IMS is Our DNA

Annual Report 2009 - 2010

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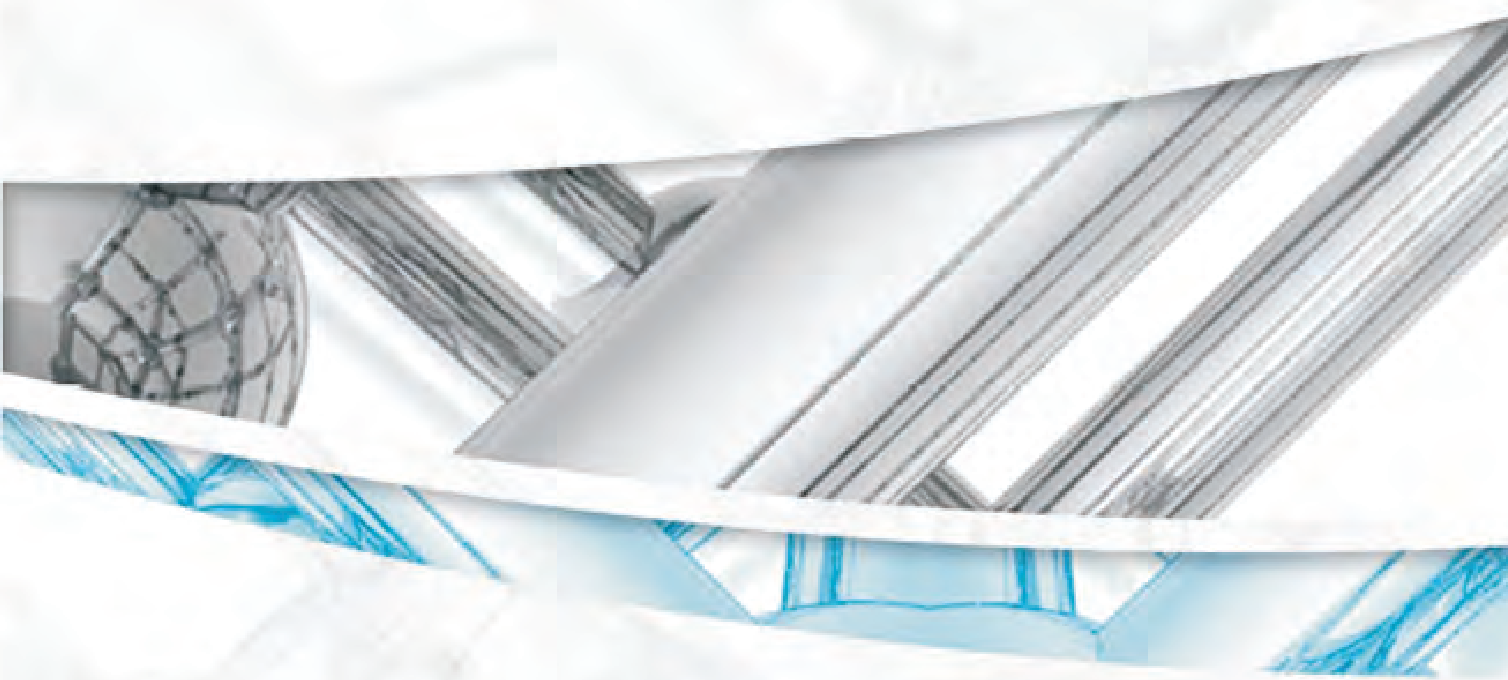
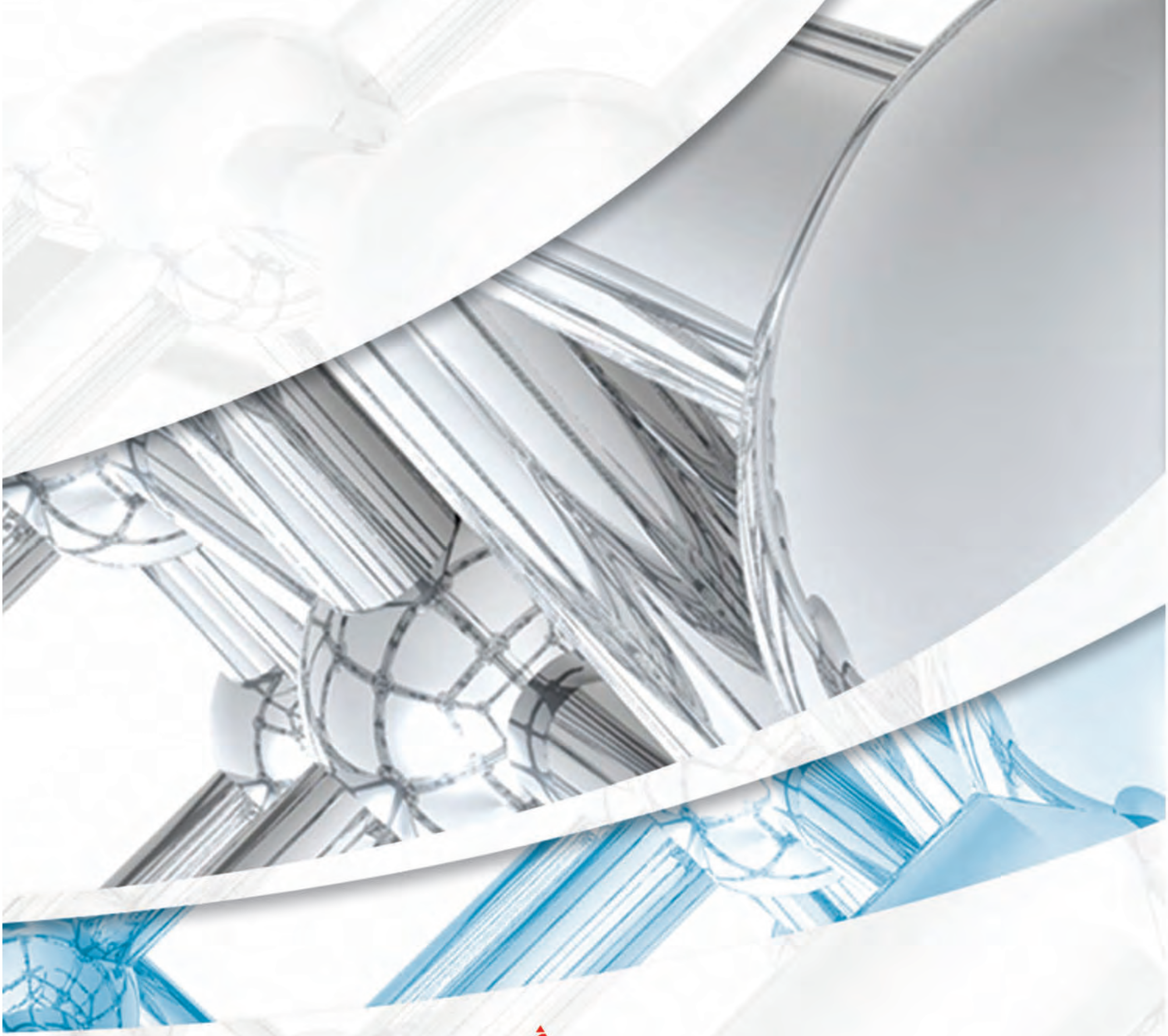


