Employee, Non –resident Directors shall be subject to such approvals, 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 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.

11. “RESOLVED THAT Pursuant to section 146(2) of the Companies Act, 1956 approval of shareholders is hereby given for the shifting of the registered office of the Company from 1405, Maker Chamber V, Nariman Point, Mumbai-400021 to Mohan Mills Compound, Kolshet Road, Dhokali, Thane(West), Maharashtra-400607 with effect from 23<sup>rd</sup> November, 2009.

RESOLVED FURTHER THAT the board of directors of the Company be and are hereby authorised to take all the necessary steps in this regard.

Place : Mumbai  
Date : 30<sup>th</sup> October 2009

**Krishnakumar Subramanian**  
**Chairman**

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

---

### 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 Director of the Company at the Company's Registered Office, so as to reach atleast 7days 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 Private Limited 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.Krishnakumar Subramanian is retiring by rotation and being eligible offers 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	:	Krishnakumar Subramanian
Date of Birth	:	14 <sup>th</sup> November , 1961
Experience in specific functional area	:	Krishnakumar Subramanian, has over a two decade of rich experience in managing international IT business and last 4 years in Animation area. He is holding a degree in B.Sc. in Statistics from University of Mumbai with a diploma in Computer Science. Spanning a career that started as a Analyst Programmer, he became an entrepreneur starting his own software Company providing turnkey solutions to leading Indian business houses in Western India-, which later through business relations lead to software exports from India. Blockbuster movie Hanuman was created under his leadership.
Qualifications	:	B.Sc. Statistics
Other public Companies in which Directorship held	:	Silverline Technologies Limited Platinum International Limited
Other public Companies in which membership of committee	:	remuneration committee –Silverline Technologies Limited
No. of Shares held on 30 <sup>th</sup> June, 2009	:	Nil

#### Item No.4

The information or details pertaining to independent Director who was co-opted as an Additional Director and who is appointed as a independent Director is as under:

Name	:	Dr. Narayan Raman
Date of Birth	:	6 <sup>th</sup> February, 1969
Experience in specific functional area	:	Dr. Raman got his PhD from <b>University of Tennessee, Memphis TN USA</b> in the field of Medical sciences in 1996, and continued further as a senior scientist in the field of Cancer Biology. As a part of diversification and opportunities lying ahead, in 1997 he was involved in Media and Entertainment business. He is currently involved in the area of Telecom Solutions and Entertainment.
Qualifications	:	Doctorate in Medical Sciences

Other public Companies in which  
 Directorship held : Silverline Technologies Limited  
 No. of Shares held on 30<sup>th</sup> June, 2009 : Nil

Dr. Narayan Raman was co-opted as a Director of the Company with effect from 30<sup>th</sup> June 2009 pursuant to Section 260 of the Companies Act, 1956. He holds the office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with a deposit of Rs. 500/- proposing the candidate of Dr. Narayan Raman for the office of director under the provisions of Section 257, of the Companies Act, 1956.

Your Directors recommend the resolution set out at item no 4 of the notice for the approval of the members.

None of the Directors of Company other than Dr. Narayan Raman are interested in the resolution.

#### Item No. 6

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 9,767,442 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 Rs.12.74 per warrant. Which will entitle the holder to subscribe for one equity shares of the face value of Rs.10/- per equity share of the Company against each warrant. An amount, as may be decided by the board of directors not being less than 10% 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.10/- 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 then 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 for the promoters and one year for the other allottee 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 for the promoters and one year for the other allottee from the date of allotment of shares.
- 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	Mr. Krishnakumar Subramanian	Promoter	9,767,442	9,767,442

Your Directors recommend the resolution set out at item no 6 of the notice for the approval of the members.

None of the Directors of Company other than Mr. Krishnakumar Subramanian are interested in the resolution.

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

### Category of Shareholders Pattern

Category	No of Shares	Percentage
Promoters	2268	0.0189%
Banks, Mutual Funds and FIs	15538	0.1538%
Domestic Corporate Bodies	1607857	13.4053%
Indian Public and others	10104554	84.2453%
Non-resident/OCBs/FII/Foreign Company including shares held through depository	263978	2.2
<b>TOTAL</b>	<b>11,994,195</b>	<b>100%</b>

### ITEM NO. 7 – Further issue of securities

#### Further issue of securities

The resolution contained in the business of the Notice relates to a proposal by the Company to create, offer, issue and allot GDRs / ADRs / FCCBs /equity shares or such other securities or a combination of securities in one or more tranches as stated in the resolution (the “**Securities**”). The Company intends to issue Securities for a value of up to US\$ 20 million.

The Company proposes to raise the funds to meet its expansion requirements, for working capital and general corporate purposes.

