



SILVERLINE
TECHNOLOGIES LIMITED

NINETEENTH
ANNUAL REPORT
2010-2011

BOARD OF DIRECTORS

Ravi Subramanian, Chairman
 Jagdish P.Gandhi
 Mohan Subramanian
 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

Bankers for Silverline Technologies Ltd.

The Shamrao Vithal Co-Op Bank Ltd
 The Lakshmi Vilas Bank Ltd.

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Message from the Chairman of the Board



Welcome to the Nineteenth Annual General Meeting of your company!

2011 was a year very tough year across the world and the same applied to us. Though one new offering was introduced in the IT Service Management service line, the new sales have been modest.

However, it was not all gloom. There were some very bright spots that make me believe that 2012 will be a better year, namely

- Ravi Subramanian**
Chairman and CEO
- a. We have kept a very close eye on Efficiency building measures across the organization and the profitability is rising
 - b. The IT Service Management service line has been selected as IBM USA for delivering service management services for the next 3 years
 - c. The sales pitch within existing accounts is starting to pay off – there is new business coming in
 - d. There is a great optimism for at least one significant size deal (if not more) being struck during the course of the year, and, finally,
 - e. The company is getting into strategic relationship with the province of Prince Edward Island (where it delivers its service management business) to deliver on more work – there is a great enthusiasm that there will be some strategic work that your Company may win during the course of 2012.

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 immediate thoughts on the future of the Company.

The focus lines will continue to be build further efficiencies in operations. In 2012, the IT Service Management is to launch at least 2 new practices in the areas of Infrastructure Support Outsourcing. Besides, the Company is continually looking for partners in the areas that will complete its blueprint of offering in the Service Management space such as Inbound Customer Service, Onsite Support and gaining specific domain knowledge in select industry verticals.

And finally, keeping in tune with the latest, your Company's Service Management team has announced that its Software-as-a-Service (SaaS) based ITIL incident management software, iCare, is now available on Research in Motion's PlayBook platform as well as on website. Shortly, it will be available on Android devices as well as Apple devices.

The resilience during 2011 demonstrates that the company worked hard and 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 work hard during these difficult times of economic activity, monitor the performance closely and take timely actions to grow and optimize the operation across the Company.

We look forward to growing in this relationship.



Ravi Subramanian
Chairman and CEO
Silverline Technologies Limited
29th February, 2012

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of SILVERLINE TECHNOLOGIES LIMITED will be held on Friday, 30th March 2012 at 09.00 AM at Dr. M. S. Subbulakshmi Auditorium, Plot H, Bhaudaji Road Extension., Near King's Circle Railway Station., Sion (W), 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 2011 and the Balance Sheet as at that date together with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Krishnakumar Subramanian, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. Narayan Raman, 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 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.”

On behalf of the Board of Directors

Mohan Subramanian
Wholetime Director

Mumbai, 29th February 2012

NOTES:

1. The explanatory 1. statement pursuant to section 173(2) of the Companies Act, 1956, which sets out details relating to Ordinary Business to be transacted at the meeting, is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of himself/herself and the proxy need not be a member of the company. Proxies in order to be effective must be received at the registered office of the company not less than 48 hours before the meeting. The same should be duly signed and stamped in order to be effective.
3. The Register of Members and Share Transfer Books of the Company will remain closed from March 26th, 2012 to March 30th, 2012 (both days inclusive) in terms of Section 154 of the Companies Act, 1956.
4. As per the Circular No. MRD/Dop/Cir-05/2009 dated May 20, 2009 issued by Securities and Exchange Board of India (SEBI) it is mandatory to quote PAN for transfer of shares in physical form. Therefore, the transferee (s) is required to furnish a copy of their PAN card to the Company/Registrar and Share Transfer Agent of the Company for registration of transfer of shares.
5. Shareholders holding shares in physical form, are requested to intimate their change in address/Bank Mandate/National Electronic Clearing Service (NECS) details, if any, to Link Intime India Private Limited, C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078. Beneficial owners holding shares in electronic form are requested to intimate their change in address/ Bank Mandate/National Electronic Clearing Service (NECS) details, if any, to their respective Depository Participants (DP) in order to get the same registered.
6. Members are requested to quote their folio numbers/Client ID No. and contact details in all correspondence with the Company/Registrar and Share Transfer Agent.
7. Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.
8. Pursuant to provisions of Section 109A of the Companies Act, 1956, every member or joint holders holding shares in physical form may nominate, in the prescribed manner, a person to whom all the rights in the shares shall vest in the event of death of the sole holder or the joint holders and register the same with Link Intime India Private Limited, Registrar and Share Transfer Agent. Members or joint holders holding shares in demat form may contact their respective DP for availing this facility.
9. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956 will be made available for inspection by the Members on all working days during business hours during the period beginning fourteen days before the date of Annual General Meeting and ending three days after its conclusion.

10. For faster communication and for supporting in full measure, a green initiative taken by the Ministry of Corporate Affairs, allowing services of notice/documents including Annual Report through e-mail, the shareholders holding shares in electronic form are requested to kindly register/update their e-mail addresses with their respective depository participants. The shareholders holding shares in physical form are requested to register/update their email addresses with Link Intime India Private Limited, Registrar and Share Transfer Agent of the Company.

ITEM No. 2

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

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

Name	:	Krishnakumar Subramanian
Date of Birth	:	14 th November , 1961
Experience in specific functional area	:	Krishnakumar Subramanian, has over a two decade of rich experience in managing international IT business and last 4 years in Animation area. He is holding a degree in B.Sc. in Statistics from University of Mumbai with a diploma in Computer Science. Spanning a career that started as a Analyst Programmer, he became an entrepreneur starting his own software Company providing turnkey solutions to leading Indian business houses in Western India-, which later through business relations lead to software exports from India. Blockbuster movie Hanuman was created under his leadership.
Qualifications	:	B.Sc. Statistics
Other Company in which Directorship held	:	Nextgen Animation Mediaa Limited Platinum International Limited Omega Direct Response (India) Private Limited Platinum Animation and Games Private Limited
Other Company in which membership of committee	:	Remuneration committee –Nextgen Animation Mediaa Limited Chairman Investors' Grievance - Nextgen Animation Mediaa Ltd
No. of Shares held on 30 th June, 2011	:	Nil

Your Directors recommend the resolution for the approval of the members.

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

ITEM NO. 3

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

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

Other Company in which
Directorship held : Nextgen Animation Mediaa Limited
Click Telicom Private Limited
Click Teleservices Private Limited
Brahma Intractive Networks Solutions Private Limited



Other Company in which
membership of committee : Investors' Grievance committee –Nextgen Animation Mediaa Limited

No. of Shares held on 30th June, 2011 : Nil

Dr. Narayan Raman was co-opted as a Director of the Company with effect from 30th June 2011 pursuant to Section 260 of the Companies Act, 1956. He holds the office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with a deposit of Rs. 500/- proposing the candidate of Dr. Narayan Raman for the office of director under the provisions of Section 257, of the Companies Act, 1956.

Your Directors recommend the resolution for the approval of the member.