"As a result of Cloud and Virtualization by the year 2012, 20% of the companies in the US will own no IT assets and also by 2010, 20% of all cloud based services will be delivered out of India."

- Gartner Group, A Global Technology Advisor

Allied Digital is a Leading Global IT Solutions and Technology Services Provider with a core Infrastructure Management Services (IMS) practice operating in the IT Services space for over 25 years across 132 locations in India, 44 states in USA, Australia and Singapore.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Nitin D. Shah
Chairman & Managing Director
Mr. Prakash D. Shah
Executive Director & CFO
Mr. Manoj R. Shah
Executive Director
Mr. Bimal Raj
Executive Director
Mr. Shailesh Vaidya
Independent Director
Prof. Venugopal Iyengar
Independent Director
Dr. Shrikant Parikh
Independent Director
Dr. Roop Kishan Dave
Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Ravindra Joshi

REGISTERED OFFICE

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SOLICITOR AND ADVOCATE

Kanga & Company

AUDITORS

Kamlesh Kapadia & Associates

BANKERS

State Bank of India
ICICI Bank Limited
Standard Chartered Bank

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt. Ltd.
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Fax:+91-22-2594 6969
Email: investors@alliedindia.com
website: www.intimespecturm.com

OUR CMD'S MESSAGE

Dear Shareholders,

The fiscal year 2009-10 was an important year for Companies around the world as the global economic downturn witnessed in 2008-09 was one of the worst in recent generations. However, it re-established the importance of Companies with strong fundamentals and has grown with sound practices that are able to cope with such pressures and emerge stronger. I am happy to say that it has also helped us focus inwards and further strengthen our internal Allied Digital engine.