It is proposed to offer/issue/allot, GDRs / ADRs / FCCBs/ equity shares/fully convertible debentures/partly convertible debentures or any securities other than warrants, which are convertible or exchangeable with equity shares of Rs.10 each at a later date of an aggregate amount not exceeding US\$ 20 million by way of an issue of Securities from time to time in one or more tranches, to Domestic/ Foreign Investors/ Institutional Investors/Foreign Institutional Investors, Qualified Institutional Buyers (“QIBs”) under Chapter XIII – A of the Guidelines, Members, Employees, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the Company or not in consultation with the Lead Manager(s) etc.

The detailed terms and conditions for the offer will be determined in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors. The pricing of the international offering(s) will be free market pricing and may be at a premium or discount to market price in accordance with international practice, subject to applicable rules, regulations etc. As the pricing of the offering will be decided at a later stage, the exact number of securities or shares to be issued will depend upon the price so decided. For the aforesaid reasons, an enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalize the terms of the issue.

The special resolution seeks to empower the Board to issue Securities in one or more tranches at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies, individuals or otherwise as the Board may at its absolute discretion deem fit.

The pricing of the issue will be subject to applicable Indian law. The same would be the case if the Board of Directors decide to undertake a qualified institutional placement under Chapter XIII – A of the Guidelines. As the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of Securities to be issued. For reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The Securities issued pursuant to the offering(s) would be listed on the stock exchanges in India or outside India and on conversion into shares, on the stock exchanges on which the Company’s equity shares are listed.

The consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the Stock Exchanges where the equity shares of the Company are listed.

Section 81(1A) of the Companies Act, 1956 and the relevant clause(s) of the Listing Agreement with the Stock Exchanges where the equity shares of the Company are listed provides, inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of such Company in the manner laid down in Section 81 unless the shareholders in a general meeting decide otherwise.

The special resolution, if passed, will have the effect of allowing the Board to issue and allot Securities otherwise than on pro rata basis to the existing shareholders.

The Board of Directors believes that such an issue of Securities of the Company is in the interest of the Company and therefore

recommends the resolution for your approval.

Your Directors recommend the resolution set out in above item No 7 of the Notice for the approval of members.

None of the Directors are concerned or interested in the said resolution.

#### **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. 15 Crore to the proposed increase upto Rs. 85 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 9 & 10 of the Notice for the approval of members.

None of the Directors are concerned or interested in the said resolution.

#### **ITEM NO. 10 – 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 29<sup>th</sup> October 2009 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 setout 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 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 August 19, 2005, 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 “**Remuneration Committee**” consisting of a majority of independent Directors for the implementation, administration and superintendence of the scheme. The Remuneration 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;
- (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 under this Scheme is 12,00,000 (Twelve Lac)

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

The Remuneration Committee of the Company has formulated the Scheme Silverline Animation Technologies Limited ESOP 2009 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 Remuneration 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 Remuneration 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 7 years from the date of grant of options, or such other period as may be decided by the ESOP Remuneration 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 remuneration 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 Remuneration 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 Remuneration 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 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 7 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. In the present instance it would be 2,99,850 Equity Shares (i.e. 2.5% of the capital of the Company as on 30<sup>th</sup> June, 2009, be issued per employee). The aggregate of all such grants shall not exceed 1,200,000 Equity Shares (approx. 10.2% of the paid up equity capital of the Company as on the date of the last Balance Sheet).

Your Directors recommends the resolutions to the shareholders passed under item no. 12 for their approval.

None of the Directors are concerned or interested in the said resolution.

**Item No.11**

At present the Company has registered office at Nariman Point Mumbai. The Company also has administrative office at the proposed registered office from where the Company now fully intends to control its operations. It will also help in controlling cost. Hence, the directors are of the opinion that the Company could be managed and controlled advantageously and beneficially from that locality.

Pursuant to the provisions of section 146(2) of the Companies Act, 1956, approval of the shareholders by way of special resolution is required in the case of shifting of the registered office of the Company beyond the existing Local limit of municipality. Hence, the resolution is put up for approval.

The board of directors recommends the passing of the special resolution.

None of the Directors are interested in the resolution.

On behalf of the Board of Directors

Place: Mumbai

Date : 30<sup>th</sup> October 2009

**Krishnakumar Subramanian**  
**Chairman**

## DIRECTORS' REPORT

Your Directors are pleased to present you the Third Annual Report with the Audited Accounts for the fiscal year from 1st July 2008 to 30<sup>th</sup> June 2009.

