SILVERLINE
TECHNOLOGIES LIMITED

18th
ANNUAL REPORT
2009-2010

SILVERLINE TECHNOLOGIES LIMITED

BOARD OF DIRECTORS	Ravi Subramanian, Chairman Jagdish P. Gandhi Mohan Subramanian, Wholetime Director Dr. Narayan Raman Krishnakumar Subramanian
AUDITORS	M/s CNGSN & Associates Chartered Accountants "Agastyar Manor", 20, Raja Street T Nagar, Chennai 600 017.
REGISTERED OFFICE	Unit No. 121, SDF IV, SEEPZ, Andheri (East), Mumbai-400 096. Tel.No.28291950/28290322
REGISTRAR & SHARE TRANSFER AGENTS	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

Message from the Chairman of the Board

Ravi Subramanian
Chairman and CEO

Welcome to the Eighteenth Annual General Meeting of your Company!

2010 was a year with a focus on increased profitability. In line with my commitment to you at the 2009 AGM, the Company kept a very tight vigil on the performance of the organization. I am glad to share with you that the Company kept track with the growth and grew in efficiency measures with increased profitability!

I will take a few moments to highlight some of the key activities and achievements for the year. I will also share some of the thoughts on the future of the Company.

The focus lines will be Efficiency in operations and New offerings in IT Service Management, Marketing and Integration of Service Management software Products and the resurrection of Silverline Institute of Software Technologies (SIST).

Your Company restructured its Technical Support operations due to a new focus on increasing profitability and introducing new areas of interest. The Technical Support subsidiary continued to maintain its sales within the existing account base.

Your Company's Service Management Software-as-a-Service (SaaS) based ITIL incident management software, iCare, has been enhanced to support French language and is now available on mobile platforms. Besides, it has won strategic deals to integrate it into leading CRM products such as Pivotal Software and Salesforce.com.

In its quest to create a federated IT Service Management model, your Company is in advanced stages on its strategy of increased market penetration through strategic partnerships. It plans to increase its market offering to include enhanced services in the Infrastructure Management space. It is strategically aligning itself with Deskside Support companies, SAP and ORACLE Training and Integration companies and Network Training and Integration companies. It is also in discussions with other leading companies in BMC Software and IBM to promote new offerings in Service Management.

The marketplace today demands end-to-end services i.e Technical and Business related Customer Care. Your Company is evaluating its option on how it can tap into the multi-billion Healthcare and Utility sectors leveraging its strengths in IT and aligning with like-minded organizations from the business front. This would then become a true Business Processing Optimization offering.

And finally, your Company is most excited to announce that it is seriously evaluating entering into the education sector once again. You may recall that early in its growth cycle, your Company was well known for its software training arm, Silverline Institute of Software Technology SIST). Your Company has evaluated a specific need that requires the readiness for a students that graduate out of the Management and IT schools that are not Tier 1 and are struggling to be work-ready. Your Company is in advanced discussions to tie-up with Indian Universities and in collaboration with SAP and a Canadian Institute specializing in vocational courses in SAP, Project Management and Testing is planning to create a SAP University and PMP courses. The details are being carved out. The initial centers targeted are in New Delhi and Gujarat.

The progress during 2010 demonstrates that the Company kept steady returns but took this time to build long-term strategies. Your Company hopes that these moves will enable you, our shareholders, to enhance the value of your Company and hence provide you with greater returns.

As a good corporate citizen, your Company is committed to its people. I applaud the unselfish attitude, dedication and undying effort of each and every employee of the organization. I'm also grateful for the support of our business partners and our Board of Directors. I thank each of you for your loyalty, your trust, and for the opportunity to protect your investment in this Company.

To sum up, dear shareholders, my team and I will continue to monitor the performance of this added attention implemented across the Company and at the same time will close on all the exciting new avenues of growth and visibility! We look forward to growing in this relationship.

Ravi Subramanian
Chairman and CEO
Silverline Technologies Limited
27th January, 2011

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of SILVERLINE TECHNOLOGIES LIMITED will be held on Friday, 25th February 2011 at 11.00 AM at The Shanmukhananda Fine Arts & Sangeetha Sabha, Conventional Hall, Flank Road, Sion (East), Mumbai 400 022 to transact the following business:

ORDINARY BUSINESS

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

Place: Mumbai
Dated : 27 January 2011

Mohan Subramanian
Wholetime Director

Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITILED 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 Pvt. Ltd. at C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West) Mumbai 400 078.
5. Re-appointment / Appointment of Directors. At the ensuing Annual General Meeting, Mr. Ravi Subramanian is retiring by rotation and being eligible offer himself for re-appointment. The information or details pertaining to the Directors to be provided in terms of Clause 49 of the Listing Agreement is furnished in the Statement on the Corporate Governance published elsewhere in this Annual Report.
6. Re-appointment / Appointment of Directors. At the ensuing Annual General Meeting, Wholetime Director Mr. Mohan Subramanian is retiring by rotation and being eligible offer himself for re-appointment. The information or details pertaining to the Directors to be provided in terms of Clause 49 of the Listing Agreement is furnished in the Statement on the Corporate Governance published elsewhere in this Annual Report.

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

Item No.2

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

Name	: Mr. Ravi Subramanian
Date of Birth	: 12th December 1957
Experience in specific functional area	: Ravi Subramanian is the Company's founder and has served as the Chairman of the Board of Directors since 1992. Prior to that Mr Subramanian was the founder and Managing Director of Silverline Electronics Private Limited, a personal computer service and reselling firm.
Qualifications	: Commerce Graduate, Diploma in Management Studies
Other public Companies in which Directorship held	: None
Other public Companies in which membership of committee	: None
No. of Shares held on 30th June, 2010	: Nil

Item No. 3

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

Name	: Mohan Subramanian
Date of Birth	: 26th May 1956
Experience in specific functional area	: Mohan Subramanian, 54, is a seasoned Entrepreneur with over 25 years of rich experience in Managing Technologies business; he is also a social and respectable citizen and has undertaken many social work.
Qualifications :	Arts Graduate
Other public Companies in which	
Directorship held	: Silverline Animation Technologies Limited Platinum International Limited
Other public Companies in which	
Membership held	: Remuneration committee –Silverline Technologies Limited
No. of Shares held on 30th June, 2010	: Nil

Place: Mumbai

Dated : 27 January 2011

Mohan Subramanian

Wholetime Director

DIRECTORS' REPORT

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

Financial Results

Particulars (in consolidated figures)	**Year Ended 1/7/2009 to 30/6/2010**	Year Ended 1/7/2008 to 30/6/2009
	Rs. In million	Rs. In million
Income	**800.47**	899.7
Total Income gross Profit (PBDIT)	**80.78**	-64.89
Depreciation	**4.77**	5.25
Preliminary and Deferred Revenue Expenses	**4.55**	4.78
Profit before Taxes	**66**	-80.1
Less: provision for Taxation	**4.95**	1.96
Net profit/Loss	**61.06**	-82.06
Profit available for appropriation- brought Forward	**29.52**	141.99
Profit available for appropriation	**93.45**	29.52
Share Capital	**599.85**	599.85
Reserve Account	**924.23**	855.29
Less: Miscellaneous Expenses (deferred)	**-**	4.5
TOTAL	**1,524**	1450

Performance

Your Company has been performing satisfactory. During the year your company has reported revenues at 800.47 million.

The Post-tax profit during the period increased substantially to Rs. 61.06 million approximately as compared to the previous year ended June 30, 2010.

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

Fixed Deposits:

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

Directors:

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

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

Auditors:

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

Directors Responsibility Statement:

Your Directors confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

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 30th June 2010.

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

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.

On behalf of the Board

Mumbai,
27th January 2011

Mohan Subramanian
Wholetime Director

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

Mumbai,
27th January 2011

Mohan Subramanian
Wholetime Director

ANNEXURE "B"

DIRECTORS' REPORT ON CORPORATE GOVERNANCE

a) Company's Philosophy

Silverline'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 Whole time Director and 4 Non Executive Directors. During the period from 1/7/2009 to 30/6/2010, 8 Board Meetings were held on 15/07/2009, 28/07/2009, 24/08/2009, 22/09/2009, 06/01/2010, 02/02/2010, 23/05/2010, 16/06/2010.

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

Name of Director	Category of Directorship No. of Committees	No. of Board Meetings attended	Attendance at last AGM on 26/12/2009	No. of other Directorships
Mr. Ravi Subramanian	Promoter-Chairman –Chairman-Nil Member-1	2	No	1
Mr. Krishnakumar Subramanian	Promoter - Director Chairman -1 Member –2	8	Yes	2
Mr. Mohan Subramanian	Promoter - Whole-time Director Chairman- NIL Member –3	8	No	2
Mr. Jagdish P. Gandhi	Independent Non Executive Director Chairman -1 Member –2	6	Yes	Nil
Dr. Narayan Raman	Independent Non Executive Director Chairman -Nil Member –Nil	8	No	1

c) Audit committee

i) Terms of reference

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

ii) Composition

The Audit Committee was reconstituted for the year July 2009 to June 2010 and comprised of 3 Directors. The committee held four meetings during the period from 01/07/08 to 30/06/09. The attendance of the members at the meetings were as follows:

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

Remuneration Committee Terms of reference

To review, assess and recommend the remuneration package of the executive directors and executive managers. The minutes of the Remuneration Committee Meetings are taken note of by the Board.

Composition

The Remuneration Committee was reconstituted for the year July 2009 to June 2010 and comprised of 3 Directors.