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

On behalf of the Board of Directors

Mohan Subramanian
Wholetime Director

Mumbai, 29th February 2012

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present you the Nineteenth Annual Report with the Audited Accounts for the fiscal year from 1st July 2010 to 30th June 2011.

Financial Results - Consolidated

Particulars (in consolidated figures)	Year Ended	Year Ended
	1/7/2010 to 30/6/2011	1/7/2009 to 30/6/2010
	Rs. In million	Rs. In million
Income	607.37	800.47
Total Income gross Profit (PBDIT)	47.65	80.78
Depreciation	3.90	4.77
Preliminary and Deferred Revenue Expenses	0	4.55
Profit before Taxes	31.74	66
Less: provision for Taxation	5.86	4.95
Net profit/Loss	25.88	61.06
Profit available for appropriation- brought Forward	93.45	29.52
Profit available for appropriation	119.33	93.45
Share Capital	599.85	599.85
Reserve Account	951.42	924.23
Less: Miscellaneous Expenses (deferred)	0	-
TOTAL	1,551	1,524

Performance (Consolidated)

Your Company has been performing satisfactory. During the year your company has reported revenues at 607.37 million Rupees.

The Post-tax profit during the period down substantially to Rs.31.74 million Rupees approximately as compared to the previous year.

The review of the performance for the period ended 30th June, 2011 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. Krishnakumar Subramanian and Dr. Narayan Raman 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 2011.
- 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 of Directors

Mohan Subramanian
Wholetime Director
Mumbai, 29th February 2012

ANNEXURE “A” TO THE DIRECTORS’ REPORT

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

A. Conservation of Energy:

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

B. Research & Development (R & D):

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

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

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

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

c) Expenditure on R & D:

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

C. Technology Absorption, Adaptation & Innovation:

No technology has been imported.

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

D. Foreign Exchange Earnings & Outgo:

Activities relating to Exports & Export Plans:

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

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

On behalf of the Board of Directors

Mohan Subramanian
Wholetime Director
Mumbai, 29th February 2012

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 1/7/2010 to 30/6/2011, 9 Board Meetings were held on 18/08/2010, 15/09/2010, 30/09/2010, 25/10/2010, 31/01/2011, 25/02/2011, 31/03/2011, 21/04/2011, 30/06/2011. 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	5	Yes	3
Mr. Krishnakumar Subramanian	Promoter - Director Chairman -1 Member –2	8	Yes	4
Mr. Mohan Subramanian	Promoter - Whole-time Director Chairman- NIL Member –3	8	Yes	5
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	7	Yes	4

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 2010 to June 2011 and comprised of 3 Directors. The committee held five meetings during the period from 01/07/10 to 30/06/11. 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 2010 to June 2011 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.

The Committee met twice during the period 01/07/2011 to 30/06/2011 where all the members were present.

iv) Details of Remuneration for period 01/07/2010 to 30/06/2011

1) Executive Director

Name of the Wholetime Director	Salary Rs.	Com-mission Rs.	Perqui-site Rs.	Retire-ment Benefits Rs.	Stock Options Rs.
Mr. Mohan Subramanian	12,00,000	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 2010 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 twice during the period 01/07/2011 to 30/06/2011 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 01.7.2010 to 30.06.2011	19	19
2. No. of shareholders complaints mentioned above not solved to the satisfaction of the shareholders	NIL	NIL

Particulars	Letters in the nature of Instructions	Letters in the nature of complaints
Pending Share Transfers as on June 30, 2011	NIL	NIL
Pending Demat Requests as on June 30, 2011	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
2007-2008	31-12-2008	11:00 a.m	Shanmukhananda Conventional Hall Sion (E), Mumbai- 400022
2008-2009	26-12-2009	11:00 a.m	Shanmukhananda Conventional Hall Sion (E), Mumbai - 400022
2009-2010	25-02-2010	11:00 a.m	Shanmukhananda Conventional Hall Sion (E), Mumbai- 400022

The Company has passed resolution through Postal Ballot as demanded by the members in the shareholders meeting.

f) Disclosures

Related party transactions:

Please refer to the Notes to Accounts provided with financial statements.

i) Means of communication

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

g) General Shareholders information

- The Annual General Meeting is proposed to be held on 30th March,2012 at 11.30 a.m. at Dr. M. S. Subbulakshmi Auditorium, Plot H, Bhaudaji Road

Extension, Near King's Circles Railway Station, Sion West Mumbai - 400 022

ii) Financial Calendar

Annual results of previous year	30th June, 2010
Mailing of Annual Reports	1st February, 2011
First Quarter results	30th October, 2010
Annual General Meeting	25th February, 2011
Payment of Dividend	Nil
Second Quarter results	31st January, 2011
Third Quarter results	30th April, 2011
Fourth Quarter Results	31st July, 2011

iii) Dates of Book closures

26th March 2012 to 30th March 2012 (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 31st December, 2011

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
upto 5000	194261	93.630	120197850	20.0380
5001-10000	6183	2.9800	49357800	8.2280
10001-20000	3337	1.6080	50034210	8.3410
20001-30000	1204	.5800	30811690	5.1370
30001-40000	507	.2440	17964150	2.9950
40001-50000	484	.2330	22769570	3.7960
50001-100000	809	.3900	59505670	9.9200
100001 and above	679	.3270	249213940	41.5460
TOTAL	207464	100.0000	599854880	100.0000

x) Categories of shareholders as on 31st December, 2011

Category	No. of shares	Percentage
PROMOTORS	5,825	0.0096%
BANK & MUTUAL FUND	118772	1.8651%
DOMESTIC	1099409	1.8328%
INDIAN PUBLIC & OTHERS	50771417	84.6394%
NON RESIDENT	6990065	11.3531%
Total	5,99,85,488	100.00%

xi) Dematerialisation of shares

As on June 30, 2011, 99.9962% of the Companies total shares representing 59,758,852 shares were held in dematerialised form and the balance 0.0038% representing 276,636 shares were in physical form.

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, 2011 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 CNGSN & ASSOCIATES

Chartered Accountants

C N GANGADARAN

Partner

Chennai, 29th February 2012

Memb.No.11205

F.R.No.004915S

ANNEXURE “C”

MANAGEMENT DISCUSSIONS & ANALYSIS

The Indian information technology IT-ITES industry has played a key role in putting India on the global map. Over the past decade, this sector 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. The Indian IT industry was estimated at USD 28.30 billion in 2010, USD 32.80 billion in 2011. 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 5 per cent in 2012, 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).

With a compounded annual growth rate (CAGR) of over 24% in the last decade, the Indian IT/ITeS industry has emerged as a key growth engine for the economy, contributing around 5.6% to the country's Gross Domestic Product (GDP) in FY 2011 and also providing direct employment to about 2.3 million people (from just about half a million in 2001). It remains one of the biggest sectors for wealth generation in the country.

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.