### Financial Results

	Year Ended 1/7/2008 to 30/6/2009 Rs. In million	Year Ended 1/7/2007 to 30/6/2008 Rs. In million
Income	57.51	86.03
Total Income gross Profit (PBDIT)	27.01	70.09
Depreciation	19.25	55.9
Preliminary and Deferred Revenue Expenses	7.76	14.18
Profit before Taxes	-	11.9
Less: provision for Taxation	0.92	2.28
Net profit/Loss	14.58	12.3
Profit available for appropriation- brought Forward	14.59	14.59
Profit available for appropriation	119.94	119.94
Share Capital	641.99	635.15
Reserve Account	0.02	0.02
Less: Miscellaneous Expenses ( deferred)	761.9	755.08
<b>TOTAL</b>	<b>761.9</b>	<b>755.08</b>
Transfer from General Reserve to Balance Sheet	761.9	755.08

### Performance

Your Company has been performing satisfactory. During the year your Company has reported revenues at 57.51 million.'

The Post-tax profit during the period increased by 198% to Rs. 6.83 million approximately as compared to the previous year ended June 30, 2008.

The review of the performance for the period ended June 30, 2009 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. Krishna Kumar Subramanian retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment. Dr. Narayan Raman on 30<sup>th</sup> June 2009 and is appointed as additional Director. He has been in the Technology, Media and Entertainment industry for several years.

### 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 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 significant 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 advised 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 section on management discussion and analysis is given in Annexure "C"

#### **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 Chairman 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.

Place: Mumbai

Date : 30<sup>th</sup> October 2009

On behalf of the Board of Directors

**Krishnakumar Subramanian**

**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) Expenditure on R & D:

Expenditure on R & D has been charged under primary heads of accounts.

**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

Date : 30<sup>th</sup> October 2009

**Krishnakumar Subramanian**  
**Chairman**

## ANNEXURE “B”

### TO THE DIRECTORS’ REPORT ON CORPORATE GOVERNANCE

#### a) Company’s Philosophy

Silverline Animation Technologies Limited’s business objective and that of its management and employees is to render software consulting services in such a way as to create value that can be sustained over the long term for 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 1/7/2008 to 30/6/2009, 14 Board Meetings were held on 01.08.2008, 01.09.2008, 09.10.2008, 28.10.2008, 11.11.2008, 19.11.2008, 22.11.2008, 28.11.2008, 05.12.2008, 15.02.2009, 15.03.2009, 10.04.2009, 25.04.2009 and 15.05.2009.

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 29 <sup>th</sup> September 2008	No. of other Directorship
Mr. Krishnakumar Subramanian	Promoter- Chairman Chairman-1 Member -2	14	Yes	3
Mr. Mohan Subramanian	Promoter- Whole-time Director Chairman-1 Member -2	14	Yes	4
Mr. Titus Sequeira	Independent Non Executive Director Chairman- Nil Member - Nil	10	NA	2
Mr. Hitesh Kadakia	Independent Non Executive Director Chairman- Nil Member - Nil	14	NA	NIL
Dr. Narayan Raman	Independent Non Executive Director Chairman- Nil Member - Nil	NIL	NA	NIL

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	:	Krishnakumar Subramanian
Date of Birth	:	14 <sup>th</sup> November , 1961
Experience in specific functional area	:	Krishnakumar Subramanian, has over a two decade of rich experience in managing international IT business and last 4 years in Animation area. He is holding a degree in B.Sc. in Statistics from University of Mumbai with a diploma in Computer Science. Spanning a career that started as a Analyst Programmer, he became an entrepreneur starting his own software Company providing turnkey solutions to leading Indian business houses in Western India, which later through business relations lead to software exports from India. Blockbuster movie Hanuman was created under his leadership.
Qualifications	:	B.Sc. Statistics
Other public Companies in which Directorship held	:	Silverline Technologies Limited Platinum International Limited

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

Other public Companies in which membership of committee : remuneration committee –Silverline Technologies Limited

No. of Shares held on 30<sup>th</sup> June, 2009 : Nil

### Particulars of additional director seeking appointment at the existing Annual General Meeting

Name : Dr. Narayan Raman

Date of Birth : 6<sup>th</sup>February, 1969

Experience in specific functional area : Dr. Raman got his PhD from **University of Tennessee, Memphis TN USA** in the field of Medical sciences in 1996, and continued further as a senior scientist in the field of Cancer Biology. As a part of diversification and opportunities lying ahead, in 1997 he was involved in Media and Entertainment business. He is currently involved in the area of telecom Solutions.

Qualifications : Doctorate in Medical Sciences

Other public Companies in which Directorship held : Silverline Technologies Limited

No. of Shares held on 30<sup>th</sup> June, 2009 : 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 2008 to June 2009 and comprised of 3 Directors. The committee held four meetings during the period from 01/07/08 to 30/06/09. 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 2008 and comprised the following Directors:

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

The Committee met once during the period 01/07/2008 to 30/06/2009 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 1-7-2008 to 30-6-2009	02
2. No. of Shareholders complaints mentioned above not to the satisfaction of the shareholders	02
Pending Share Transfers as on June 30, 2009	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

### g) Disclosures

Related party transactions:

Please refer to the note no. 15 of Notes to Accounts provided with financial statements.