With more companies exploring new ways to save and reduce costs, the recession, while halting or slowing spending in other segments, gave a boost to the outsourcing of critical IT infrastructure management services. CIOs were forced to increasingly look at optimising their IT Infrastructure and find efficient and cheaper ways of managing them because of cost pressures.

As your Company had predicted as far back as 2007, there was an urgent need to break the linear model by using shared resources. In today's world, automation cannot and should not be ignored. Your Company pioneered this advanced delivery model and even during the financial crisis, its core strength, Infrastructure Management Services stood out as a silver lining against the dark clouds that had gathered over the IT sector over the last two years.

Your Company is at the forefront of offering such services, specifically in the area of remote infrastructure management services (RIMS) which has emerged as the new wave of outsourcing opportunity where your organization is uniquely placed for delivering such services

We truly believe that RIMS is the next big opportunity in the IT Outsourcing space. The factors that have propelled RIMS to forefront of this wave include evolution in technology and architectures, changes in customer demand patterns and the developments in the offshore supply environment.To capture this RIMS opportunity, there needs to be a paradigm shift in the way the traditional outsourcing companies have operated till now. We believe that the focus will shift from plain project management capabilities as in the case of ADM and BPO companies now to service and device delivery oriented methodology which allied has pioneered and continues to build on.

We have made substantial investments in creating a 'Centre of Excellence' which will showcase global technologies within the centre. We have also increased capacity in our state-of-the-art global command centre with NOC and SOC capabilities giving us a significant advantage over our competitors and also providing us with unsurpassed delivery capabilities not only to service Indian companies but also global firms. We have further enhanced our capacities and offerings in this area by adding both infrastructure and skilled persons to our global command centre to get ourselves ready to meet the growing demand. We are confident that these investments will start yielding results as we address more opportunities from the globa l marketplace.

In recognition of such efforts, your Company has been awarded for the second consecutive year by Forbes Asia as 'Best Under A Billion Dollar' Company and also by the reputed technology media Company-Cyber Media with Gold awards in three different categories namely - The Best Automated Managed Services Provider, The Best IT services provider and The Best IT Solutions provider along with a Silver award in the Fastest Growing Solutions provider category.

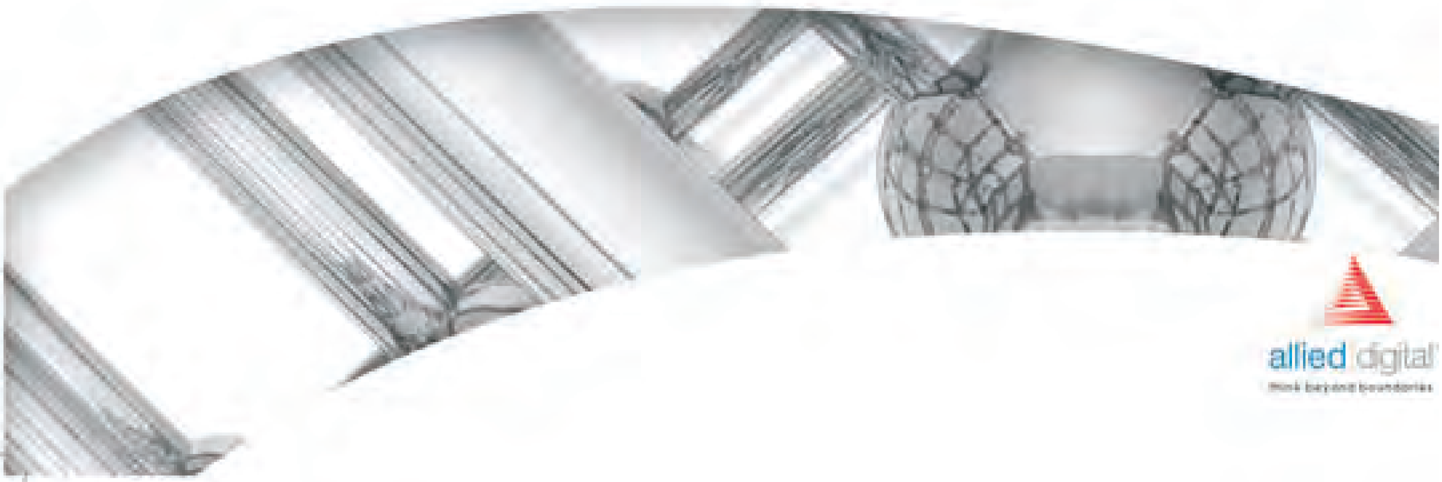
The industry has already validated our preeminence in this field and we have been the very first recipient of the CRN Excellence award as Best Managed Services

cont...