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

We have audited the attached Balance sheet of Silverline Technologies Ltd as at 30th June 2011, 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. In our opinion, the Balance sheet and Profit and loss account dealt with by this report comply with the accounting

standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 subject to

- Not provisioning of deferred tax liability under AS-22 relating to impairment of assets particularly debtors under AS-28 and AS-15 relating to non provision of retirement benefits
- e. On the basis of written representations received from the directors, as on 30th June 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th June 2011 from being appointed as a director in terms of clause (g) of sub-section (l) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the qualification in para (d) above give a true and fair view with respect to the following
 - a) In the case of Balance Sheet, of the state of affairs of the company as at 30th June 2011,
 - 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 CNGSN & ASSOCIATES

Chartered Accountants

C N GANGADARAN

Partner

Chennai, 29th February 2012

Memb.No.11205

F.R.No.004915S

- 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 301 of the Companies Act of 1956, have been entered.
- b) No any transaction entered in pursuance of contracts during the year .
- 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 does not 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 2011 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 2011. The status of earlier assessments has not been updated and we are also not able to comment on the outcome of Income Tax proceedings. Also the current year tax returns have not been filed and paid.
- xi) At the end of the financial year, the accumulated losses of the Company are not more than 50% of its Net Worth. However, our calculation does not take into account the effect of qualifications in the audit report. 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 CNGSN & ASSOCIATES

Chartered Accountants

C N GANGADARAN

Partner

Chennai, 29th February 2012

Memb.No.11205

F.R.No.004915S

BALANCE SHEET AS ON JUNE 30th 2011

Currency in Indian Rupees

	Schedule	30-Jun-11	30-Jun-10
Sources of Funds			
Shareholders funds:			
Share Capital	"A"	599,854,880	599,854,880
Reserves and surplus	"B"	<u>869,342,092</u>	<u>856,119,397</u>
		1,469,196,972	1,455,974,277
Loan funds :			
Unsecured	"C"	<u>5,925,000</u>	<u>6,615,000</u>
TOTAL		<u><u>1,475,121,972</u></u>	<u><u>1,462,589,277</u></u>
Application of funds			
Fixed assets :			
Gross block	"D"	20,253,259	20,198,259
Less : depreciation		<u>17,975,246</u>	<u>16,907,153</u>
Net block		2,278,013	3,291,106
Capital work-in-progress		<u>-</u>	<u>-</u>
		2,278,013	3,291,106
Investments	"E"	1,520,000,000	1,520,000,000
Current assets, loans and advances :			
"F"			
Sundry debtors		98,791,752	106,830,552
Cash and bank balances		7,821,756	7,384,768
Loans and advances		<u>6,364,160</u>	<u>7,013,997</u>
		112,977,668	121,229,317
Less : Current liabilities and provisions :	"G"	95,674,550	117,020,224
Net Current Assets		17,303,120	3,757,330
Deffered tax Asset/ (Liabilities)		<u>(64,459,159)</u>	<u>(64,459,159)</u>
TOTAL		<u><u>1,475,121,972</u></u>	<u><u>1,462,589,277</u></u>
Accounting Policies and Notes	"J"		

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012

For and on behalf of the Board of Directors

Mohan Subramanian

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 2011

Currency in Indian Rupees

	Schedule	30-Jun-11	30-Jun-10
Income			
Sales and services	"H"	179,724,850	308,840,654
Other income		-	1,943,064
Total Income		<u>179,724,850</u>	<u>310,783,718</u>
Expenditure			
Direct Cost of Software Development		128,825,395	261,374,026
Operating and establishment expenses	"I"	33,508,665	29,001,169
Depreciation		1,068,093	1,145,448
Deferred Revenue Expenses and filing fees written off		-	4,547,983
Total Expenditure		<u>163,402,154</u>	<u>296,068,626</u>
Profit before Exceptional Item, Finance cost and taxes		16,322,696	14,715,092
Less: Exceptional Item		-	-
Profit before tax and Interest		<u>16,322,696</u>	<u>14,715,092</u>
Less: Finance cost		-	-
Profit before taxes		16,322,696	14,715,092
Less Current Income tax - MAT Provision		<u>3,100,000</u>	<u>1,000,000</u>
Net Profit		13,222,696	13,715,092
Profit brought forward from Previous Year		<u>30,471,151</u>	<u>16,756,059</u>
Balance Carried forward to Next Year		<u>43,693,847</u>	<u>30,471,151</u>
Basic earning per share after extra ordinary item (Rs.)		<u>0.22</u>	<u>0.22</u>
Basic earning per share before extra ordinary item (Rs.)		<u>0.22</u>	<u>0.22</u>
Accounting policy and notes	"J"		

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012**For and on behalf of the Board of Directors****Mohan Subramanian**

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	SCHEDULE	30-Jun-11	30-Jun-10
Share Capital	"A"		
Authorised			
300,000,000 (2006 : 300,000,000) equity shares of Rs. 10 each		3,000,000,000	3,000,000,000
		<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid-up			
5,99,854,88 Equity Shares of Rs. 10 each Fully paid-up		599,854,880	599,854,880
		<u>599,854,880</u>	<u>599,854,880</u>
Reserves and surplus	"B"		
Capital Reserve			
Balance at commencement of the year		825,648,245	825,648,245
		-	-
		<u>825,648,245</u>	<u>825,648,245</u>
		<u>825,648,245</u>	<u>825,648,245</u>
General Reserve			
Balance at commencement of the year			
Profit and loss account		30,471,152	16,756,058
Profit and loss account - surplus for the year		13,222,696	13,715,094
Profit and loss account		<u>43,693,847</u>	<u>30,471,152</u>
Total of Reserves and Surpluses		<u>869,342,092</u>	<u>856,119,397</u>
Unsecured loans	"C"		
Loans from Directors & relatives		2,225,000	2,915,000
Inter-corporate deposits - from others		3,700,000	3,700,000
		<u>5,925,000</u>	<u>6,615,000</u>

D : Schedule Fixed Assets

Assets	Gross Block				Depreciation			Net Block as at	
	01.07.10	Additions	Transfer/ Deletions	30.06.2011	as at 01.07.2010	For the year	30.06.2011	30.06.2011	30.06.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computer Equipments									
Inclusive of software	2,323,042	55,000	-	2,378,042	2,323,042	367	2,323,409	54,633	-
Furniture and Fixtures	10,033,809		-	10,033,809	8,366,080	635,140	9,001,220	1,032,589	1,667,729
Office Equipments	5,956,685		-	5,956,685	4,388,836	377,058	4,765,894	1,190,791	1,567,849
Electrical Fittings	1,884,723		-	1,884,723	1,829,195	55,528	1,884,723	0	55,528
TOTAL	20,198,259	55,000	-	20,253,259	16,907,153	1,068,093	17,975,246	2,278,013	3,291,106
Previous Year	20,198,259	-	-	20,198,259	15,761,705	1,145,448	16,907,153	3,291,106	4,436,554