### h) Means of communication

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

### i) General Shareholders information

- The Annual General Meeting is proposed to be held on at Shanmukhananda Conventional Hall, Sion, Mumbai.
- Financial Calendar
 

Date's for quarterly result, 30/06/2008	June 30, 2009
Annual results of previous year	September 3, 2008
Annual General Meeting	September 29, 2008
- Dates of Book closures **18 November, 2009 to 23 November, 2009**  
(Both days inclusive)
- Dividend payment date Not applicable
- Listing of equity shares on stock exchanges at : The Exchange, Mumbai (BSE), Mumbai  
Stock Code on Mumbai Stock Exchange: Rolling Settlement - 532999
- Registrar and share transfer agent: Link Intime India Private Limited, C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.
- Share transfer system  
The Company's shares are traded on the Stock Exchanges compulsorily 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.
- Distribution of shareholding as on June 30, 2009

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Up to 500	206844	98/7170	63507610	52.9490
501-1000	1519	0.7250	11093580	9.2490
1001-2000	645	0.3080	9201280	7.6710
2001-3000	195	0.0930	4862440	4.0540
3001-4000	106	0.0510	3846610	3.2070
4001-5000	55	0.0260	2475680	2.0640
5001-10,000	97	0.0460	6756680	5.6330
10,000 and above	71	0.0340	18198070	15.1720
	209,532	100	119941950	100

ix) Categories of Shareholders as on June 30, 2009

Category	No of Shares	Percentage
Promoters	2268	0.0189%
Banks, Mutual Funds and FIs	15538	0.1538%
Domestic Corporate Bodies	1607857	13.4053%
Indian Public and others	10104554	84.2453%
Non-resident/OCBs/FII/Foreign Company including shares held through depository	263978	2.2
<b>TOTAL</b>	<b>11,994,195</b>	<b>100%</b>

x) Dematerialisation of Shares

As on June 30, 2009, 98.6% of the Companies total shares representing 11,829,152 shares were held in dematerialized form and the balance 1.4% representing 165,043 shares were in physical form.

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

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

**Address of Company**

1405 Maker Chamber V, Nariman Point , Mumbai 400 021

**Address of correspondence:**

The Company's Registered Office is situated at:

1405 Maker Chamber V, Nariman Point, Mumbai 400 021

**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

Date : 30<sup>th</sup> October 2009

**Krishnakumar Subramanian**  
**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, 2009 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 : 30<sup>th</sup> October, 2009

**C. N. Gangadharan**

Partner

Memb.No.11205

**ANNEXURE "C"**  
**MANAGEMENT DISCUSSIONS & ANALYSIS**

**Industry Structure and Developments**

The animation and gaming industry has evolved new business models and emerged as one of the prominent growth industries. The animation sector is expected to witness 14-15% growth in the next two years. The domestic market is seeing a growth driven by VFX (visual effects) and animation education. Offshoring is expected to pick up in the animation and the gaming industry due to good quality, but the scale of delivery is coming down.

Developing animation content on television has also increased in the past one year. Creating short animated films through direct DVD market and ad films has also started seeing a place in the industry.

The growth drivers for the animation sector includes 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.

India is emerging as an outsourcing hub for animation and visual effects with large number of international media companies entering into joint ventures with animation studios in India. Animation sector comprises of education, multimedia/web design, and entertainment and custom content development.

Following are some excerpts from the report, via Animation Xpress.

“The animation industry in India can be divided into the following key segments: Animation entertainment, animation education, custom content development and multimedia/web design and vfx. The entire animation industry in India was estimated at USD 314 million in 2006, USD 494 million in 2008 and is expected to grow at CAGR of 22 percent to reach USD 1 billion by 2012. In absolute terms, custom content development and multimedia/web design is the largest segment today, followed by animation entertainment, animation education and VFX, respectively and is expected to remain so in 2012.

“The gaming industry can be divided into the following key segments: Online Games (MMORPG and Casual Games), Mobile Games, PC Games and Console Games (Regular and Handheld Devices). The Indian gaming industry was estimated at USD 50 million in 2006, USD 167 million in 2008 and is forecasted to grow at CAGR of 49 percent to reach 830 million by 2012. The overall size of the Indian gaming industry represents revenues from the consumer market, services market and revenues from non development activities such as services rendered as technical support to international gaming companies. The consumer gaming market was estimated at USD 105 million in 2008 and is expected to grow at a CAGR of 55 percent to reach USD 610 million by 2012. The services market for gaming was estimated at USD 61 million in 2008 and is expected to grow at a CAGR of 38 percent to reach USD 220 million by 2012. In 2008, the console gaming segment is estimated to account for the largest share of the Indian gaming market, followed by mobile gaming, online gaming and PC gaming respectively. In 2012, it is expected to remain the same.