Name of the member	Status
Mr. Mohan Subramanian	Chairman
Mr. Krishnakumar Subramanian	Member
Mr. Jagdish Gandhi	Member

Remuneration policy

Remuneration of employees largely consists of base remuneration, perquisites and performance incentive. The components of total remuneration vary for different grades and are governed by industry patterns, 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.

iv) Details of Remuneration for period 01/07/2009 to 30/06/2010

1) Executive Director

Name of the Wholetime Director	Salary Rs.	Commission Rs.	Perquisite Rs.	Retirement Benefits Rs.	Stock Options Rs.
Mr. Mohan Subramanian	9,00,000	Nil	-	Nil	Nil

a) No severance pay is payable on termination of appointment.

d) Shareholders'/Investors' 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 Shareholders'/Investors' Grievance Committee was constituted on July 2009 and comprised the following

Directors:

Name of the member	Status
Dr. Narayan Raman	Chairman
Mr. Mohan Subramanian	Member
Mr. Jagdish P. Gandhi	Member

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

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

iii) Shareholders Complaints

Particulars	Letters in the nature of Instructions	Letters in the nature of complaints
1. No. of shareholders complaints received during the period 1.7.2009 to 30.6.2010	19	19
2. No. of shareholders complaints mentioned above not solved to the satisfaction of the shareholders	NIL	NIL
Pending Share Transfers as on June 30, 2009	NIL	NIL
Pending Demat Requests as on June 30, 2009	NIL	NIL

* The pending shareholders complaints relate to shareholders/ investors suits / disputes / legal cases pending in civil courts, consumer forums, etc. Such suits / disputes / legal cases are initiated by investors / acquirers against transferees who have allegedly sought wrongful transfers i.e. on account of postal interceptions/thefts/forgeries etc., of instruments of transfers lodged with the Company. The majority of such cases are at various stages of resolution and would be finally disposed off in accordance with the rulings of the adjudicating authorities.

e) General Body meeting

Particulars of the last three years Annual General Meetings:

Financial Year	Date	Time	Location
2006-2007	28-11-2007	11:00 a.m	Shanmukhananda Conventional Hall, Sion (E), Mumbai
2007-2008	31-12-2008	11:00 a.m	Shanmukhananda Conventional Hall Sion (E), Mumbai
2008-2009	26-12-2009	11:00 a.m	Shanmukhananda Conventional Hall Sion (E), Mumbai

The Company has not passed any resolution through Postal Ballot in any of the above-mentioned meetings.

f) Disclosures

Related party transactions:

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

i) Means of communication

i) Quarterly results are published in prominent daily newspapers viz. The Free Press Journal, Nav- Shakti.

ii) Management's Discussion and Analysis forms part of this Annual Report, which is posted to the shareholders of the Company.

g) General Shareholders information

i) The Annual General Meeting is proposed to be held on 25th February, 2011 at 11.00 a.m. at Shanmukhananda Conventional Hall, Sion, Mumbai.

ii) Financial Calendar

Annual results of previous year	December, 2009
Mailing of Annual Reports	December, 2009
First Quarter results	October 31, 2009
Annual General Meeting	December 26, 2009
Payment of Dividend	Nil
Second quarter results	January 30, 2010
Third Quarter results	April 30, 2010

iii) Dates of Book closures
19th February 2011 to 25th February 2011 (Both days inclusive)

iv) Dividend payment date: Not applicable

v) Listing of equity shares on stock exchanges at: Mumbai (BSE)
Stock Code on Mumbai Stock Exchange: Rolling Settlement - 500389

vi) OTC Trading of ADRs with New York Stock Exchange and Listing of GDRs with Luxemburg Stock Exchange

vii) Registrar and share transfer agent: Link Intime India Private Ltd., C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.

viii) 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.

ix) Distribution of shareholding as on June 30, 2010

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1-5000	202503	94.1000	124620350	20.7750
5001-10000	6081	2.8260	48257380	8.0450
10001-20000	3172	1.4740	47136740	7.8580
20001-30000	1125	0.5230	28586700	4.7660
30001-40000	504	0.2340	17866400	2.9780
40001-50000	435	0.2020	20457190	3.4100
50001-100000	738	0.3430	54177970	9.0320
100001and above	641	0.2980	258752150	43.1360
TOTAL	**215199**	**100.0000**	**599854880**	**100.0000**

x) Categories of shareholders as on June 30, 2010

Category	No. of shares	Percentage
PROMOTORS	5,825	0.0097%
AMERICAN/GLOBAL DEPO. RECEIPTS	6,98,307	1.1641%
OTHER BODIES CORPORATE	87,31,815	14.506%
CLEARING MEMBER	15,87,428	2.6464%
FINANCIAL INSTITUTIONS	880	0.0015%
FOREIGN INST. INVESTORS	560	0.0009%
MUTUAL FUND	340	0.0006%
NATIONALISED BANKS/ NON NATIONALISED BANKS	2326	0.0022%
NON RESIDENT INDIANS	11,83,843	1.7581%
OVERSEAS CORPORATE BODIES	21,284	0.0355%
PUBLIC	4,77,48,955	79.6008%
TRUSTS, CUSTODIANS	18,048,307	0.0025%
UNIT TRUST OF INDIA	10	0.0000%
Total	**5,99,85,488**	**100.00**%

xi) Dematerialisation of shares

As on June 30, 2010, 99.9962% of the Companies total shares representing 5,97,58,852 shares were held in dematerialised form and the balance 0.0038% representing 276,636 shares were in physical form.

xii) 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

Location of Software Development Centers: Unit No 121, SDF IV. Seepz, Andheri East, Mumbai 400 096

Address of correspondence:

The Company's Registered Office is situated at: Unit 122, SDF IV, SEEPZ Andheri, Mumbai 400 096

Shareholders Correspondence should be addressed to

Link Intime India Private Ltd, 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)

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

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

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

For **M/s CNGSN** & **ASSOCIATES**
Chartered Accountants

Place : Chennai
Date : 29th January, 2011

C. N. Gangadharan
Partner
Memb.No.11205

ANNEXURE "C"

MANAGEMENT DISCUSSIONS & ANALYSIS

Over the past decade, the Indian IT-ITES industry has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation, in addition to becoming the global brand ambassador for India. However, the industry performance was affected by recession as the clients reduced or deferred their IT budgets, delayed payments and deals went bankrupt while others renegotiated contracts and sought looking pricing cuts beside other points.

The Indian IT industry was estimated at USD 24.40 billion in 2009, USD 28.30 billion in 2010. However the industry is expected to grow by 2014 at a CAGR of 16.4%.

According to a recent report developed by NASSCOM, Perspective 2020, the current industry size of IT-BPO approximately USD 60 billion is projected to grow to approximately USD 225 billion by 2020, and possibly larger. It also estimated that up to 80 per cent of this growth would like to come from adjacent areas where traditional IT-BPO work, combined with deep domain knowledge, innovation and IT-based growth engines would help create new opportunities and Market.

Future Outlook

Global GDP, is expected to increase by 4.2 per cent in 2011, with developing economies growing thrice as fast as the developed economies. Improving economic conditions signifying return of consumer confidence and renewal of business growth, is expected to drive IT spending going forward.

For FY12, the software and services growth is expected to grow at 16-18 per cent with $68-70 billion in revenues. The domestic market is estimated to grow by 15-17 per cent with revenues of Rs 90,000-92,000 crore (about $19-20 billion).

Nasscom had projected exports growth at 13-15 per cent and 15-17 percent for the domestic market for the financial year 2010-11. Direct employment is expected to reach nearly 2.54 million, an addition of 2.40 lakh employees in 2010-11.

IT services segment is expected to be the fastest growing segment (at 22.7 per cent) with expected revenues of $33.5 billion. BPO export segment is anticipated to grow by 14 per cent to reach $14.1 billion in FY11.

Engineering design and products development segments is estimated to generate revenues of $11.3 billion in FY11, growing 13.4 per cent.

Opportunities and Threat

The ever-increasing focus towards automation and business process improvements has presented an opportunity for use of technology in almost all spheres of business activity. The advantages available to the Company are:

(a) availability of skilled professionals at competitive rates;

(b) with in-depth industry knowledge and experience; and

(c) global delivery capability through Software Development Centres in India and North America.

Segmentwise revenue

The Company recognizes information technology services as the single business segment that constitutes the primary basis of segmental reporting set out in its financial statements.

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.

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 IT, ITES, and further is strengthened with the recent expansion, which the Company has embarked upon.

The Company is currently seeking to embark on strategic new business initiatives in training and other allied services. A detailed Plan is being worked out to have a go to market approach.

Financial Performance

Share Capital

The Company has only Equity Shares of Rs. 10 each.

Fixed Assets

During the year the Company has made a purchase of Fixed Assets amounting to Rs. 25.32 million this includes gross block of 23.66 million in respect of assets of Subsidiaries Acquired.

Human Resources

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

- Multiple professional challenges and the opportunity to work in various challenges;
- The ability to work in newer market;
- Attractive compensation plans that align employee interests and goals with the Company’s own;

Auditors' Report

Auditors Report to the members of Silverline Technologies Ltd

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

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit,

b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books of accounts.

c. The Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account,

d. On the basis of written representations received from the directors, as on 30th June 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th June 2010 from being appointed as a director in terms of clause (g) of sub-section (l) of section 274 of the Companies Act, 1956.

e. 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 are in conformity with the accounting principles generally accepted in India:

    a) In the case of Balance Sheet, of the state of affairs of the company as at 30th June 2010,

    b) In the case of the Profit and Loss account of the Profit for the year ended on that date.

    c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **M/s CNGSN** & **ASSOCIATES**
Chartered Accountants

Place : Chennai
Date : 29th January 2011

C. N. Gangadharan
Partner
Memb.No.11205

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

i) a) The Company has maintained proper records, showing full particulars including quantitative details and situation of fixed assets.
   b) Most of the fixed assets of the company have been physically verified.
   c) None of the fixed assets have been revalued during the year.

ii) a) There is no physical stock.
   b) As the company does not have any stock, question of physical verification does not arise.
   c) As no stock has been held by the company clause does not apply.

iii) The Company has maintained register under section 301 but not 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 301of the Companies Act of 1956, have been entered.
   b) All transactions made in pursuance of such contracts / arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant rates.

vi) The Company has not accepted any Fixed Deposits from the public during the year and therefore, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under does not arise.

vii) In our opinion, the Company have an adequate Internal Audit System commensurate with its size and nature of its business. However the company is in the process of appointing an internal auditor for the ensuing financial year.

viii) The Central Government has not prescribed the maintenance of cost accounting records by the company under section 209(1) (d) of the Act for any of its product.

ix) According to the information and explanations given to us, the company is reasonably regular in payment of Provident fund and ESI; however there have been delays. TDS has not been deducted during the year and the effect there on is not quantified. Hence we are unable to determine the undisputed amounts outstanding beyond six months. We have obtained management representation that there are no undisputed amounts payable in respect of Wealth tax, Sales tax, Customs duty & Excise duty outstanding as at 30th June 2010 for a period exceeding 6 months from the day they became payable. In the absence of information we are unable to check

   Service tax calculation, remittances and filing of returns. Also we unable to comment on the outcome of any proceedings of enquiries / adjudications pending before statutory authorities like Ministries, Income tax tribunals etc to the extent we are not informed of the same.

x) Based on the management representation we report that there is a disputed amount of Rs 64 Crores payable in respect of Income Tax as at 30th June 2010. The status of earlier assessments has not been updated and we are also not able to comment on the outcome of Income Tax proceedings.