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	SCHEDULE	30-Jun-11	30-Jun-10
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)		1,020,000,000	820,000,000
During the Year Envoy Become WOS of Innovative BPO Solutions limited			
ii Millenniumcare Inc., Canada.		500,000,000	500,000,000
iii Envoy Technologies Inc. USA		-	200,000,000
Total		<u>1,520,000,000</u>	<u>1,520,000,000</u>
Current Assets Loans and Advances	"F"		
Cash and bank Balances			
Cash-on-hand		343,115	94,507
Balances with scheduled banks			
Current Account (Incl. Unclaimed Dividend)		7,478,643	7,290,261
Sundry Debtors			
Unsecured Considered good by the Management			
Outstanding for less than six months			
Outstanding in excess of Six months		87,137,3986	82,819,045
Others for less than Six Months		11,654,354	24,011,507
Loans and Advances			
Unsecured considered good by the Management			
Dividend Receivable		-	1,939,264
Advances to employee		110,000	495,500
Income tax and TDS Account		4,857,344	4,579,233
Other Assets		1396 816	-
Total		<u>112,977,670</u>	<u>121,229,317</u>
Current Liabilities and Provision	"G"		
Sundry Creditors		75,366,076	100,715,274
Provision			
For Taxation		19,856,712	16,304,950
For FBT Payable		451,762	451,762
TOTAL		<u>95,674,550</u>	<u>117,471,986</u>
Sales	"H"		
Software and services - Export		177,179,817	304,900,809
- domestic		2,545,033	3,939,845
		<u>179,724,850</u>	<u>308,840,654</u>

SCHEDULES FORMING PART OF ACCOUNTS

Currency in Indian Rupees

	SCHEDULE	30-Jun-11	30-Jun-10
Operating and Establishment Expenses	"1"		
Salaries and bonus		4,815,403	3,648,492
Contribution to provident / other funds		202,030	227,165
Staff welfare expenses		240,292	298,180
Rent Rates and Taxes		788,900	1,565,800
R&Texpenses Compliance Expenses		2,430,214	2,169,388
Insurance		13,951	38,649
Power and fuel		858,551	945,714
Communication cost		695,215	644,440
Travelling and conveyance		2,675,996	3,059,973
Repairs and maintenance - computer equipments		809,699	889,626
Donation		6,095,132	
Legal and professional		1,273,122	965,231
Auditor's remuneration		500,000	727,980
Selling and distribution		4,270,915	4,384,620
Provision for bad debts		-	2,252
Service Tax		85,840	50,704
Consultancy fees		1,092,000	1,467,000
Miscellaneous expenses		1,447,232	810,561
Printing & stationery		3,443,744	3,907,611
Membership & Subscription		13,910	182,293
Bank charges		14,071	24,988
Directors Remuneration		1,200,000	900,000
Foreign exchange loss - Realised		542,448	2,090,502
TOTAL		<u>33,508,665</u>	<u>29,001,169</u>

“J”: NOTES TO THE ANNUAL REPORT 30th June, 2011

(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 CURRENCY 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 includes certification charges for Rs. 50,000 for the year ended 30th June,2010 as well for the current year.

	30th June 2011	30th June 2010
Audit fee	5,00,000	7,27,980
TOTAL	5,00,000	7,27,980

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

		2010-11	2009-10
i)	Expenditure - Direct cost	128,825,395	261,374,026
ii)	Earning in foreign currency	179,724,850	304,900,809
iii)	Traveling expenditure	0	471,820

3. 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.

4. Related party transactions

During the year ended June 30, 2011, the Company has entered into transactions with the following related parties.

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

Transactions during the period

Remuneratrion paid to director Current year Rs. 12,00,000 (Previous Year Rs. 9,00,000)

Outstanding balance Payable to Nextgen Animation Mediaa limited Rs. 38,719,987 (Previous Year Rs. 58,228,762)

Loan Repayment during the year Rs. 27,69,549 (Previous Year received Rs. 29,15,000)

6. Subsidiary companies

Millennium Care Inc. , Canada

Innovative BPO Ltd., Canada.

During the year Envoy Technologies Inc, USA becomes 100% WOS of innovative BPO solution limited, which was subsidiary of Silverline Technologies Limited in the previous year.

7. Key management personnel

Mohan Subramanian - Wholetime Director

8. As of June 30 2011 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.)

9. 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 'J'

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012

For and on behalf of the Board of Directors

Mohan Subramanian

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30th, 2011

PARTICULARS	Amounts in Rupees
Cash flows from operating activities	
Net Profit before Tax and before extraordinary item	13,144,974
Adjustments for :	
Depreciation	1,068,093
Preliminary Expenses & Filing fees written off	-
Provision for Doubtful Debts	-
Provision for Income Tax	-
Dividend Income	-
Un-realised Forex Gain	-
Increase in Deferred Revenue Expenditure	-
Sub Total	<u>14,213,067</u>
Operating Profit before Working Capital changes	14,290,790
Working capital changes	
Increase in Sundry Debtors	8,038,800
Increase in advances recoverable in cash or kind or for value to be received	-
Increase in other current Assets	649,837
Increase / Decrease in Sundry Creditors	(24,897,436)
Increase / Decrease in other current liabilities	-
Increase in provisions	3,100,000.00
Increase in Deferred Tax	-
Net Cash from operating activities	<u>1,181,991</u>
Cash flows from investing activities	
Purchase of Fixed Assets	55,000
Investment in subsidiaries	-
Dividend Income	-
Net cash (used in)/surplus from investing activities	<u>55,000</u>
Cash flows from financing activities	<u>1,126,991</u>
Proceeds from issuance of share capital and share premium	-
Borrowings (Net)	(690,000)
Net cash (used in)/ surplus from financing activities	<u>(690,000)</u>
Net increase in Cash & Cash equivalents	<u>436,990</u>
Effect of Unrealised foreign exchange fluctuation gain / (loss)	-
Cash & Cash equivalents at the beginning of the year	7,384,768
Cash & Cash equivalents at the end of the year	<u>7,821,758</u>
Increased in Cash Balance	<u>436,990</u>

Auditors Certificate :

We have examined the above cashflow statement of Silverline Technologies Ltd for the year ended June 30, 2011. 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 CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012**For and on behalf of the Board of Directors****Mohan Subramanian**

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

**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	30th Month 06 Year 2011

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	1,475,122	Total Assets	1,475,122
Sources of funds		Application of funds	
Paid -up capital	599,855	Net fixed assets	2,278
Application money towards share warrants	-	Investments	1,520,000
Reserves & Surplus	869,264	Net current assets	17,303
Secured loans	-	Deferred Tax	(64,459)
Unsecured loans	5,925	Accumulated losses	-

IV PERFORMANCE OF THE COMPANY - without extraordinary item

Turnover	179,725	Total expenditure	163,402
Profit / (Loss) before tax	16,323	Profit / (Loss) after tax	13,223
Earnings per share (Rs.) (weighted)	0.22	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

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012**For and on behalf of the Board of Directors****Mohan Subramanian**

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

Sr. No	Name of the Subsidiary Company	Innovative BPO Solutions Ltd. Canada	Millennium Care Inc., Toronto, Canada
1	Financial year of the subsidiary ended	6/30/2011	6/30/2011
2	Shares of subsidiary Company held on the above date and extent of holding		
	1) Equity shares	100%	100%
	2) Extent of holding(%)	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	NIL	NIL
	1) Dealt with in the accounts of Silverline Technologies Limited	-	-
	2) Not - dealt with in the accounts of Silverline Technologies Limited	US\$ 207,876	US\$ 177,356
	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 Dealt with in the accounts of Silverline Technologies Limited		
4	1) Dealt with in the accounts of Silverline Technologies Limited	US\$40,000	NIL
	2) Not - dealt with in the accounts of Silverline Technologies Limited	US\$ 440,013	\$343,601

5 The Envoy Technologies Inc, USA becomes 100% WOS of innovative BPO solution limited, which was subsidiary of Silverline Technologies Limited in the previous year except this changes 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.