“The production budget of an animation movie made in India has increased from USD 1.7 million – USD 2.2 million to USD 4.5 million-USD 6.7 million over the last few years. Moreover, the production budget of international movies outsourced to India has increased from USD 8.8 million to USD 11.1 million.

Consequently, realization for domestic work has gone up from USD 1,300 to USD 2,667 per seat per shift per month. The realization for international outsourcing is in the range of USD 2,200 to USD 3,100. This increase in realization is the result of animation companies providing higher-end services such as long form and 3D animation films.

“Cost Advantage is the most important and attractive value proposition for India as an animation and gaming content development destination. India’s low cost-high quality advantage offers a 60-80 percent cost saving for the international studios outsourcing/off shoring to studios in India. This has become an even more attractive proposition for India due to overall skill enhancement of the companies enabling them to cater to the whole value chain rather than service labor intensive low end jobs.

**Opportunities 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:

- (i) availability of skilled professionals at competitive rates;
- (ii) with in-depth industry knowledge and experience; and
- (iii) global delivery capability through inshore/offshore delivery Model.
- (iv) Brand of Blockbusters Movie Hanuman

The biggest part of a competitive animation facility is the quality of the craftsmen involved; and one adroit and experienced craftsman



is usually equal to 3-4 junior and/or mediocre ones. The right people with the right amount of talent and experience will make a production shine and do so efficiently; they are the key reasons between a high quality production and a low quality one, and an unnecessary expenditure of money and a judicious one.

Silverline's Animation proposed education service offering would play a vital role in this case by producing quality Animators and the supply of it. This would in turn not only help it to mitigate the risk of skill shortage but also gives an edge over its competitors.

**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 statutory auditor

**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 Gaming 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 Group Company SILVERLINE TECHNOLOGIES LIMITED, a strong Business model, US/Canadian presence that it can leverage on. The Company believes it is poised for a strong and robust growth.

The Company is currently seeking to embark on strategic new business initiatives in the Animation and gaming areas through a direct and indirect sale and marketing approach with domestic as well as overseas clients. Through this strategy the Company plans to continue to pursue the expansion of its business.

Your Company is currently targeting to embark on strategic new business initiatives in the ANIMATION AND GAMING, areas through the direct and indirect sales and marketing approach with overseas clients. Through this strategy your Company plans a complete revival of its business.

**Financial Performance****Share Capital**

The total issue paid-up share capital as on 30<sup>th</sup> June 2009 is Rs. 119,941,950 comprises 11,994,195 equity shares of Rs. 10/- per share.

Company's sales and service income for the period ended June 30<sup>th</sup>, 2009 is Rs. 57.51 Million towards revenue and 6.37 Million towards the profit after tax.

**Fixed Assets**

The increase in the fixed assets of the Company for the year 2008 was Rs.4.85 lacs while there were no deletions.

**Investments**

No further investments were made during the year except Capital Assets.

**Human Resources**

Silverline Animation Technologies Limited 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 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 30<sup>th</sup> June 2009, 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 12<sup>th</sup> June 2003 and as amended under Notification dated 25<sup>th</sup> 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 30<sup>th</sup> June, 2009 and taken on record by the Board of Directors we report that none of the Directors are dis-qualified as on 30<sup>th</sup> June 2009 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 30<sup>th</sup> June 2009,
  - 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 30<sup>th</sup> June 2009.

**For CNGSN & ASSOCIATES**

Chartered Accountants

Place : Chennai

Date : 30<sup>th</sup> October, 2009

**C N GANGADARAN**

Partner

Memb.No.11205

**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 30<sup>th</sup> June 2009.**

- 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 thereunder does not arise.
- Vii) In our opinion, the Company does not 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. a) According to the information and explanations given to us, there are no employees covered under PF or ESI Act.
- b) There are no disputed amounts. With respect to the undisputed taxes the Company has not paid TDS during the financial year. The amount outstanding beyond 6 months is not ascertainable.
- 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