xi) At the end of the financial year, the accumulated losses of the Company are not more than 50% of its Net Worth. The company has not incurred cash losses during this year and in the immediately preceding previous year.

xii) The company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.

xiii) No loans or advances have been granted by the Company against pledge of Shares and Debentures and other securities.

xiv) The Company is not a chit fund or a nidhi mutual benefit fund/society.

xv) The Company is not dealing in or trading in Shares, Securities, Debentures and other instruments.

xvi) According to the information and explanation given to us, the Company has not given any Corporate Guarantee during the year.

xvii) 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.

xviii) 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.

xix) 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.

xx) The Company has not issued any debentures during the year and therefore the question of creation of security or charge does not arise.

xxi) 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.

xxii) 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 **M/s CNGSN & ASSOCIATES**
Chartered Accountants

Place : Chennai
Date : 29th January 2011

C. N. Gangadharan
Partner
Memb.No.11205

BALANCE SHEET AS AT 30th JUNE 2010

Currency in Indian Rupees

	Schedule	30-Jun-10	30-Jun-09
Sources of Funds			
Shareholders funds:			
Share Capital	"A"	**599,854,880**	599,854,880
Reserves and surplus	"B"	**856,119,397**	842,404,303
		1,455,974,277	1,442,259,183
Loan funds :			
Unsecured	"C"	**6,615,000**	3,825,000
TOTAL		**1,462,589,278**	1,446,084,183
Application of funds			
Fixed assets :			
Gross block	"D"	**20,198,259**	20,198,258
Less : depreciation		**16,907,153**	15,761,705
Net block		**3,291,106**	4,436,553
Capital work-in-progress		**-**	-
		3,291,106	4,436,553
Investments	"E"	**1,520,000,000**	1,520,000,000
Current assets, loans and advances :			
Sundry debtors	"F"	**106,830,552**	95,734,749
Cash and bank balances	"G"	**7,384,768**	8,631,384
Other current assets	"H"	**1,939,264**	2,857,830
Loans and advances	"I"	**5,074,733**	4,563,257
		121,229,317	111,787,220
Less : Current liabilities and provisions :			
Liabilities	"J"	**100,715,274**	114,471,701
Provisions	"K	**16,756,712**	15,756,712
		117,471,986	130,228,413
Net current assets		**3,757,331**	(18,441,193)
Deferred tax asssets / (liabilities)	"L"	**(64,459,159)**	(64,459,159)
Miscellaneous expenditure (to the extent not written off or adjusted)	"M"	**-**	4,547,983
TOTAL		**1,462,589,278**	1,446,084,184
Notes	“R”		

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

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

Currency in Indian Rupees

	Schedule	30-Jun-10	30-Jun-09
Income			
Sales and services	"N"	**308,840,654**	360,270,503
Other income	"O"	**1,943,064**	2,857,830
Total		**310,783,718**	363,128,333
Expenditure			
Cost of goods sold	"P"	**261,374,026**	286,899,649
Operating and establishment expenses	"Q"	**29,001,168**	169,641,438
Depreciation		**1,145,448**	1,145,448
Deferred revenue expenses and filing fees written-off		**4,547,983**	4,787,492
Total		**296,068,624**	462,474,028
Profit / (Loss) before exceptional items and taxation		**14,715,094**	(99,345,695)
Exceptional items			-
Profit / (Loss) after exceptional items and before taxation		**14,715,094**	(99,345,695)
Provision for Tax - Current		**1,000,000**	-
- Deferred		**-**	-
Fringe Benefit Tax		**-**	451,762
Profit / (Loss) after taxation and exceptional items		**13,715,094**	(99,797,457)
Balance being surplus / (deficit) brought forward		**16,756,059**	116,553,516
Available for appropriation (Transfer to Balance Sheet)		**30,471,153**	16,756,059

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	SCHEDULE	30-Jun-10 Actuals	30-Jun-09 Actuals
Capital	"A"		
Authorised			
300,000,000 (2006 : 300,000,000) equity shares of Rs. 10 each		**3,000,000,000**	3,000,000,000
		3,000,000,000	3,000,000,000
Issued, subscribed and paid-up			
Opening Balance		**599,854,880**	399,854,880
Add: Issued during the year		**-**	200,000,000
		599,854,880	599,854,880
Reserves and surplus	"B"		
Capital Reserve (B1)			
Balance at commencement of the year		**825,648,245**	915,648,223
Less: Adjustment towards appropriation of Accounts			
Less: Adjustment towards debit balance of Profit & Loss Account		**-**	89,999,978
		825,648,245	825,648,245
General Reserve			
Balance at commencement of the year			
Profit and loss account		**16,756,058**	116,553,515
Profit and loss account - surplus for the year		**13,715,094**	(99,797,457)
Profit and loss account		**30,471,152**	16,756,058
Total of Reserves and Surpluses		**856,119,397**	842,404,303
Unsecured loans	"C"		
Loans from Directors & relatives		**2,915,000**	2,825,000
Inter-corporate deposits - from others		**3,700,000**	1,000,000
		6,615,000	3,825,000

D : Fixed Assets

Assets	Gross Block				Depreciation				Net Block as at	
	01.07.2009	Additions	Transfer/ Deletions	30.06.2010	as at 01.07.2009	For the year	Deletions	30.06.2010	30.06.2010	30.06.2009
Computer Equipments										
Inclusive of software	2,323,042		-	2,323,042	2,323,042	-	-	2,323,042	-	-
Furniture and Fixtures	10,033,809		-	10,033,809	7,730,940	635,140	-	8,366,080	1,667,729	2,302,869
Office Equipments	5,956,685		-	5,956,685	4,011,778	377,058	-	4,388,836	1,567,849	1,944,907
Electrical Fittings	1,884,723		-	1,884,723	1,695,945	133,250	-	1,829,195	55,528	188,778
TOTAL	20,198,259		-	20,198,259	15,761,705	1,145,448	-	16,907,153	3,291,106	4,436,554
Previous Year	20,198,259		-	20,198,259	332,457,511	1,114,426	-	14,616,255	-	4,436,554

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	SCHEDULE	30-Jun-10 Actuals	30-Jun-09 Actuals
Investments	"E"		
Long term - at cost			
Unquoted - Trade			
I. In Subsidiary companies			
i Innovative BPO Solutions Ltd. Canada			
1,600,000 shares in common stock a US$ 0.04 each (2006 :400)		**820,000,000**	820,000,000
ii Milenniumcare Inc., Canada.		**500,000,000**	500,000,000
iii Envoy Technologies Inc. USA		**200,000,000**	200,000,000
Total		**1,520,000,000**	1,520,000,000
Sundry Debtors - Unsecured	"F"		
Considered Good			
Outstanding for less than six months		**24,011,507**	26,515,139
Outstanding for more more than six months		**82,819,045**	208,930,242
		106,830,552	235,445,381
Less: Provision for Doubtful Debts		**-**	139,710,632
		106,830,552	95,734,749
Cash and bank Balances	"G"		
Cash-on-hand		**94507**	1,359,630
Balances with scheduled banks			
Current account (incl. Unclaimed dividend balances)		**7,290,261**	7,271,754
		7,384,768	8,631,384
Other Current Assets	"H"		
*Interest and dividend receivable		**1,939,264**	1,556,602
Other receivables		**-**	1,301,228
		1,939,264	2,857,830
Loans and advances - unsecured	"I"		
Advances recoverable in cash or in kind or for value to be received/Deposits		**495,500**	726,125
Income Tax paid / deducted at source		**4,579,233**	3,837,132
		5,074,733	4,563,257
Liabilities	"J"		
Sundry Creditors		**19,481,249**	35,845,117
Other liabilities		**81,234,025**	78,626,584
		100,715,274	114,471,701
Provisions	"K		
Provision for taxation (net)		**16,756,712**	15,756,712
		16,756,712	15,756,712
Deferred Tax Assets / (Liabilities)	"L"		
Balance at commencement of the year		**(64,459,159)**	(64,459,159)
Less: Adjusted in Profit & Loss account in current year		-	-
Transfer from General Reserve		-	-
		(64,459,159)	(64,459,159)
Miscellaneous Expenditure	"M"	-	-
Opening		**4,547,983**	9,574,984
Additon /Deduction		**4,547,983**	4,787,492
Closing		**-**	4,547,983

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

		SCHEDULE	30-Jun-10 Actuals	30-Jun-09 Actuals
Sales and services		"N"		
Software and services	- export		**304,900,809**	356,715,282
	- domestic		**3,939,845**	3,555,221
			308,840,654	360,270,503
Other income		"O"		
Investment - dividend			**1,939,264**	1,556,602
Un-realised Forex Gain			**-**	1,301,228
Miscellaneous Income			**3,800**	-
			1,943,064	2,857,830
Cost of goods sold		"P"		
Software development expenses			**261,374,026**	286,899,649
			261,374,026	**286,899,649**
Operating and establishment expenses		"Q"		
Salaries and bonus			**3,648,492**	4,841,777
Contribution to provident / other funds			**227,165**	178,205
Staff welfare expenses			**298,180**	165,725
Rent Rates and Taxes			**1,565,800**	2,021,436
R&Texpenses			**2,169,388**	3,123,780
Insurance			**38,649**	-
Power and fuel			**945,714**	1,202,766
Communication cost			**644,440**	485,546
Travelling and conveyance			**3,059,973**	2,648,335
Repairs and maintenance - computer equipments			**889,626**	2,067,517
Legal and professional			**965,231**	2,055,819
Auditor's remuneration			**727,980**	713,092
Selling and distribution			**4,384,620**	4,395,486
Provision for bad debts			**2,252**	139,710,632
Service Tax			**50,704**	-
Consultancy fees			**1,467,000**	2,263,000
Miscellaneous expenses			**810,561**	644,259
Printing & stationery			**3,907,611**	2,577,152
Membership & Subscription			**182,293**	-
Bank charges			**24,988**	66,911
Directors Remuneration			**900,000**	480,000
Foreign exchange loss			2,090,502	-
			29,001,168	169,641,438

“R”: NOTES TO THE ANNUAL REPORT 30th June, 2010

(All amounts in Indian rupees, unless otherwise indicated)

I. COMPANY’S BACKGROUND

Silverline Technologies Limited (“Silverline” or the “Company”) is engaged in consulting and information technology (“IT”) services. It focuses on providing business consulting, systems integration application development and product engineering services. The Company has a development center at Seepz, Mumbai.