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012

For and on behalf of the Board of Directors

Mohan Subramanian

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

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 2011 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 as at 30th June 2011 and net assets for the period then ended. The two subsidiaries have been audited by other auditors whose reports have been furnished to us. The details of the subsidiaries are as under:
 - I. Innovative BPO Solution audited up to 30th June 2011
 - II. Millennium Care Inc. audited upto 30th June 2011
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 our 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 2011.
 - 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 2011.
 - 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 CNGSN & ASSOCIATES

Chartered Accountants

C N GANGADARAN

Partner

Chennai, 29th February, 2012

Memb.No.11205

F.R.No.004915S

CONSOLIDATED BALANCE SHEET AS ON JUNE 30th, 2011

Currency in Indian Rupees

	SCHEDULE	30-June-2011	30-June-2010
SOURCES OF FUNDS			
Shareholders funds:			
Capital	A	599,854,880	599,854,880
Reserves and surplus	B	<u>951,420,787</u>	<u>924,233,533</u>
		1,551,275,667	1,524,088,413
Loan funds :			
Secure	C	33,997,500	33,732,000
Unsecured	D	<u>14,748,349</u>	<u>33,729,593</u>
TOTAL		<u>1,600,099,238</u>	<u>1,591,550,006</u>
Application of funds			
Fixed assets :			
Gross block	E	320,101,775	320,085,643
Less : depreciation		<u>237,272,897</u>	<u>233,347,980</u>
Net block		<u>82,828,878</u>	<u>86,737,663</u>
Goodwill		1,491,093,990	1,469,671,487
Current assets, loans and advances :			
Sundry debtors	F	153,766,707	247,181,511
Cash and bank balances		8,054,120	28,199,491
Loans and Advances		90,911,092	87,094,131
Loans and Advances		<u>252,731,919</u>	<u>362,475,133</u>
Less : Current liabilities and provisions :	G		
Liabilities		143,879,833	249,972,660
Provisions		<u>22,070,811</u>	<u>16,756,712</u>
		<u>165,950,644</u>	<u>266,729,372</u>
Net current assets		86,781,275	95,745,765
Deferred tax assets / (liabilities)		(60,604,905)	(60,604,905)
Miscellaneous expenditure (to the extent not written off or adjusted)			-
TOTAL		<u>1,600,099,238</u>	<u>1,591,550,006</u>
Notes & Accounting Policy	I		

For CNGSN & Associates
Chartered Accountants

C.N. Gangadaran
Partner
Membership No.11205
F.R.No.004915S
Chennai, 29th February 2012

For and on behalf of the Board of Directors

Mohan Subramanian
Wholetime Director

Krishnakumar Subramanian
Director
Mumbai, 29th February, 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30th, 2011

		Currency in Indian Rupees	
	SCHEDULE	2011	20 10
INCOME			
Sales and services		595,108,385	779,127,197
Other income		12,265,392	21,346,861
Total		<u>607,373,777</u>	<u>800,474,058</u>
EXPENDITURE			
Cost of goods sold		433,333,558	548,682,695
Operating and establishment expenses	H	126,391,478	171,010,295
Depreciation		3,924,918	4,767,806
Deferred revenue expenses and filing fees written-off		0	4,547,983
		<u>0</u>	<u>-</u>
Total		<u>563,649,954</u>	<u>729,008,779</u>
Profit / (Loss) before exceptional items and taxation		43,723,823	71,465,279
Exceptional items		(8,059,057)	-
Profit / (Loss) after exceptional items and before taxation		35,664,766	71,465,279
Less Finance cost		3,923,290	5,453,210
Profit / (Loss) before tax		31,741,476	60,011,069
Provision for Tax		5,863,025	4,945,848
Profit / (Loss) after taxation and exceptional items		25,878,451	61,066,221
Balance being surplus / (deficit) brought forward		<u>93,456,991</u>	<u>29,529,688</u>
Available for appropriation (Transfer to Balance Sheet)		<u>119,335,442</u>	<u>93,456,991</u>
Notes & Accounting Policy	I		
Basic Earning per share before Exceptional Item (Rs.)		.05	.10
Diluted basic per share after exceptional Item (Rs.)		.04	.10

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012**For and on behalf of the Board of Directors****Mohan Subramanian**

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

Schedules Forming part of the Accounts for the year ended June 30th, 2011

		Currency in Indian Rupees	
	SCHEDULE	2011	2010
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
		<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid-up			
5,99,854,88 Equity Share of Rs. 10 each fully paid-up		599,854,880	599,854,884
		<u>599,854,880</u>	<u>599,854,884</u>
RESERVES AND SURPLUS	"B"		
Capital Reserve			
Balance at commencement of the year		825,648,245	825,648,245
Less: Adjustment towards debit balance of Profit & Loss Account			-
		<u>825,648,245</u>	<u>825,648,245</u>
General Reserve			
Balance at commencement of the year			
Profit and loss account		25,878,451	29,529,688
Profit and loss account - surplus /Deficit for the year		93,456,991	61,066,221
		<u>119,335,442</u>	<u>93,456,991</u>
Foreign Currency Translation Reserve			
Opening Balance		5,128,297	119,459
Movement for the year		1,308,803	5,008,838
		<u>6,437,100</u>	<u>5,128,297</u>
Total Reserves & Surplus		<u>951,420,787</u>	<u>924,233,533</u>
SECURED LOAN	"C"		
From Bank Guaranteed by the stockholder and against the assets of the company		33,997,500	33,373,200
Total Secured Loan		<u>33,997,500</u>	<u>33,373,200</u>
UNSECURED LOAN	"D"		
From Directors, Relatives and Inter corporate deposits		14,748,349	33,729,593
Total Unsecured Loans		<u>14,748,349</u>	<u>33,729,593</u>