Memb.No.11205

Place : Chennai  
Date : 30<sup>th</sup> October, 2009

BALANCE SHEETS AS AT 30<sup>th</sup> JUNE 2009

Currency in Indian Rupees

	Schedule	30-Jun-09	30-Jun-08
<b><u>Sources of Funds</u></b>			
Shareholders Funds			
Share Capital	"A"	119,941,950	119,941,950
Reserves & Surplus	"B"	641,991,540	635,154,373
		<u>761,933,490</u>	<u>755,096,323</u>
<b><u>Loan Funds</u></b>			
Unsecured Loans	"C"	13,119,129	8,658,592
		<u>13,119,129</u>	<u>8,658,592</u>
Total		<u>775,052,618</u>	<u>763,754,915</u>
<b><u>Application of funds</u></b>			
Fixed Assets	"D"		
Gross Block		443,802,456	443,316,824
Less : Depreciation		377,794,525	358,539,593
Net Block		66,007,930	84,777,231
Value of Intellectual Property		555,300,613	549,163,310
		<u>621,308,543</u>	<u>633,940,541</u>
<b><u>Current Assets Loans &amp; Advances</u></b>			
Sundry Debtors	"E"	110,632,064	84,387,490
Work in Progress		-	7,163,761
Cash and Bank Balance	"F"	1,514,815	5,749,234
Loans & Advances	"G"	62,355,181	63,804,681
<b>TOTAL</b>		<u>174,502,060</u>	<u>161,105,166</u>
<b><u>Current Liabilities and Provisions</u></b>			
Current Liabilities	"H"	6,588,558	17,856,676
Provisions	"I"	14,181,428	13,452,116
		<u>20,769,985</u>	<u>31,308,792</u>
Net Current Assets		<u>153,732,074</u>	<u>129,796,374</u>
<b><u>Miscellaneous expenditure ( to the extent not written off or adjusted)</u></b>	"L"	12,000	18,000
		<u>12,000</u>	<u>18,000</u>
<b>TOTAL</b>		<u>775,052,618</u>	<u>763,754,915</u>
<b>Notes to Accounts</b>	"M"		

For and on behalf of the Board of Directors

For CNGSN &amp; Associates

Chartered Accountants

C.N. Gangadaran

Partner

Memb.No.11205

Date : 30<sup>th</sup> October , 2009

Place : Chennai

Krishnakumar Subramanian

Director

Mohan Subramanian

Director

Date : 30<sup>th</sup> October , 2009

Place : Mumbai

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2009

Currency in Indian Rupees

	Schedule	30-Jun-09	30-Jun-08
<b>INCOME</b>			
Animation Content Development	"J"	53,971,785	86,027,325
Other Income		3,539,241	-
<b>TOTAL REVENUE</b>		<b>57,511,026</b>	<b>86,027,325</b>
<b>EXPENITURE</b>			
Operating and establishment expenses	"K"	30,492,688	15,932,620
Depreciation	"D"	19,254,932	55,896,554
Preliminary Expenses written off	"L"	6,000	6,000
Profit before Interest, tax & extraordinary Items		7,757,406	14,192,151
Finance Charges		-	-
Profit after extra ordinary items		7,757,406	14,192,151
<b>Provision for Income Tax</b>			
<b>Current tax</b>		794,533	11,800,000
<b>Deferred Tax</b>		-	100,000
<b>Fringe Benefit Tax</b>		125,706	-
<b>Profit after Tax</b>		<b>6,837,167</b>	<b>2,292,151</b>
<b>Balance being Surplus/( deficit) brought forward</b>		<b>14,596,323</b>	<b>12,304,172</b>
<b>Available for Appropriation transferred to Balance Sheet</b>		<b>21,433,490</b>	<b>14,596,323</b>
Basic Earning per share after Extraordinary items		0.57	0.19
<b>Diluted Earning per share after extra ordinary items</b>		<b>0.57</b>	<b>0.19</b>

For and on behalf of the Board of Directors

**For CNGSN & Associates**

Chartered Accountants

**C.N. Gangadaran**

Partner

Memb.No.11205

Date : 30<sup>th</sup> October, 2009

Place : Chennai

**Krishnakumar Subramanian**

*Director*

**Mohan Subramanian**

*Director*

Date : 30<sup>th</sup> October, 2009

Place : Mumbai

## SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	Schedules	30-Jun-09 Actuals	30-Jun-08 Actuals
<b>Capital</b>	<b>“A”</b>		
<b>Authorised</b>			
15,000,000 equity shares of Rs. 10 each		150,000,000	150,000,000
<b>Issued, subscribed and paid-up</b>			
11,994195 equity shares of Rs. 10 each			
fully paid up		119,941,950	119,941,950
		<u>119,941,950</u>	<u>119,941,950</u>
<b>Reserves &amp; Surplus</b>	<b>“B”</b>		
<b>Capital Reserves</b>			
Transfer upon demerger		71,394,740	71,394,740
Reserve on account of IPR		549,163,310	549,163,310
		<u>620,558,050</u>	<u>620,558,050</u>
<b>Profit &amp; Loss Account</b>			
Opening Balance		14,596,323	12,304,172
Add : Profit/Loss for the year		6,837,167	2,292,151
		<u>21,433,490</u>	<u>14,596,323</u>
Total Reserves & Surplus		<u>641,991,540</u>	<u>635,154,373</u>
Shareholders Equity		<u>761,933,490</u>	<u>755,096,323</u>
<b>Loan Funds</b>	<b>“C”</b>		
<b>Unsecured Loans</b>			
Loan from Director & Shareholders		13,119,129	8,658,592
		<u>13,119,129</u>	<u>8,658,592</u>
<b>Current Assets Loans and Advances</b>	<b>“E”</b>		
<b>Sundry Debtors</b>			