The development center at Seepz, Mumbai, has an established facility in Mumbai (SEEPZ) to deliver its software development services. This facility operate as an export unit within the SEEPZ premises at Mumbai. Seepz is an SEZ and as such the regulations as per the Government of India apply, and are required to export a substantial part of their software development services. The Company has been historically exporting a significant part of its software development services.

II. SIGNIFICANT ACCOUNTING POLICIES BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention in accordance with the Indian generally accepted accounting principles (GAAP), applicable accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimate of useful life of assets and future obligations under employee retirement benefit plans. Actual results could differ from these estimates.

REVENUE RECOGNITION

Revenue from software development of fixed-price contracts is recognized according to the milestones achieved as specified in the contracts on the basis of work-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. Dividend income is recognized when the Company’s right to receive dividend is established.

FIXED ASSETS, CAPITAL WORK-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. 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 amortised equally over the period of lease.

IMPAIRMENT OF ASSETS

Management evaluates at regular intervals, using external and internal sources whether there is any impairment of any asset. 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.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset is capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense for the period. There is no cost on this account during the said financial year.

LEASED ASSETS

Lease rentals paid on assets acquired on lease is charged to profit and loss account. There are no assets on lease basis.

INVESTMENTS

Investments in overseas subsidiary companies or others, are stated at cost (inclusive of expenses on acquisition) and classified as long term strategic investment. Provision for diminution in the value of Investments is made, if other than temporary.

SHARE ISSUE EXPENSES

Expenses incurred on issue of equity shares are adjusted to securities premium account.

SOFTWARE DEVELOPMENT EXPENDITURE

Cost of software that is embedded in the hardware is capitalized and purchase of software for development is charged to Profit and Loss Account.

EMPLOYEE RETIREMENT BENEFITS

The Company has no outstanding liability towards the employee benefits like gratuity as on date.

TAXATION

The provision for current taxation is computed in accordance with the relevant tax regulation. Deferred tax is recognized on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized in future.

CONVERSION OR TRANSLATION OF FOREIGN CURRENY ITEMS

(i) Transactions in foreign currency are accounted at the rate prevailing on the transaction date.

(ii) Current assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the Balance Sheet date.

(iii) Exchange difference related to acquisition of fixed assets is adjusted to the cost of those assets.

(iv) In respect of foreign current liabilities and current assets, translations are at the closing exchange rate. Revenue items are translated at the average exchange rate. Fixed Assets and depreciation thereon are translated at the rates prevailing at the time of their acquisition.

DEFERRED REVENUE EXPENSES Deferred revenue expenses are written-off equally over a period of five years.

EARNINGS PER SHARE (EPS)

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax (and includes 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 information technology services comprising software development, system solutions, application software system maintenance software to its customers across the industry. Accordingly, the Company has identified IT services as a single business segment, which constitutes the primary basis of segmental reporting, set out in financial statements. Secondary segments are reported based on geographical location of the customers. Capital expenditure relates to fixed assets purchased during the period.

RELATED PARTY TRANSACTIONS

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

B. NOTES

1. Payments made to / provided for auditors: Audit fees

	30th June 2010	30th June 2009
Audit fee	7,27,980	5,00,000
		2,13,092
TOTAL	7,27,980	7,13,092

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

		2010-11	2009-10
i)	CIF Value of imports	-	-
ii)	Expenditure in foreign Currency	261,374,026	286,899,649
	Traveling	471,820	1,022,700
iii)	Remittances received in Foreign Currency	3,46,14,543	11741545
iv)	Dividend Remitted in foreign currency	-	-

3. Deferred Tax: The opening Deferred Tax Liability of Rs 64,209,159. During the year the has not made any provision for deferred tax.

4. Earning Per Share (EPS)

		30th June 2010	30th June 2009
i)	Net profit after tax	1,37,15,039	(99,797,457)
ii)	Earnings per Share in		
	Basic	0.23	-
	Diluted	0.23	-

5. Segment Reporting

The Company provides services in a single business segment which also constitutes the primary basis of segmental reporting set out in financial statements. Hence no separate reporting is done by the Company.

6. Related party transactions

During the year ended June 30, 2010, the Company has entered into transactions with the following related parties: Names of related parties and description of relationship

7. Summary of the transactions with the related parties is as follows:

Transactions during the period

Particulars	Current Year (CY)/ Previous Year (PY)	Subsidiaries	Key Management Personnel	Promoters of Promoters	Relative in which Promoters Have Significant Influence	Silverline Animation Technologies Ltd.	Total
Rendering of services	CY & PY	NIL	NIL	NIL	NIL	NIL	
Increase in Capital Investment	CY & PY	NIL	NIL	NIL	NIL	NIL	
Gurarantees & Collaterals							
(Taken)/Given	CY & PY	NIL	NIL	NIL	NIL	NIL	
Remuneration	CY		900,000				
	PY		4,80,000	NIL	NIL	NIL	
Loans given/taken	CY		2,915,000			59,815,593	
	PY		28,25,000			62,105,181	

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 or 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.

8. Subsidiary companies and fellows

Millennium Care Inc. , Canada

Innovative BPO Ltd., Canada .

Envoy Technologies Inc.

9. Key management personnel

Mohan Subramanian - Wholetime Director

10. As of June 30 2010 the Company has no outstanding dues to any small-scale industrial undertaking as defined under Section 3(j) of the Industries (Development and Regulation) Act, 1951 (Previous Year Rs Nil.)

11. Figures have been rounded to the nearest Rupee. Previous year's figures have been regrouped / re-classified to conform with the current period's groupings, wherever necessary.

Signatures to Schedules 'A' to 'R'

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

PARTICULARS	Amounts in Rupees
Cash flows from operating activities	
Net Profit before Tax and before extraordinary item	13,715,094
Adjustments for :	
Depreciation	1,145,448
Preliminary Expenses & Filing fees written off	4,547,983
Provision for Doubtful Debts	2,252
Provision for Income Tax	1,000,000
Dividend Income	1,939,264
Un-realised Forex Gain	-
Increase in Deferred Revenue Expenditure	-
Sub Total	18,471,513
Operating Profit before Working Capital changes	18,471,513
Working capital changes	
Increase in Sundry Debtors	(11,095,803)
Increase in advances recoverable in cash or kind or for value to be received	918,566
Increase in other current Assets	(511,476)
Increase / Decrease in Sundry Creditors	(13,758,679)
Increase / Decrease in other current liabilities	
Increase in provisions	(0.05)
Increase in Deferred Tax	-
Net Cash from operating activities	(5,975,879)
Cash flows from investing activities	
Purchase of Fixed Assets	-
Investment in subsidiaries	-
Dividend Income	1,939,264
Net cash (used in)/surplus from investing activities	1,939,264
Cash flows from financing activities	
Proceeds from issuance of share capital and share premium	-
Borrowings (Net)	2,790,000
Net cash (used in)/ surplus from financing activities	2,790,000
Net increase in Cash & Cash equivalents	(1,246,615)
Effect of Unrealised foreign exchange fluctuation gain / (loss)	-
Cash & Cash equivalents at the beginning of the year	8,631,384
Cash & Cash equivalents at the end of the year	7,384,768

Auditors Certificate :

We have examined the above cashflow statement of Silverline Technologies Ltd for the year ended June 30, 2010. The statement has been prepared by the company in accordance with requirements of listing agreenebt Clause 32 with the stock exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the company covered by our report of even date to the members of the company.

	For and on behalf of the Board of Directors
For CNGSN & Associates	**Mohan Subramanian**
Chartered Accountants	*Wholetime Director*
C.N. Gangadaran	**Krishnakumar Subramanian**
Partner	*Director*
Memb.No.11205	
Date : 29th January 2011	Date : 27th January 2011
Place : Chennai	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	66360	State code	11
Balance Sheet date		Date 30 Month 06 Year 2010	

II CAPITAL RAISED DURING THE Period (Rs in thousands)

Public issue*	-	Right Issue	-
Bonus	-	Private placements*	-
		*ADR swap including Premium	-

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

Total Liabilities	1,462,589	Total Assets	1,462,589
Sources of funds		**Application of funds**	
Paid -up capital	599,855	Net fixed assets	3,291
Application money towards share warrants	-	Investments	1,520,000
Reserves & Surplus	856,119	Net current assets	3,757
Secured loans	-	Deferred Tax	(64,459)
Unsecured loans	6,615	Accumulated losses	-

IV PERFORMANCE OF THE COMPANY - without extraordinary item

Turnover	310,784	Total expenditure	296,069
Profit / (Loss) before tax	14,715	Profit / (Loss) after tax	13,715
Earnings per share (Rs.) (weighted)	0.23	Dividend rate %	-

V GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item code 8524-90

Product description Computer software development, services & software distribution

For CNGSN & Associates
Chartered Accountants
C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

For and on behalf of the Board of Directors
Mohan Subramanian
Wholetime Director
Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

Sr no	Name of the subsidiary Company	Innovative BPO Solutions Ltd. Canada	Millennium Care Inc., Toronto, Canada	Envoy Technologies Inc., USA
1	Financial year of the subsidiary ended	6/30/2010	9/30/2010	9/30/2010
2	Shares of subsidiary Company held on the above date and extent of holding			
	1) Equity shares	100%	100%	100%
	2) Extent of holding(%)	100%	100%	100%
3	Net aggregate amount of profits/ (losses) of subsidiary for the above financial year so far as they concern members of Silverline Technologies Limited			
	1) Dealt with in the accounts of Silverline Technologies Limited	$40,000	-	-
	2) Not - dealt with in the accounts of Silverline Technologies Limited	$440,013	$343,601	$186,328
	Net aggregate amount of profits/ (losses) for previous year of the subsidiary for the above financial year as far as they concern members of Silverline Technologies Limited I) Dealt with in the accounts of Silverline Technologies Limited			
4	1) Dealt with in the accounts of Silverline Technologies Limited	$32,000	Nil	Nil
	2) Not - dealt with in the accounts of Silverline Technologies Limited	$46,211	$286,692	Nil

5 There are no material changes between the end of the applicable financial year of the subsidiary and of the holding Company, other than those reflected in the accounts of Silverline Technologies Limited.

Note:
The Company acquired the entire share capital of Envoy Technologies Inc. during the currant year.

For and on behalf of the Board of Directors
Mohan Subramanian
Wholetime Director
Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

For CNGSN & Associates
Chartered Accountants
C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SILVERLINE TECHNOLOGIES LIMITED ON CONSOLIDATED FINANCIAL STATEMENT OF THE COMPANY

1. We have examined the attached Consolidated Balance Sheet of Silverline Technologies Limited and its subsidiaries as at 30th June 2010 and the Consolidated Profit & Loss Account.