E : Fixed Assets

Assets	GROSS BLOCK					Accumulated Depreciation				Net Block as at	
	as at 01.07.2010	Additions	Effect of Translation	Transfer/ Deletions	30.06.2011	as at 01.07.2010	For the year	Effect of Translation	As at 30.06.2011	30.06.2011	30.06.2010
Computer Equipments Inclusive of software	207,776,641	1,324,935	0	-	209,101,576	200,679,702	2,201,291	0	202,880,99	6,220,583	8,421,874
Furniture and Fixtures	28,488,771	0	0	-	28,488,771	24,893,025	1,256,430	0	26,149,455	2,339,316	3,595,746
Office Equipments	7,583,541	0	0	-	7,583,541	5,946,057	411,669		6,357,726	1,225,815	1,637,484
Electrical Fittings	1,884,723	0	0	-	1,884,723	1,829,195	55,528		1,884,723	1,829,195	55,528
Goodwill	74,351,967	296,723	1,605,526		73,043,164	-	-		0	73,043,164	74,351,967
TOTAL	320,085,643	1,621,658	(1,605,526)	-	320,101,775	233,347,980	3,924,918		237,272,897	82,828,878	88,062,599
Previous Year	307,536,115	25,321,595	(12,772,068)	-	320,085,643	213,600,758	4,767,806	-	387,912,291	62,402,771	93,935,357

Currency in Indian Rupees

SCHEDULE**2011****2010****Current Assets, Loans and Advances****"F"****Sundry Debtors**

Considered good by the management

Less than 180 days

66,629,309

164,362,466

More than 180 days

87,137,398

82,819,045

Cash and Bank Balance

8,054,120

28,199,496

Other Current Assets

Unsecured considered good by the management

Loans Advances and deposits

85,943,748

82,019,398

Advances to Employees

110,000

495,500

Income tax and TDS Account

4,857,344

4,579,233

Total Rs.

252,731,919362,475,138**Current Liabilities and Provision****"G"**

Sundry Creditors

143,879,833

249,972,660

Provisions

provision for taxation (net)

22,070,81116,756,712

Total Rs.

165,950,644266,729,372

	Currency in Indian Rupees	
	2011	2010
Schedule :H		
Operating & Establishment expenses		
Salaries and bonus	45,067,867	63,083,458
Contribution to provident / other funds	202,030	227,165
Staff welfare expenses	534,790	298,180
Rent Rates and Taxes	7,894,125	8,506,065
R&Texpenses	2,430,214	2,169,388
Insurance	1,780,670	1,985,171
Power and fuel	3,145,708	4,054,854
Communication cost	28,796,450	39,394,208
Travelling and conveyance	3,476,540	3,059,973
Repairs and maintenance - computer equipments	1,569,430	2,866,249
Legal and professional	3,345,095	7,607,449
Donation	6,095,132	
Auditor's remuneration	500,000	727,980
Selling and distribution	4,879,345	7,195,973
Provision for bad debts	0	2,252
Service Tax	85,840	50,704
Consultancy fees	4,790,469	14,195,901
Miscellaneous expenses	4,428,798	4,718,172
Printing & stationery	884,006	706,955
Membership & Subscription	37,042	24,988
Bank charges	1,573,119	1,933,170
Directors Remuneration	1,200,000	2,090,502
Foreign exchange loss	3,674,808	6,111,540
Total Rs.	<u>126,391,478</u>	<u>171,010,295</u>

NOTES TO THE CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2011

(All amounts in Indian rupees, unless otherwise indicated)

Schedule I Accounting Notes and Policies**i. BASIS OF PREPARATION**

The accompanying financial statements have been presented for the year ended 30th June 2011 along with comparative information for year ended June 30, 2010. The financial statements have been prepared on a going concern basis under the historical cost convention 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 and Millennium Care Inc., Canada. 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 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.

B. NOTES

1. KEY MANAGEMENT PERSONNEL

Mohan Subramanian - Wholetime Director

2. 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.

For CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012

For and on behalf of the Board of Directors

Mohan Subramanian

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30th, 2011

	July 10- June 11 in Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Profit before Tax & Extraordinary items	25,878,451
Adjustments for :	
Depreciation & Amortization	3,924,918
Preliminary Expenses & Filing fees written off	0
Provision for Bad debts	0
Provision for Income Tax	0
Sub Total	
Operating Profit before Working Capital changes	<u>29,803,369</u>
Working capital changes	
Increase in Sundry Debtors	93,414,804
Decrease in advances recoverable in cash or kind or for value to be received	(3,816,961)
Other Assets	0
Decrease in Sundry Creditors & Current Liabilities	(106,092,827)
Increase in provisions	5,314,099
Deffered Tax	0
Net Cash from operating activities	<u>(11,180,885)</u>
Net difference on Foreign Exchange fluctuation/goodwill a/c.	(18,727,181)
Cash flows from investing activities	
Addition to Fixed Assets	(1,324,935)
	<u>-</u>
Net cash (used in)/surplus from investing activities	<u>(1,324,935)</u>
Cash flows from financing activities	
Increase /decrease in Secured and Unsecured Loans	(18,715,744)
Net cash (used in)/ surplus from financing activities	
Net increase in Cash & Cash equivalents	(20,145,376)
Cash equivalents at the beginning of the year	28,199,496
Cash equivalents at the end of the year	<u>8,054,120</u>
	<u>20,145,376</u>

Auditors' Certificate :

We have examined the above cashflow statement of Silverline Technologies Ltd for the year ended June 30, 2011 & year ended June 30, 2010. 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 CNGSN & Associates

Chartered Accountants

C.N. Gangadaran

Partner

Membership No.11205

F.R.No.004915S

Chennai, 29th February 2012**For and on behalf of the Board of Directors****Mohan Subramanian**

Wholetime Director

Krishnakumar Subramanian

Director

Mumbai, 29th February, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder's of Innovative BPO solutions inc. Canada

(A Wholly owned subsidiary of Silverline Technologies Ltd)

We have audited the accompanying balance sheet of Innovative BPO solutions inc. Canada (a Canadian corporation and a wholly owned subsidiary of Silverline Technologies Ltd) as of June 30, 2011 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, 2011 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 25, 2012

INNOVATIVE BPO SOLUTIONS INC.*(A Wholly owned subsidiary of Silverline Technologies Ltd.)*Consolidated Balance Sheet
For the Year ended June 30, 2011

Current assets:	US \$
Cash and cash equivalents	1,117
Accounts receivable	978,468
Prepaid expenses	7,750
Other current assets	744,069
Total current assets	<u>1,731,404</u>
Property and equipment, net	13,386
Goodwill	1,599,600
Security deposits	4,552
Total assets	<u><u>3,348,942</u></u>
 Liabilities and Stockholder's Equity	
Current liabilities:	
Accounts payable and accrued expenses	498,081
Line of credit payable	750,000
Payroll and payroll taxes	48,844
Total current liabilities	<u>1,296,925</u>
 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	452,017
Total stockholder's equity	<u>2,052,017</u>
Total liabilities and stockholder's equity	<u><u>3,348,942</u></u>

See accompanying notes to consolidated financial statements

INNOVATIVE BPO SOLUTIONS INC.*(A Wholly owned subsidiary of Silverline Technologies Ltd.)*Consolidated Statement of Income
For the Year ended June 30, 2011

	US \$
Net revenue:	5,742,821
Cost of revenue	4,604,586
Gross profit	1,138,235
Operating expenses:	
General and administration expenses	1,173,448
Income before other income / (expenses)	325,971
Interest expenses	(67,478)
Depreciation	(1,773)
Income before income taxes	256,720
Income tax	48,844
Net income	207,876