## D- Fixed Assets

Assets	Gross Block				Depreciation				Net Block as at	
	1.07.2008 Rupees	Additions Rupees	Deletions Rupees	30.6.2009 Rupees	1.07.2008 Rupees	For the year Rupees	Deletions Rupees	30.06.2009 Rupees	30.06.2009 Rupees	30.06.2008 Rupees
Computer Equipment Inclusive of software	287,352,176	485,632	-	287,837,808	277,803,766	9,627,180		287,430,946	406,862	9,548,410
Furniture and Fixtures	98,817,812	-	-	98,817,812	55,768,086	5,958,714		61,726,800	37,091,012	43,049,726
Office Equipments	36,101,121		-	36,101,121	19,180,129	2,176,898		21,357,027	14,744,094	16,920,992
Electrical Fittings	21,045,715		-	21,045,715	5,787,612	1,492,141		7,279,753	13,765,962	15,258,103
<b>TOTAL</b>	<b>443,316,824</b>	<b>485,632</b>	<b>-</b>	<b>443,802,456</b>	<b>358,539,593</b>	<b>19,254,932</b>		<b>377,794,525</b>	<b>66,007,930</b>	<b>84,777,231</b>
Year ending 30 <sup>th</sup> June 2008	439,787,648	3,529,176	0	439,787,648	248,950,958	53,692,082	-	302,643,040	137,144,608	190,836,690

## SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	Schedules	30-Jun-09 Actuals	30-Jun-08 Actuals
Considered good			
Out standing for more than six months		93,303,670	84,387,490
Out stannding for less than six months		17,328,394	
Work in Process		-	7,163,761
<b>Cash &amp; Bank Balances</b>	<b>"F"</b>		
Bank Balance		14,451	5,422,132
Cash Balance		1,500,364	327,102
		<u>1,514,815</u>	<u>5,749,234</u>
<b>Loans &amp; Advances</b>	<b>"G"</b>		
Deposits		250,000	-
Others		62,105,181	62,105,181
Income Tax Paid		-	1,699,500
<b>TOTAL</b>		<u>62,355,181</u>	<u>63,804,681</u>
<b>Current Liabilities</b>	<b>"H"</b>		
Sundry Creditors		6,588,558	2,856,676
Advance from Customer		-	15,000,000
		<u>6,588,558</u>	<u>17,856,676</u>
<b>Provisions</b>	<b>"I"</b>		
Profession Tax Payable		10,835	1,510
Provision for taxation (Net)		10,695,033	11,900,000
TDS payable		3,349,854	1,550,606
Fringe Benefit Tax		125,706	-
<b>B</b>		<u>14,181,428</u>	<u>13,452,116</u>
<b>A+B</b>		<u>20,769,985</u>	<u>31,308,792</u>
<b>INCOME</b>	<b>"J"</b>		
Animation Content Development			
Domestic		15,221,984	
Exports		38,749,801	86,027,325
Forex Gain		3,539,241	-
		<u>57,511,026</u>	<u>86,027,325</u>

## SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	Schedules	30-Jun-09 Actuals	30-Jun-08 Actuals
<b>Operating and establishment expenses</b>	<b>“K”</b>		
Salaries & Consultancy Charges		22,072,146	10,801,027
Office & AGM Expenses		1,066,358	18,053
Script writing/translation Charges		-	25,000
Bank Charges		19,522	5,010
Car Hiring Charges		2,011	20,998
Repairs & maintenance, Computer Peripherals		349,916	11,600
Depository and R&T Charges		1,605,077	503,663
Directors Remuneration		-	2,096,145
Electricity Charges		369,824	113,491
Employee Welfare		175,143	178,884
Legal and Professional Fess		983,843	978,600
Membership & subscription		32,000	2,613
Motor Car Expenses		402,158	95,032
Printing and stationary		1,095,011	70,339
Postage& Courier		16,657	-
Registration and License			4,000
Sales Promotion Expenses		1,076,545	637,237
Telephone & internet Charges		365,004	172,767
Travelling and conveyance		761,473	98,161
Audit Fees		100,000	100,000
		<u>30,492,688</u>	<u>15,932,620</u>
<b>Miscellaneous Expenditure</b>	<b>“L”</b>		
Opening		18,000	24,000
Write off		6,000	6,000
		<u>12,000</u>	<u>18,000</u>



**Notes forming parts of annual accounts for the year ended 30<sup>th</sup> June 2009**  
**(All the amounts are in Indian Rupees, unless otherwise indicated)**

**SCHEDULE - M****COMPANY'S BACKGROUND**

Silverline Animation Technology Limited is in business of producing digital animation content, creating intellectual property rights, Interactive digital games using software and hardware Technologies. Silverline Animation Technology private limited was incorporated 28th June 2007, subsequently got converted into Public Limited on 1<sup>st</sup> August 2007.