2. These financials are the responsibility of Silverline Technologies Limited management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with identified financial reporting framework, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis of our opinion.

3. We did not audit the financial statements of certain subsidiaries whose financial statements reflect total revenue of Rs. 4702.86 lakhs as at 30th June 2010 and net assets of Rs. 1080 lakhs for the period then ended. The three subsidiaries have been audited by other auditors whose reports have been furnished to us. The details of the subsidiaries are as under:

   I. IBPO Inc. audited up to 30th June 2010

   II. Millennium Care Inc. audited upto 30th June 2010

   III. Envoy Technologies Inc. USA audited upto 30th June 2010

4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements issued by the Institute of Chartered Accountants of India.

5. Based on out audit and on consideration of the reports / certificates of other Auditors / Directors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, and

6. We are of the opinion that

   i. The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Silverline Technologies Limited, its subsidiaries as at 30th June 2010.

   ii. The Consolidated Profit and Loss Account gives a true and fair view of the consolidated result of operations of Silverline Technologies Limited its subsidiaries as at 30th June 2010.

   iii. The Consolidated Cash Flow statement gives a true and fair view of the Consolidated Cash flows for the year ended on that date.

For **M/s CNGSN & ASSOCIATES**
Chartered Accountants

Place : Chennai
Date : 29th January, 2011

C. N. Gangadharan
Partner

Memb.No.11205

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	SCHEDULE	2010 RUPEES	2009 RUPEES
SOURCES OF FUNDS			
Shareholders funds:			
Capital	A	**599,854,884**	599,854,884
Reserves and surplus	B	**924,233,533**	855,297,392
		1,524,088,417	1,455,152,276
Loan funds :			
Unsecured	C	**67,461,593**	75,205,739
TOTAL		**1,591,550,009**	1,530,358,015
Application of funds			
Fixed assets :			
Gross block	D	**320,085,643**	307,536,115
Less : depreciation		**233,347,980**	213,600,709
Net block		**86,737,663**	93,935,406
Goodwill		**1,469,671,487**	1,261,320,789
Investments		**-**	200,000,000
Current assets, loans and advances :			
Sundry debtors	E	**247,181,511**	183,489,234
Cash and bank balances	F	**28,199,496**	2,349,807
Other current assets	G	**82,019,398**	58,071,121
Loans and Advances	H	**5,074,733**	4,563,257
		362,475,137	248,473,418
Less : Current liabilities and provisions :			
Liabilities	I	**249,972,660**	197,703,715
Provisions	J	**16,756,712**	15,756,712
		266,729,372	213,460,428
Net current assets		**95,745,765**	35,012,990
Deferred tax asssets / (liabilities)	K	**(60,604,905)**	(64,459,159)
Miscellaneous expenditure (to the extent not written off or adjusted)		**-**	4,547,983
TOTAL		**1,591,550,009**	1,530,358,015
Notes	Q		

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	SCHEDULE	2010 RUPEES	2009 RUPEES
INCOME			
Sales and services	"L"	**779,127,197**	896,535,309
Other income		**21,346,861**	3,170,892
Total		**800,474,058**	899,706,201
EXPENDITURE			
Cost of goods sold		**548,682,695**	667,873,803
Operating and establishment expenses	"M"	**171,010,295**	296,732,048
Finance charges	"P"	**5,453,210**	5,161,383
Depreciation		**4,767,806**	5,259,060
Deferred revenue expenses and filing fees written-off		**4,547,983**	4,787,492
Preliminary expenses		**-**	-
Total		**734,461,989**	979,813,786
Profit / (Loss) before exceptional items and taxation		**66,012,069**	(80,107,585)
Exceptional items		**-**	-
Profit / (Loss) after exceptional items and before taxation		**66,012,069**	(80,107,585)
Provision for Tax		**4,945,848**	1,510,012
Provision for Deferred Tax		**-**	451,762
FBT		**-**	-
Profit / (Loss) after taxation and exceptional items		**61,066,221**	(82,069,359)
Balance being surplus / (deficit) brought forward		**29,529,688**	141,998,844
Available for appropriation (Transfer to Balance Sheet)		**93,456,991**	29,529,688
Notes	“Q”		

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

Schedules Forming part of the Accounts for the year ended June 30, 2010

	SCHEDULE	2010 Rupees	2009 Rupees
CAPITAL	"A"		
Authorised			
Capital			
Authorised			
300,000,000 (2006 : 300,000,000) equity shares of Rs. 10 each		**3,000,000,000**	3,000,000,000
		3,000,000,000	3,000,000,000
Issued, subscribed and paid-up			
Opening Balance		**599,854,884**	399,854,884
Add :Issued during the year		**-**	200,000,000
59,985,488 shares of Rs.10 Paid up (2007-08 : 39,985,488 Shares of Rs.10 each)		**599,854,884**	599,854,884
RESERVES AND SURPLUS	"B"		
Capital Reserve			
Balance at commencement of the year		**825,648,245**	915,648,223
Less: Adjustment towards debit balance of Profit & Loss Account		**-**	89,999,978
a		**825,648,245**	825,648,245
General Reserve			
Balance at commencement of the year			
Profit and loss account		**29,529,688**	141,998,844
Profit and loss account - surplus /Deficit for the year		**61,066,221**	(82,069,359)
b		**93,456,991**	29,529,688
Foreign Currency Translation Reserve			
Opening Balance		**119,459**	-
Movement for the year		**5,008,838**	119,459
c		**5,128,297**	119,459
Total Reserves & Surplus **(a+b+c)**		**924,233,533**	855,297,392
Loans			
Unsecured Loans	"C"	**67,461,593**	75,205,739
		67,461,593	75,205,739

D : Fixed Assets

Assets	GROSS BLOCK					Accumulated Depreciation				Net Block as at		
	as at 01.07.2009	Additions	Effect of Translation	Transfer/ Deletions	30.06.2010	as at 01.07.2009	For the year	Effect of Translation	Adj	30.06.2010	30.06.2010	30.06.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computer Equipments Inclusive of software	194,932,497	21,405,567	(8,561,423)	-	**207,776,641**	185,565,258	2,966,457	(8,145,053)	20,293,040	200,679,702	**7,096,939**	9,367,239
Furniture and Fixtures	26,951,588	2,289,172	(751,989)	-	**28,488,771**	22,327,777	1,256,430	(648,824)	1,957,642	24,893,025	**3,595,746**	4,623,811
Office Equipments	5,956,685	1,626,856		-	**7,583,541**	4,011,778	411,669		1,522,611	5,946,057	**1,637,484**	1,944,907
Electrical Fittings	1,884,723			-	**1,884,723**	1,695,945	133,250		-	1,829,195	**55,528**	188,778
Goodwill	77,810,622		(3,458,655)		**74,351,967**		-			-	**74,351,967**	77,810,622
TOTAL	307,536,115	25,321,595	(12,772,068)	-	**320,085,643**	213,600,758	4,767,806	(8,793,877)	23,773,293	233,347,980	**86,737,663**	93,935,357
Previous Year	604,271,445	9,073,671	-	-	**307,536,164**	480,687,475	5,018,058	-	272,104,823	213,600,758	**93,935,357**	-

* Represents translation of fixed assets of non-intergral operations into Indian Rupee.

* Additional include Gross Block of Rs. 23,660,901 and Adjustments include accumulated depreciation od Rs. 23,773, 293 in respect of assets of a entity acquired during the end of June 2009.

	SCHEDULE	2010 Rupees	2009 Rupees
Sundry debtors	"E"		
Considered good			
Less than 180 days		**164,362,466**	114,269,624
More than 180 days		**82,819,045**	208,930,242
		247,181,511	323,199,866
Less: Provision for doubtful Debts		**-**	139,710,632
		247,181,511	183,489,234
Cash and Bank Balance	"F"		
Cash on hand		**94,507**	1,359,630
Bank Balances with Schedule Banks		**28,104,989**	990,177
		28,199,496	2,349,807
Other Current Assets	"G"		
Interest and Dividend receivable		**-**	-
Other receivables		**82,019,398**	58,071,121
		82,019,398	58,071,121
Loans & Advances -	"H"		
Loans to Others		**495,500**	726,125
Income Tax		**4,579,233**	3,837,132
		5,074,733	4,563,257
Liabilities	"I"		
Sundry Creditors		**63,189,896**	73,310,758
Other Liabilities		**186,782,764**	124,392,957
		249,972,660	232,770,398
Provisions	"J"		
provision for taxation (net)		**16,756,712**	15,756,712
Deferred Tax Assets/Liabilities	"K"		
Balance at commencement of Year		**(64,459,159)**	(64,459,159)
Less: Addition		**3,854,254**	-
		(60,604,905)	(64,459,159)
Sales & Services	"L"		
Software and Services		**775,187,352**	892,980,088
Domestic		**3,939,845**	3,555,221
		779,127,197	896,535,309
Other Income	"M"	**21,346,861**	3,170,892
		21,346,861	3,170,892
Cost of goods Sold			
Cost of goods Sold	"N"	**548,682,695**	667,873,803

	SCHEDULE	2010 Rupees	2009 Rupees
Operating & Establishment expenses	"O"		
Salaries and bonus		**63,083,458**	55,914,471
Contribution to provident / other funds		**227,165**	178,205
Staff welfare expenses		**298,180**	165,725
Rent Rates and Taxes		**8,506,065**	9,651,649
R&Texpenses		**2,169,388**	3,123,780
Insurance		**1,985,171**	1,672,654
Power and fuel		**4,054,854**	3,874,462
Communication cost		**39,394,208**	33,783,371
Travelling and conveyance		**3,059,973**	2,648,335
Repairs and maintenance - computer equipments		**2,866,249**	3,766,037
Legal and professional		**7,607,449**	7,763,503
Auditor's remuneration		**727,980**	713,092
Selling and distribution		**7,195,973**	6,811,293
Provision for bad debts		**2,252**	139,710,632
Service Tax		**50,704**	13,200,994
Consultancy fees		**14,195,901**	644,259
Sundries		**810,561**	2,577,152
Miscellaneous expenses		**3,907,611**	954,718
Printing & stationery		**706,955**	480,000
Membership & Subscription		**24,988**	5,251,670
Bank charges		**1,933,170**	450,844
Directors Remuneration		**2,090,502**	
Foreign exchange loss		**6,111,540**	3,395,204
		171,010,295	296,732,048
Finance Charges	"P"	**5,453,210**	5,161,383

NOTES TO THE CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2010

(All amounts in Indian rupees, unless otherwise indicated)

A: Accounting policies and procedures

i. BASIS OF PREPARATION

The accompanying financial statement have been presented for the year ended 30th June 2010 along with comparative information for year ended June 30, 2009. The financial statements have been prepared on a going concern basis under the historical cost conversion on the accrual basis of accounting in conformity with accounting principles generally accepted in India (“Indian GAAP”) The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year’s stated hereunder.