INNOVATIVE BPO SOLUTIONS INC.*(A Wholly owned subsidiary of Silverline Technologies Ltd.)*

Consolidated Statement of Cash Flows

For the Year ended June 30, 2011

Cash flows from operating activities:	US \$
Net income	207,876
Adjustment to reconcile net loss to net cash provided by	
Operating activities	
Depreciation	1,773
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	440,904
Prepaid expenses	-
Other current assets	(98,004)
Security deposits	-
Increase (decrease) in:	
Accounts payable and accrued expenses	(282,115)
Income tax payable	48,844
Net cash provided by operating activities	<u>319,278</u>
Cash flows from investing activities	
Purchase of fixed assets	<u>(1,897)</u>
Net cash provided by operating activities	<u>(1,897)</u>
Cash flows from financing activities	
Increase (decrease) in net borrowing	400
Dividend distribution	<u>(445,801)</u>
Net cash used by financing activities	<u>(445,401)</u>
Net increase in cash and cash equivalents	(128,020)
Cash at the beginning of the year	<u>129,137</u>
Cash at the end of the year	<u><u>1,117</u></u>
Supplementary disclosure of cash flows information	
Cash paid during the year for	
Interest	67,478
Income taxes	48,844
Difference due retained earning	1,117

See accompanying notes to consolidated financial statements

INNOVATIVE BPO SOLUTIONS INC.*(A Wholly owned subsidiary of Silverline Technologies Ltd.)*Consolidated Statement of Changes in Stockholder's Equity
Year ended June 30,2011

	Common stock		Retained earnings	Total stockholder's equity
	Shares	Amount		
Balance at June 30, 2010	1,600,000	\$1,600,000	\$689,942	\$2,289,942
Distribution, year ended June 30, 2011			-445,801	-445,801
Net income, year ended June 30, 2011	-	-	207,876	207,876
Balance at June 30, 2011	1,600,000	\$1,600,000	\$452,017	\$2,052,017

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) and Envoy Technologies Inc, (USA Corp.) which became a wholly owned subsidiary of Silverline Technologies Limited.

Under the merger agreement dated 1st July 2010 entire assets of Envoy Technologies Inc were acquired by Netxert and Netxert Inc and Envoy Technologies Inc will become one entity.

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 adjustments, 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 allowance for uncollectible accounts as of June 30, 2011 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, evidences 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 revisions become known. There was no fixed price contract for the year ended June 30, 2011.

Property and Equipment

Property and Equipment are stated at costs. Depreciation is provided for in amounts sufficient to relate the costs 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, 2011
Computer Equipment	\$37,469
Furniture	573
Sub Total	38,042
Less: Accumulated Depreciation	-24,656
Property and Equipment Net	\$13,386

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 instrument that are exposed to concentration of credit risks consists 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 on credit risks with respect to account receivable are limited because of the credit worthiness of the Company's major customers. Revenue from the Company's 3 major customers accounted for 26% of the total revenue for the year ended June 30, 2011, and the accounts receivables from these customers accounted for 29% of the net receivables as of June 30, 2011.

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 \$750,000 as of June 30, 2011.

Interests 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, 2011 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 2010 – 2011. 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 portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates and loss.

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.

For the year ended June 30, 2011 rent expense was \$57,363.

7. New Accounting Pronouncements

- A) In May 2009, the FASB issued authoritative guidance establishing principles and requirements for recognition and disclosure of subsequent events in the financial statements. The Company's adoption of this guidance on June 30, 2009 did not have a material effect on Company's financial operations.
- B) In June 2009, the FASB issued authoritative guidance, "The FASB Accounting Standards codifications and hierarchy of Generally Accepted Accounting Principle – a replacement of FASB statement No.162" (the "Codifications"). The Codifications does not alter current U.S.GAAP, but rather integrates existing accounting standards with other authoritative guidance. Under the codifications, there is a single source of authoritative U.S.GAAP for non-governmental entities and it supersedes all other previously issued non-SEC accounting and reporting guidance. The codifications is effective for financial statements periods ending after September 15, 2009. Company's adoption of the codification on July 1, 2009 did not have a material effect on Company's financial condition or result of operations.
- C) In July, 2006, the FASB issued FASB Interpretation No.48 ("FIN 48"), "Accounting for Uncertainty in Income taxes". FIN 48 prescribes detail guidance for the financial statements recognition, measurement and disclosures of certain tax position recognized in an enterprise's 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 is effective for fiscal years beginning after December 15, 2006, and the provisions of FIN 48 are applied to all tax positions upon initial adoption of the interpretation. The cumulative effect of applying the provisions of this Interpretation are reported as an adjustment to the opening balance of retained earnings for each fiscal year. The effect of FIN 48 will not have any significant effects on the Company's financial statements.
- D) In April 2010, the FASB issued an amendment to the accounting and disclosure for revenue recognition – milestone method. This amendment, effective for the fiscal years beginning on or after June 15, 2010 (early adoption is permitted), provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transaction. The Company believes that the adoption of the amendment will not have a material impact on its consolidated financial statements.

Ram Associates
Hamilton, NJ
January 25, 2012

INDEPENDENT AUDITORS' REPORT

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

(A Wholly owned subsidiary of Silverline Technologies Ltd)

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, 2011 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, 2011 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 25, 2012

Millennium Care Inc

(A Wholly owned subsidiary of Silverline Technologies Ltd)

Balance Sheet

June 30, 2011

Assets**Current Assets:**

	US \$
Cash	4,009
Accounts receivable (net of allowance \$ 29,075)	234,304
Other Assets	1,107,790
Total current Assets	1,346,103
Fixed assets, net	125,296
Intangible assets, net	7,864
Deposit	982
Total assets	<u>1,480,245</u>

LIABILITIES AND STOCKHOLDER'S EQUITY**Current liabilities:**

Accounts payable and accrued expenses	480,334
Other current liabilities	508,482
Current portion of long-term debt	24,547
Total current liabilities	1,013,363

Long-term liabilities:

Inter-Company	194,647
Total current and long-term liabilities	1,208,010

Stockholder's equity:

Common stock, no par value, 1,000 shares authorized, issued and outstanding	6,031,166
Accumulated other comprehensive income	(150,151)
Accumulated deficit	(5,608,780)
Total stockholder's equity	<u>272,235</u>
Total liabilities and stockholder's equity	<u>1,480,245</u>

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, 2011

	US \$
Net revenue	3,398,542
Cost of revenue	2,096,738
Gross profit	<u>1,301,804</u>
Operating expenses	
Selling, general and administrative expenses	1,229,740
Income before other income/(expenses)	<u>72,064</u>
Labor subsidy	269,925
Depreciation	(61,065)
Amortization	(2,072)
Interest expense	(18,862)
Income tax expense	
Total other income/ (expenses)	187,926
Income before income tax	259,990
Income tax expense	11,962
Net Income	<u>248,028</u>
Other comprehensive income/loss:	<u>177,356</u>
Other comprehensive loss	<u>177,356</u>