**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**

The Company does not have the minimum threshold limit of employees and as such the provision of Accounting Standard 15 is not applicable.

**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.

## SILVERLINE ANIMATION TECHNOLOGIES LIMITED

---

- (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 TO ACCOUNT

- 1. Payments made to / provided for auditors: Audit fees Tax audit **30<sup>th</sup> June 2009 – 1,00,000/-**
- 2. Information pursuant to the provisions of paragraphs 4C and 4D of part II of Schedule VI of the companies Act, 1956
  - a. CIF value of imports
  - Capital purchases (includes goods in transit) NIL
  - b. Expenditure in foreign currency NIL
    - Software development and consultancy NIL
    - Traveling NIL
    - Subscription NIL
    - Other NIL
- iii) Earnings Remittances received in foreign currency:
  - a. Earnings in foreign exchange Sales and services: Rs. 1,60,38,826
- 3. **Deferred Tax:** During the year the Company is not made estimates for deferred tax liability
- 4. **Earning Per Share (EPS)** **30<sup>th</sup> June, 2009**
  - i) Net Profit after tax 68,37,167/-
  - ii) Earnings per share (EPS) 0.57
- 5. Tax has been calculated based on certain disallowances; however the ultimate disallowance from the same cannot be ascertained at the moment.
- 6. Foreign Inward Remittance Certificates is in the process of being collecting from the Banks.
- 7. Loans and advances include loans to Group Company and the same will be recovered during the next year.
- 8. **Segment Reporting**

Its 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 2009, the Company has not entered into any transaction with related party.
- 10. **Key management personnel**

Mr. Krishna Kumar Subramanian
- 11. Cash balance has been certified by the management.

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

PARTICULARS	Amounts in Rupees	Amounts in Rupees
<b>Profit Before Tax &amp; Extraordinary Items</b>		7,757,406
Add: Non Cash Items		
Depreciation / Amortization Of Assets	19,254,932	
	6,000	19,260,932
		27,018,338
Less: Foreign Exchange Gain Unrealised		(1,202,807)
Operating Profit Before Working Capital Changes		25,815,531
Add/Less: Changes In Working Capital		
Increase In Accounts receivable	(26,244,574)	
Decrease In Loans & Advances	1,449,500	
Decrease In WIP	7,163,761	
Decrease In Current Liabilities	(12,188,358)	
Increase In Provisions	729,312	
Net change in Working Capital		(29,090,360)
		(3,274,828)
Less: Taxes Paid		-
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(3,274,828)</b>
<b>Financing:</b>		
<b>Repayment of debt</b>		
Increase in Unsecured Loans		4,460,537
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>4,460,537</b>
Investments:		
Additions to capital assets		(485,631)
Additions to IPRS		(6,137,303)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(6,622,935)</b>
Increase (decrease) in cash position		(5,437,226)
Cash & Cash Equivalents at the beginning of the period		5,749,234
Effect of Unrealised foreign exchange fluctuation gain / (loss)		1,202,807
Cash & Cash Equivalents at the end of the period		<b>1,514,815</b>

For and on behalf of the Board of Directors

**For CNGSN & Associates**

Chartered Accountants

**C.N. Gangadaran**

Partner

Memb.No.11205

Date : 30<sup>th</sup> October, 2009

Place : Chennai

**Krishnakumar Subramanian**

*Director*

**Mohan Subramanian**

*Director*

Date : 30<sup>th</sup> October, 2009

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 2009

**II CAPITAL RAISED DURING THE Period (Rs in thousands)**

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

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

Total Liabilities	775,053	Total Assets	775,053
Sources of funds		Application of funds	
Paid -up capital	119,942	Net fixed assets	621,309
Investments			-
Reserves & Surplus	641,992	Net current assets	153,732
Secured loans	-	Misc. expenditure	12
Unsecured loans	13,119	Accumulated losses	-

**IV PERFORMANCE OF THE COMPANY**

Turnover	57,511	Total expenditure	49,754
Profit / (Loss) before tax	7,757	Profit / (Loss) after tax	6,837
Earnings per share ( Rs. )	0.57	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 : 30<sup>th</sup> October, 2009  
Place : Mumbai

**SILVERLINE ANIMATION TECHNOLOGIES LIMITED**

Registered Office: 1405 Maker Chambers V, ,Nariman Point , Mumbai – 400 021.

**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 Third Annual General Meeting of the Company held at Shanmukhananda Fine Arts & Sangeetha Sabha, Convention Hall, Flank Road, Sion (East), Mumbai -400 022 on Monday, 23rd November, 2009 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**

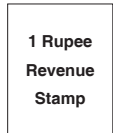
Registered Office: 1405 Maker Chambers V, ,Nariman Point , Mumbai – 400 021.

**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 Third Annual General Meeting of the Company held on Monday, 23rd November, 2009 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 \_\_\_\_\_ 2009



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.