II. CONSOLIDATION

The accounting Consolidated Financial Statements comprise the accounts of Silverline Technologies Limited and its subsidiaries Innovative BPO Services Inc., Canada, Millennium Care Inc., Canada and Envoy Technologies Inc. . All the subsidiaries are owned 100% by Silverline Technologies Limited.

III. USE OF ESTIMATES

The preparation of Company’s financial statements in conformity with generally accepted accounting principles. The Company’s management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, actual results could differ from those estimates.

IV. FIXED ASSETS

Fixed assets are stated at the cost of acquisition less depreciation. including taxes, duties, freight, exchange gains/losses and other incidental expenses, including interest related to acquisition and installation. Capital work in progress includes the cost of fixed assets and amount advanced towards capital projects under development. The company provides depreciation over the useful life of the asset.

V. GOODWILL

Goodwill acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. For Goodwill, to the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the company would be required to perform the impairment test, as this is an indication that the reporting unit goodwill may be impaired

VI. SOFTWARE DEVELOPMENT EXPENDITURE

Cost of software that is embedded in the hardware is capitalized and purchase of software for development is charged to Profit and Loss Account.

VII. TAXATION

The provision for current taxation is computed in accordance with the relevant tax regulation. Deferred tax is recognized on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized in future.

VIII CONVERSION OR TRANSLATION OF FOREIGN CURRENCY ITEMS

Transactions in foreign currency are accounted at the average rate prevailing during the period of the accounting year. Current assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing at the Balance Sheet date.

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.

IX. EARNINGS PER SHARE (EPS)

The earnings considered in ascertaining the company's earnings per share comprise the net profit after tax (and includes 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.

X. SEGMENT REPORTING

The company provides comprehensive range of information technology services comprising software development, system solutions, application software system maintenance software to its customers across the industry. Accordingly, the company has identified IT 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.

XI. RELATED PARTY TRANSACTIONS

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

B. NOTES

1. Earning Per Share (EPS)

		30th June 2010	30th June 2009
i)	Net profit after tax	61,066,221	(82,069,359)
ii)	Earnings per Share in		
	Basic	1.02	-
	Diluted	1.02	-

2. KEY MANAGEMENT PERSONNEL

Mohan Subramanian - Wholetime Director

3. Figures have been rounded to the nearest Rupee. Previous years figures have been regrouped / re-classified to conform with the current period's groupings, wherever necessary. Also previous year's figures are regrouped in the light of availability of certain audited statements which were not available in earlier years.

4. Amount of Rs. 2.86 million was adjusted to the closing balance of Genreal Reserve towards comprehensive reserves of Subsidiaries.

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	July 09- June 10 in Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Profit before Tax & Extraordinary items	**61,066,221**
Adjustments for :	
Depreciation & Amortization	**4,767,806**
Preliminary Expenses & Filing fees written off	**4,547,983**
Provision for Bad debts	**2,252**
Provision for Income Tax	**4,945,848**
Sub Total	**75,330,109**
Operating Profit before Working Capital changes	**75,330,109**
Working capital changes	
Increase in Sundry Debtors	**(63,692,276)**
Decrease in advances recoverable in cash or kind or for value to be received	**(511,476)**
Other Assets	**(23,948,277)**
Decrease in Sundry Creditors & Current Liabilities	**47,323,097**
Increase in provisions	**1,000,000**
Deffered Tax	**(3,854,254)**
Net Cash from operating activities	**31,646,923**
Cash flows from investing activities	
Addition to Fixed Assets	**(1,548,302)**
	-
Net cash (used in)/surplus from investing activities	**(1,548,302)**
Cash flows from financing activities	
Increase /decrease in Un- Secured Loans	**(7,744,146)**
Net cash (used in)/ surplus from financing activities	**(7,744,146)**
Net increase in Cash & Cash equivalents	**22,354,475**
Effect to Changes in Foreign Exchange Translation	**6,761,380**
Cash & Cash equivalents at the beginning of the year	**2,349,807**
Cash & Cash equivalents at the end of the year	**31,465,662**
	-

Auditors' Certificate :

We have examined the above cashflow statement of Silverline Technologies Ltd for the year ended June 30, 2010 & year ended June 30, 2009. The statement has been prepared by the company in accordance with requirements of listing agreement Clause 32 with the stock exchanges and is based on and in agreement with the corresponding profit and loss account and balance sheet of the company covered by our report of even date to the members of the company.

For and on behalf of the Board of Directors

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Memb.No.11205

Date : 29th January 2011
Place : Chennai

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director

Date : 27th January 2011
Place : Mumbai

SILVERLINE
TECHNOLOGIES LIMITED

Subsidiaries

Innovative BPO SOLUTIONS Inc. Canada
Audited Accounts

Millennium Care Inc. Canada
Audited Accounts

Envoy Technologies
Audited Accounts

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and stockholders of
Innovative BPO Solutions, Inc. Piscataway, NJ

We have audited the accompanying consolidated Balance Sheet of Innovative BPO Solutions, Inc. (a Canadian corporation) as of June 30, 2010 and the related consolidated statements of income, cash flow and statement of changes in stockholder's equity for the year then ended. 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 the auditing standards generally accepted in the United States of America. 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 statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative BPO Solutions, Inc. as of June 30, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ram Associates
Hamilton, NJ
January 15, 2011

INNOVATIVE BPO SOLUTIONS INC.

(A Wliolly owned subsidiary of Silverline Technologies Ltd.)

Consolidated Balance Sheet

For the Year ended June 30, 2010

Current assets:	
Cash and cash equivalents	$ 129,137
Accounts receivable	1,419,372
Prepaid expenses	7,750
Other current assets	646,065
Total current assets	**2,202,324**
Property and equipment, net	13,262
Goodwill	1,599,600
Security deposits	4,552
Total assets	**$ 3,819,738**
Liabilities and Stockholder's Equity	
Current liabilities:	
Accounts payable and accrued expenses	$ 445,360
Line of credit payable	749,600
Payroll and payroll taxes	399,458
Total current liabilities	**1,594,418**
Stockholder's equity:	
Common stock, $1.00 par value, 2,000,000 shares authorized, 1,600,000 shares issued and outstanding	1,600,000
Retained earnings	625,320
Total stockholder's equity	**2,225,320**
Total liabilities and stockholder's equity	**$ 3,819,738**

See accompanying notes to consolidated financial statements

INNOVATIVE BPO SOLUTIONS INC.

(A Wliolly owned subsidiary of Silverline Technologies Ltd.)

Consolidated Statement of Income

For the Year ended June 30, 2010

Net revenue:	$ 4,250,611
Cost of revenue	2,469,231
Gross profit	**1,781,380**
Operating expenses:	
General and administration expenses	1,173,448
Income before other income / (expenses)	607,932
Other income/ (expenses)	
Interest expenses	(36,515)
Depreciation	(7,192)
Income before income taxes	**564,225**
Income tax	(84,212)
Net income	**$ 480,013**

See accompanying notes to consolidated financial statements

INNOVATIVE BPO SOLUTIONS INC.

(A Wliolly owned subsidiary of Silverline Technologies Ltd.)

Consolidated Statement of Cash Flows

For the Year ended June 30, 2010

Cash flows from operating activities:

Net income	**$ 480,013**
Adjustment to reconcile net income to net cash provided by	
Operating activities	
Depreciation	**7,192**
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	
Prepaid expenses	**(19,255)**
Other current assets	**-**
Increase (decrease) in:	**(581,546)**
Accounts payable and accrued expenses	**230,732**
Net cash provided by operating activities	**117,136**
Cash flows from financing activities:	
Net cash used in financing activities	**(2,499)**
Net increase in cash and cash equivalents	**114,637**
Cash at the beginning of the year	**14,500**
Cash at the end of the year	**$ 129,137**
Supplementary disclosure of cash flows information	
Cash paid during the year for	
Interest	**$ 36,515**
Income taxes	**19,590**

See accompanying notes to consolidated financial statements

INNOVATIVE BPO SOLUTIONS INC.

(A Wliolly owned subsidiary of Silverline Technologies Ltd.)

Consolidated Statement of Changes in Stockholder's Equity

Year ended June 30,2010

	Common stock		Retained earnings	Total stockholder's equity
	Shares	Amount		
Balance at June 30, 2009	1,600,000	$ 1,600,000	$ 145,307	$ 1,745,307
Net income			480,013	480,013
Balance at June 30, 2010	1,600,000	$1,600,000	$ 625,320	$ 2,225,320

See accompanying notes to consolidated financial statements

1) ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

Innovative BPO Solutions, Inc. was incorporated under the Business Corporation Act of Ontario in Canada, to provide Business Process Outsourcing (BPO) and software services.

Subsidiary

Under an agreement dated April 01, 2004 the entire stock of Netxert, Inc. was acquired by Innovative BPO Solutions, Inc., a Canadian Company, for an undisclosed amount.

Netxert, Inc is merged into Innovative BPO Solution, Inc. (Canadian Company) and a wholly owned subsidiary of Innovative BPO Solution, Ltd. (BVI Corporation)

The consolidating entity (the Company) is comprised of Innovative BPO Solutions, Inc. (Canadian Company) and Netxert, Inc. (US Company) which became a wholly owned subsidiary of Silverline Technologies Limited.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates.

Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

Accounts Receivables

The Company extends credit to clients based upon management's assessment of their credit-worthiness on an unsecured basis. The Company provides an allowance for uncollectible accounts based on historical experience and management evaluation of trend analysis. The allowances for uncollectible accounts as of June 30, 2010 were Nil.

Revenue recognition

The Company recognizes revenue in accordance with the SEC's Staff Accounting Bulletin Topic 13 ("Topic 13"), "Revenue Recognition." Revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to buyer is fixed and determinable, and (4) collectability is reasonably assured.

Revenues are primarily derived from professional services under time and materials contracts, which are recognized in the period in which services are provided.

Revenue related to services performed without a signed agreement or work order are not recognized until there is evidence of an arrangement, such as when agreements or work orders are signed or payment is received; however, the cost related to the performance of such work is recognized in the period the services are rendered.