FROM THE CEO'S DESK

Dear Shareholders,

The markets are picking up globally. As predicted by us as far back as 2007, IT Management Services (IMS), coupled with Cloud Computing have become the buzzwords and on top of the minds of all executives. Customers globally are looking for highly flexible and agile technology partners to help them consolidate their technology and reduce costs across the board. Allied Digital with our truly end to end offering of solutions is able to act as a true partner to customers and help them create customized solutions for their needs while also significantly helping them reduce their technology costs. Our historical non-linear and highly automized approach has proven to be a key benefit with considerable savings due to the RIMS delivery approach.



A case in point is a project where we managed to outbid top global companies in the world to win the contract from a Fortune 500 company that had filed for bankruptcy. Under bankruptcy, the company sold its assets to two Investors who each bought a business division of the company, forming two new companies. The Challenge was to manage the centralized IT function for both the new companies without splitting the IT operation which would be cost prohibitive and disruptive to the new businesses. EPGS leveraged its experience, global resource pool and end-to-end technology solutions capability to ensure uninterrupted and value-added IT services to the newly formed companies within a span of 60 days. In USA, your company had sustained profits in spite of the US downturn and now, with clear signs of recovery, we have forged strong alliances with top OEMs and technology companies to offer bundled services, delivered remotely by Allied Digital. Your company has also tied up with Intel to promote their high 'Intel V Pro technology to leverage this technology to deliver remote services to large enterprises.

I am happy to inform you that Allied Digital has also taken large steps in the area of Electronic waste recycling through our subsidiary Digicomp. Digicomp, last year, had proven itself as a leader in India in RMA support for large OEMs and today has alliances with top OEMs like Dell with over 35 centres across the India. Digicomp this year stepped out into the growing East Asian market creating a Joint Venture company with Tess-Amm called DigicompElectronic Testing Servics (DETS). DETS is headquartered in Singapore and is able to competitively extend its multi-faceted services to all the OEMs, ODMs, System Integrators and EMS in the field of Information & communication technology and other large corporations. DETS is a new industry benchmark providing extremely cost effective single point of solutions for customers to encash. We have also seen an increased demand from other markets like Australia and Europe for Remote services and we have been treading carefully and keeping our eye on key market dynamics across the world to construct a strategy in each geography.

Mr. Bimal Raj

(Executive Director & CEO)

Allied Digital Services Ltd.

Dear Shareholders,

First, allow me to thank you for staying the course with Allied Digital and their interests in the US market. Since the acquisition of En Pointe's Service organization in 2008, the financial health of the global eco-system sunk to unprecedented lows. Virtually no one was impervious to the affects of the "Great Recession". Under such extreme circumstances we witnessed IT organizations abandon best practices, suspend projects and withdraw from critical initiatives.

Further, the managed services industry experienced a lull in new and innovative technologies. This combination of events culminated in a retreat from IT budgets which adversely impacted virtually every US service provider. That said, the worst is behind us as we have material evidence of recovery.

Over the past year we have implemented several measures to ensure we are deeply integrated as integral partners with our top accounts. Further, we affected a significant re-organization to re-cast functional groups to optimize resources while bolstering our go to market strategy.

New strategic alliances were forged along with extensive marketing efforts to attract new clients. Performance results in this time equate to approximately $15M in new wins. Clearly our value proposition of a globally integrated operating model is taking hold. Although economic headwinds persist, the US market remains fertile with new opportunities. As prospective clients seek to revitalize and restore IT, enhancements to our operating model have us positioned to not only compete against entrenched competitors, but significantly grow our business. Ongoing improvements are commonplace and essential – and we are doing just that.

For example, we recently invoked an Operational Excellence program to maximize efficiencies, improve client experiences and scale as we grow and improve operating margins. Allied Digital US knows what is required to succeed in this market and is committed to obtain market leadership positions in each market we serve.

We all remain very excited about our prospects in the US market and look forward to extended success for years to come.

Thank you,

Richard Emil

Vice President, Services

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