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, 2011

Cash flows from operating activities	US \$
Net income	248,028
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	61,065
Amortization	2,072
Changes in assets and liabilities:	
(Increase) / decrease in:	
Accounts receivable	574,097
Other assets	(268,653)
Security deposit	22,818
Increase / (decrease) in:	
Accounts payable and accrued expenses	34,681
Other current liabilities	<u>(73,751)</u>
Net cash used by operating activities	<u>600,357</u>
Cash flows from investing activities	
Purchase of fixed assets	<u>(36,149)</u>
Net cash used in investing activities	<u>(36,149)</u>
Cash flows from financing activities	
Obligation under capital lease	9,679
Other comprehensive income	(177,354)
Decrease in inter-company payable	(397,936)
Net cash used in financing activities	(565,612)
Net decrease in cash	(1,404)
Cash at the beginning of the year	5,413
Cash at the end of the year	4,009
Supplementary disclosure of cash flows information	
Cash paid during the year for:	
Income taxes	11,962
Interest	18,862

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, 2011

	Common Stock		Accumulated other comprehensive loss/Income	Accumulated deficit	Total stockholders' equity
	Shares	Amount			
Balance at June 30,2010	1,000	\$ 6,031,166	\$ 27,203	\$ (5,856,808)	\$ 201,561
Net income				248,028	248,028
Other comprehensive loss			(177,354)		(177,354)
Balance at June 30,2011	1,000	\$ 6,031,166	\$ (150,151)	\$ (5,608,780)	\$ 272,235

Notes to Financial Statement June 30, 2011**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, 2011.

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, 2011 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, 2011
Computer Equipment	\$ 1,559,114
Furniture	351,465
Computer Software	181,030
Sub-Total Less:	<u>2,091,609</u>
Accumulated Depreciation	1,966,313
Property and equipment-net	<u>\$ 125,296</u>

The depreciation expenses for the year ended June 30,2011 was \$ 61,065.

Intangibles consist of the following:

Improvements	\$ 507,035
Development Costs	<u>1,734,109</u>
Sub-Total	2,241,144
Accumulated Amortization	<u>2,233,280</u>
Intangibles-net	<u>\$ 7,864</u>

The amortization expenses for the year ended June 30,2011 was \$ 2,072.

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 64% of the total revenue for the year ended June 30, 2011, and the accounts receivables from these four customers were 61.40% of the net receivables as of June 30, 2011.

New Accounting Pronouncements:

- In May 2009, the FASB issued authoritative guidance establishing principles and requirements for recognition and disclosure of subsequent events in the financial statements. The Company's adoption of this guidance on June 30, 2009 did not have a material effect on Company's financial operations.
- In June 2009, the FASB issued authoritative guidance, "The FASB Accounting standards codification and hierarchy of Generally Accepted Accounting Principle- a replacement of FASB statement No. 162" (the "Codification"). The Codification does not alter current U.S. GAAP, but rather integrates existing accounting standards with other authoritative guidance. Under the codification, there is a single source of authoritative U.S. GAAP for nongovernmental entities and it supersedes all other previously issued non- SEC accounting and reporting guidance. The codification is effective for financial statement periods ending after September 15, 2009. Company's adoption of the codification on July 1, 2009 did not have a material effect on Company's financial condition or result of operations.
- In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income taxes". FIN 48 prescribes detail guidance for the financial statements recognition, measurement and disclosure of certain tax positions

recognized in an enterprise's 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 is effective for fiscal years beginning after December 15, 2006, and the provisions of FIN 48 are applied to all tax positions upon initial adoption of the Interpretation. The cumulative effect of applying the provisions of this Interpretation are reported as an adjustment to the opening balance of retained earnings for each fiscal year. The effect of FIN 48 will not have any significant effects on the Company's financial statements.

- d) In April 2010, the FASB issued an amendment to the accounting and disclosure for revenue recognition—milestone method. This amendment, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. The Company believes that the adoption of the amendment will not have a material impact on its consolidated financial statements.

4. 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.

5. Other Current Liabilities:

Other current liabilities of \$ 508,482 as of June 30, 2011 include unpaid payroll liabilities of \$ 432,992.

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
National Equipment	\$477	18,613
Citi Capital Lease	\$758	5,934
Total		\$ 24,547

7. Inter-Company

As of June 30, 2011, Inter-company loan net balance of \$ 194,647 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,	
2012	\$ 133,657
2013	\$ 137,232
2014	\$ 81,339
Total	\$ 352,228

For the year ended June 30,2011 rent expense was \$ 159,113.

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 BCM telephone system for which it pays a monthly rent of \$ 477 for a period of 39 months.

The lease commitments for these leases are as follows:

Year ending June 30,	
2011	\$ 24,986
Total	\$ 24,986

FORM 2 B

(See rules 4CCC and 5D)

NOMINATION FORM

(To be filled in by individual applying singly or jointly) (if jointly, only up to two persons)

1/We
and

the holders of Shares (Folio No.):

of Silverline Technologies Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my/our death.

NAME AND ADDRESS OF NOMINEE:

Name :

Address :

.....

Date of Birth*

(* to be furnished in case the nominee is a minor)

*The Nominee is a minor whose guardian is

Name and Address

.....

.....

Date :

(** To be deleted if not applicable)

Signature of shareholder:

Name :

Address :

.....

Date :

Signature of shareholder:

Name :

Address :

.....

Date :

Signature of two Witnesses

Name and Address Signature with date

1.

2.

INSTRUCTIONS:

1. The Nomination can be made by individuals only applying/holding shares on their own behalf singly or jointly upto two persons. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form.
2. A minor can be nominated by a holder of shares and in that event, the name and address of the Guardian shall be given by the holder.
3. The nominee shall not be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of share made.
5. Transfer of share in favour of a nominee shall be valid discharge by a company against the legal heir.
6. The nomination forms shall be submitted in duplicate. The duplicate copy of the same will be returned to you for your records after nomination is registered by the Company.

SILVERLINE TECHNOLOGIES LIMITED

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

ATTENDANCE SLIP

Names of the Members: _____

Folio No. _____

Client ID No.: _____

DP ID No.: _____

No. of shares held: _____

Name of Proxy : _____

Members/ Proxy's Signature: _____

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

I hereby record and confirm my presence at the **Nineteenth Annual General Meeting** of the Company held at Dr. M. S. Subbulakshmi Auditorium, Plot H, Bhaudaji Road Extension, Near King's Circle Railway Station, Sion (W), Mumbai - 400 022. on Friday, 30th March, 2012 at 9:00 AM.

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

SILVERLINE 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 failing him _____ of

_____ in the district of _____ as my/ our

Proxy to vote for me/us on my/our behalf at the **Nineteenth Annual General Meeting** of the Company held on Friday, 30th March, 2012 at 9:00 AM. at Dr. M. S. Subbulakshmi Auditorium, Plot H, Bhaudaji Road Extension, Near King's Circle Railway Station, Sion (W), Mumbai - 400 022 and at any adjournment thereof.

Signed this _____ day of _____ 2012

1 Rupee
Revenue
Stamp

Notes:

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

Signature

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.