For all services, revenue is recognized when, and if, evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability is assured.

Revenues related to fixed price contracts for professional services are recognized using a model that is similar to the proportional performance method. Anticipated losses are recognized when they become known. Revisions in estimated profits are made in the month in which the circumstances requiring the revision become known. There was no fixed price contract for the year ended June 30, 2010.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 3 to 7 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets, to expenses as incurred.

Property and equipment consists of the following:

	June 30, 2010
Computer Equipment	$35,143
Furniture	573
Sub-Total	**35,716**
Less: Accumulated Depreciation	22,454
Property and equipment-net	**$ 13,262**

The depreciation expense for the year ended June 30, 2010 was $ 7,192.

3. Goodwill

Goodwill acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with the provisions of SFAS No. 142, Goodwill and other intangible assets. For goodwill, to the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the Company would be required to perform the impairment test, as this is an indication that the reporting unit goodwill may be impaired.

4. Concentration of credit risk

The Company's financial instruments that are exposed to concentration of credit risks consist primarily of cash and accounts receivable. The Company maintains its cash in bank accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to significant credit risk on cash. Concentration of credit risks with respect to accounts receivable are limited because of the credit worthiness of the Company's major customers. Revenue from the Company's three major customers accounted for 21% of the total revenue for the year ended June 30, 2010, and the accounts receivables from these customers accounted for 30% of the net receivables as of June 30, 2010.

5. Bank - Line Of Credit

Key Bank has provided a line of credit of $750,000 for the Company as short-term working capital. The Company has a line of credit and accrued interest outstanding of $ 749,600 as of June 30, 2010.

Interest on this loan is Index rate (the index currently is 3.25% per annum) plus 2% points over the index on the remaining unpaid balance. At June 30, 2010, the interest rate was 5.25% per annum. Repayment of principal may be made at any time without penalty

The line of credit was secured by all assets of the Company and joint and several personal guarantees of the stockholders.

6. Income Tax

The Company's effective tax rate was 24% in 2009-2010. The future effective income tax rate depends on various factors, such as the Company's income (loss) before taxes, tax legislation and the geographic composition of pre-tax income.

Income taxes have been provided for using an assets and liability approach in which deferred tax assets and liabilities are recognized for the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets when, based on available evidence, it is not "more-likely-than-not" that a portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates and laws.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

7. Commitments

The Company entered into a facility lease for five years expiring thru January 31, 2011. The future minimum rental payments under the leases are as follows:

Year ending June 30

2011	25,820

For the year ended June 30, 2010 rent expense was $81,814.

8. New Accounting Pronouncements

In July 2006, the FASB issued FASB interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income taxes". Fin 48 prescribe detail guidance for the financial statements recognition, measurement and disclosure of certain tax positions recognized in an enterprises financial statements in accordance with FASB statement no.109, "Accounting for Income Taxes." Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 will be effective fiscal years beginning after December 15, 2006, and the provisions of FIN 48 will be applied to all tax positions upon initial adoption of the interpretation. The cumulative effect of applying the provisions of this Interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The effect of Fin 48 will not have any significant effects on the Company's financial statements.

Ram Associates
Hamilton, NJ
January 18, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder's of Millennium Care Inc.

(A Wholly owned subsidiary of Silverline Technologies Ltd) Piscataway, NJ

We have audited the accompanying Balance Sheet of Millennium Care Inc. (a Canadian corporation and a wholly owned subsidiary of Silverline Technologies Ltd) as of June 30, 2010 and the related statements of income, changes in stockholder's equity and cash flows for the year then ended. 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 the auditing standards generally accepted in the United States of America. 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 statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millennium Care Inc. as of June 30, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ram Associates
Hamilton, NJ
January 13, 2011

Millennium Care Inc

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Balance Sheet

June 30, 2010

Assets	
Current assets:	
Cash	**$ 5,413**
Accounts receivable (net of allowance $ 29,075)	**808,401**
Other assets	**839,137**
Total current assets	**1,652,951**
Fixed assets, net	**158,814**
Intangible assets, net	**1,334**
Deposit	**23,800**
Total assets	**$ 1,836,899**
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	**$ 445,653**
Other current liabilities	**582,233**
Current portion of long-term debt	**14,868**
Total current liabilities	**1,042,754**
Long-term liabilities:	
Inter-Company	**592,584**
Total current and long-term liabilities	**1,635,338**
Stockholder's equity:	
Common stock, no par value, 1,000 shares authorized, issued and outstanding	**6,031,166**
Accumulated other comprehensive income	**27,203**
Accumulated deficit	**(5,856,808)**
Total stockholder's equity	**201,561**
Total liabilities and stockholder's equity	**$ 1,836,899**

- See accompanying notes to the financial statements-

Millennium Care Inc

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Statement of Income and Comprehensive Loss

For the year ended June 30, 2010

Net revenue	**$ 3,924,611**
Cost of revenue	**2,479,135**
Gross profit	**1,445,476**
Operating expenses	
Selling, general and administrative expenses	**1,311,998**
Income before other income /(expenses)	**133,478**
Labor subsidy	**345,820**
Depreciation	**(56,600)**
Amortization	**(3,080)**
Interest expense	**(76,017)**
Total other income/ (expenses)	**210,123**
Net income	**$ 343,601**

- See accompanying notes to the financial statements-

Millennium Care Inc

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Statement of Cash Flows

For the year ended June 30, 2010

Cash flows from operating activities	
Net income	**$ 343,601**
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	**56,600**
Amortization	**3,080**
Changes in assets and liabilities:	
(Increase) / decrease in:	
Accounts receivable	**(404,496)**
Other assets	**(114,389)**
Security deposit	**(23,800)**
Increase / (decrease) in:	
Accounts payable and accrued expenses	**(312,760)**
Other current liabilities	**232,396**
Net cash used by operating activities	**(219,768)**
Cash flows from investing activities	
Decrease in inter-company recoverable	**333,484**
Net cash provided by investing activities	**333,484**
Cash flows from financing activities	
Payment of current portion of long-term debt	**(123,040)**
Payement of capital lease obligation	**(30,317)**
Other comprehensive income	**131,912**
Increase in inter-company payable	**87,032**
Decrease in loan payable	**(179,449)**
Net cash used by financing activities	**(113,862)**
Net decrease in cash	**(146)**
Cash at the beginning of the year	**5,559**
Cash at the end of the year	**$ 5,413**
Supplementary disclosure of cash flows information	
Cash paid during the year for:	
Income taxes	**$ -**
Interest	**76,017**

- See accompanying notes to the financial statements-

Millennium Care Inc

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Statement of Changes in Stockholder's Deficiency

For the year ended June 30, 2010

	Common Stock		Accumulated other comprehensive loss/Income	Accumulated deficit	Total stockholders' equity
	Shares	Amount			
Balance at June 30, 2009	1,000	$ 6,031,166	$ (104,709)	$ (6,200,409)	$ (273,952)
Net income				343,601	343,601
Accumulated other comprehensive income			131,912		131,912
Balance at June 30, 2010	1,000	$ 6,031,166	$ 27,203	$ (5,856,808)	$ (201,561)

Notes to Financial Statement June 30, 2010

1. **Nature of Business**

Organization

Millennium Care Inc is a global help desk out-tasking organization incorporated under the Business Corporation Act of Ontario in Canada, to provide Transition, Consulting Business and Help desk services.

Subsidiary

Under an agreement dated February 08, 2007, the entire stock of Millennium Care Inc. was acquired by Silverline Technologies Ltd, on stock for stock combination. Millennium Care Inc merged into Silverline Technologies Ltd and became a wholly owned subsidiary of Silverline Technologies Ltd.

2. **Summary of Significant Accounting Policies**

Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates.

Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

Revenue recognition

The Company recognizes revenue in accordance with the SEC's Staff Accounting Bulletin Topic 13 ("Topic 13"), "Revenue Recognition." Revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to buyer is fixed and determinable, and (4) collectability is reasonably assured.

Revenues are primarily derived from professional services under time and materials contracts, which are recognized in the period in which services are provided.

Revenue related to services performed without a signed agreement or work order are not recognized until there is evidence of an arrangement, such as when agreements or work orders are signed or payment is received; however, the cost related to the performance of such work is recognized in the period the services are rendered.

For all services, revenue is recognized when, and if, evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability is assured.

Revenues related to fixed price contracts for professional services are recognized using a model that is similar to the proportional performance method. Anticipated losses are recognized when they become known. Revisions in estimated profits are made in the month in which the circumstances requiring the revision become known. There was no fixed price contract for the year ended June 30, 2010.

Accounts Receivables

The Company extends credit to clients based upon management's assessment of their credit-worthiness on an unsecured basis. The Company provides an allowance for uncollectible accounts based on historical experience and management evaluation of trend analysis. The allowances for uncollectible accounts as of June 30, 2010 were $29,075.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 3 to 7 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets, to expenses as incurred.

Property and equipment consists of the following:

	June 30, 2010
Computer Equipment	$ 1,531,568
Furniture	351,465
Computer Software	181,030
Sub-Total Less:	2,064,063
Accumulated Depreciation	1,905,249
Property and equipment-net	$ 158,814
Intangibles consist of the following:	
Improvements	$ 498,434
Development Costs	1,734,109
Sub-Total	2,232,543
Accumulated Amortization	2,231,209
Intangibles-net	$ 1,334

Concentration of credit risk

The Company's financial instruments that are exposed to concentration of credit risks consist primarily of cash and accounts receivable. The Company maintains its cash in bank accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to significant credit risk on cash. Concentration of credit risks with respect to accounts receivable are limited because of the credit worthiness of the Company's major customers. Revenue from the Company's four major customers accounted for 61% of the total revenue for the year ended June 30, 2010, and the accounts receivables from these four customers were 43% of the net receivables as of June 30, 2010.

New Accounting Pronouncements:

In July 2006, the FASB issued FASB interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income taxes". Fin 48 prescribe detail guidance for the financial statements recognition, measurement and disclosure of certain tax positions recognized in an enterprises financial statements in accordance with FASB statement no.109, "Accounting for Income Taxes." Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 will be effective fiscal years beginning after December 15, 2006, and the provisions of FIN 48 will be applied to all tax positions upon initial adoption of the interpretation. The cumulative effect of applying the provisions of this Interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The effect of Fin 48 will not have any significant effects on the Company's financial statements.

Income Tax

Income taxes have been provided for using an assets and liability approach in which deferred tax assets and liabilities are recognized for the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets when, based on available evidence, it is not “more-likely-than-not” that a portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates and laws.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Other Current Liabilities:

Other current liabilities of $ 687,720 as of June 30, 2010 include unpaid payroll liabilities of $ 581,346.

6. Obligation under capital lease

Assets under capital lease are recorded on the Balance Sheet at cost and the obligations under capital lease are as follows:

Name	Monthly payment	Total Obligation
Equilease	$725	$ 2,900
Citi Capital Lease	$758	11,968
Total		**$ 14,868**

7. Inter-Company

Services procured from and expenses reimbursed to related companies

During the year ended June 30, 2010, the Company provided services of $996,423 to related group companies.

As of June 30, 2010, the Company had receivable balances of $ Nil on services provided and outstanding loan of $ 31,574 receivable from stockholder and payable balance of $ 592,584 to related group companies.

8. Commitments

The Company entered into a long -term lease for its premises that expires through October 14, 2013. The future minimum rental payments under the leases are as follows:

Year ending June 30,	
2011	110,200
2012	110,200
2013	110,200
2014	32,142
Total	**$ 362,742**

For the year ended June 30, 2010 rent expense was $202,182.

The Company has certain capital leases on the equipments as follows:

- Capital lease on equipment for which it pays a monthly rent of $ 725 for a period of 40 months with a purchase option that can be exercised at the end of 36 months at a price of $ 2,016.
- Capital lease on Bell telephone system for which it pays a monthly rent of $ 758 for a period of 36 months.

The lease commitments for these leases are as follows:

Year ending June 30,	
2011	**14,868**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Envoy Technologies, Inc.

We have audited the accompanying Balance Sheet of Envoy Technologies, Inc. (a Delaware corporation) as of June 30, 2010, and the related statements of income, stockholders' deficiency and cash flows for the year then ended. 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 the United States of America. 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Envoy Technologies, Inc. as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ram Associates
January 13, 2011
Hamilton, New Jersey.

ENVOY TECHNOLOGIES INC

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Balance Sheet

June 30, 2010

Current Assets	
Cash and cash equivalents	**$ 469,389**
Accounts receivable	**296,722**
Other current assets	**65,550**
Other receivables	**495,000**
Total Current Assets	**1,326,661**
Fixed assets, net	**22,250**
Deferred tax assets	**82,920**
Security deposit	**21,569**
TOTAL ASSETS	**$ 1,453,400**
LIABILITIES AND STOCKHOLDERS DEFICIENCY	
Current liabilities	
Accounts payable	**$ 49,330**
Deferred revenue current portion	**1,315,926**
Total current liabilities	**1,365,256**
Long-term liabilities	
Deferred revenue less current portion	**191,514**
Total current and long-term liabilities	**1,556,770**
Stockholder's deficiency	
Common stock, $0.001 par value, 10,000 authorized;	
6,000,000 issued and outstanding	**6,000**
Accumulated deficit	**(109,370)**
Total stockholders' deficiency	**(109,370)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	**$ 1,453,400**

- See accompanying notes to the financial statements-

ENVOY TECHNOLOGIES INC

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Statement of Income

June 30, 2010

Net Revenue	**$ 1,861,598**
Cost Revenue	**1,183,354**
Gross profit	**678,244**
Operating expenses	
Selling, general and administrative expenses	**586,689**
Net income before depreciation, interest expense,	**91,555**
Other income and income taxes	
Depreciation	**(11,059)**
Interest expense	**(3,850)**
Net income before other income and income taxes	**76,646**
Other income	**26,762**
Net income before income taxes	**103,408**
Income tax benefits	**82,920**
Net income	**$ 186,328**

- See accompanying notes to the financial statements-

ENVOY TECHNOLOGIES INC

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Statement of Cash Flows

June 30, 2010

Cash flows from operating activities	
Net income	$ 186,328
Adjustment to reconcile net profit to net cash provided by	
Operating activities	
Depreciation	11,059
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	107,332
Other current assets	(60,594)
Other receivables	(429,450)
Increase (decrease) in:	
Accounts payable	18,985
Accrued payable	(40,905)
Taxes payable	-
Deferred revenue current portion	336,470
Net cash provided by operating activities	129,225
Cash flows from investing activities:	
Purchase of fixed assets	(10,784)
Net cash used in investing activities	(10,784)
Cash flows from financing activities:	
Deferred revenue less current portion	(633,632)
Net cash used in financing activities	(633,632)
Net decrease in cash and cash equivalents	(515,191)
Cash at the beginning of the year	1,067,500
Cash at the end of the year	$ 552, 309
Supplementary disclosure of cash flows information	
Cash paid during the year for	
Interest	$ 3,850
Income taxes	-

- See accompanying notes to the financial statements-

ENVOY TECHNOLOGIES INC

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Statement of Shareholders efficiency

June 30, 2010

	Common Stock		Accumulated deficit	Total stockholders' deficiency
	Shares	Amount		
Balance at June 01, 2009	6,000	$ 6,000	$ (295,698)	$(289,698)
Net income	-	-	186,328	186,328
Balance at June 30, 2010	6,000	$ 6,000	$ (109,370)	$ (103,370)

Notes to Financial Statement June 30, 2010

1) Organization And Description Of Business

Envoy Technologies, Inc. was incorporated as ENVOY NETWORK, INC. on June 8, 2001 in the State of Delaware, with an authorized capital stock of 50,000 shares of a par value of $ 1 each.

On July 30, 2001 by an amendment, the name was changed to ENVOY TECHNOLOGIES, INC. Its authorized capital stock was also increased to 10,000,000 shares of common stock having a par value of $0,001

Subsidiary:

Under an agreement dated April 10, 2009 the entire stock of Envoy Technologies Inc was acquired by Silverline Technologies Ltd on stock for stock combination. Envoy merged into Silverline Technologies Ltd became a wholly owned subsidiary of Silverline Technologies Ltd.

Business activities

On August 17, 2001, the Company entered into an agreement with Level 8 Technologies, Inc. to acquire all of its assets related to the XIPC and Message Queuing products. Under the terms of this agreement, the Company assumed responsibility for all license, maintenance and support for the existing customer base.

XIPC is a stand-alone, high-performance messaging system that provides guaranteed delivery of information between applications. Message Queuing is a reliable enterprise connectivity product for Microsoft and non-Microsoft applications. It offers message-based connectivity of Windows-based applications to back-end information resources such as mainframes and other systems.

The Company provides mission critical infrastructure software that enables organizations to exchange and manage information seamlessly using Internet and transactional messaging solutions. It offers a family of Infrastructure Messaging Solutions to help enterprises build a reliable multi-platform-messaging environment.

2) Summary Of Significant Accounting Policies

Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates.

Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

Cash and Cash Equivalents

The Company considers all checking accounts; sweep accounts and money market accounts to be cash and cash equivalents.

The Company's checking and sweep accounts are located with Bank of America. The amount on hand at any one time in any of these accounts may exceed the $100,000 federal insured limit.

The Company's statements of financial position and results of operations are measured using the United States dollar as the functional currency.

Accounts Receivables - Net

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for doubtful accounts.

Uncollectible accounts are provided on the allowance method based on historic experience and management's evaluation of outstanding accounts receivable at the end of each fiscal year.

Concentrations

For the year ended June 30, 2010, sales to two customers amounted to $ 571,242 (26.23% of net revenues). As of June 30, 2010, accounts receivable from these customers was Nil.

Revenue Recognition

The Company recognizes license revenue in accordance with Statement of Position 97-2, " Software Revenue Recognition" (" SOP 97-2 ") as modified by Statement of Position 98-9, " Modification of SOP 97-2, 'Software Revenue Recognition 'with Respect to certain Transactions" ("SOP 98-9") issued by American Institute of Certified Public Accountants (AICPA). Revenue from license programs is recorded when the software has been delivered and the customer is invoiced. Revenue from recurring maintenance contracts is recognized ratably over the contract period, which is typically twelve months. Maintenance revenue that is not yet earned is treated as deferred revenue. Revenue from consulting and training services is recognized as services are performed. Any unearned receipts from service contracts result in deferred revenue.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 3 to 10 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets, to expenses as incurred.

Property and equipment consists of the following:

	September 30, 2010
Computers	$ 62,773
Machinery and equipment	12,515
Furniture and fixtures	30,117
Software license	414,417
	519,822
Less: Accumulated depreciation	497,572
Net assets	$ 22,250

3) Lease Obligations

The Company has also entered into a sub-lease for its office premises expiring thru June 30, 2010. The future minimum rental payment is as under: -

2011	$ 100,466.67

Rent expense for office space amounted to $ 134,559 for the year ended June 30, 2010

SILVERLINE TECHNOLOGIES LIMITED

Registered Office: Unit 121, SDF IV, SEEPZ, Andheri (East), Mumbai 400 096

ATTENDANCE SLIP

Reg. Folio No. :
NAME OF SHAREHOLDER/PROXY
SIGNATURE OF THE ATTENDING MEMBER/PROXY

I hereby record my presence at the Eighteenth ANNUAL GENERAL MEETING of the Company to be held on Friday, 25th February 2011 at 11.00 A.M at The Shanmukhananda Fine Arts and Sangeetha Sabha Conventional Hall, Flank Road, Sion (E), Mumbai – 400 022.

NOTES: 1. Shareholder/proxy holder wishing to attend the meeting must bring the Attendance slip to the meeting and hand it over at the entrance duly signed.

2. Shareholder/proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

- -

SILVERLINE TECHNOLOGIES LIMITED

Registered Office: Unit 121, SDF IV, SEEPZ, Andheri (East), Mumbai 400 096

PROXY FORM

I/We ____ of

________________ in the district of ________________ being a member/members of the above named Company,

hereby appoint ________________ of ________________ or failling him ________________

________________ of ________________ in the district of ________________ as my/our

Proxy to vote for me/us on my/our behalf at the Eighteenth ANNUAL GENERAL MEETING of the Company held on Friday, 25th February 2011 at 11.00 A.M at The Shanmukhananda Fine Arts and Sangeetha Sabha Conventional Hall, Flank Road, Sion (E), Mumbai – 400 022 and at any adjournment thereof.

1 Rupee Revenue Stamp

Signed this ________________ day of ______________ 2011

Signature ________________

This form is to be used * in favour/against the resolution. Unless otherwise instructed, the proxy will act as he thinks fit.

NOTE : The Proxy Form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.

BOOK - POST

If undelivered, please return to:

Link Intime India Private Limited
(Unit: Silverline Technologies Limited)
C-13, Kantilal Maganlal Industrial Estate,
Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400 078.

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