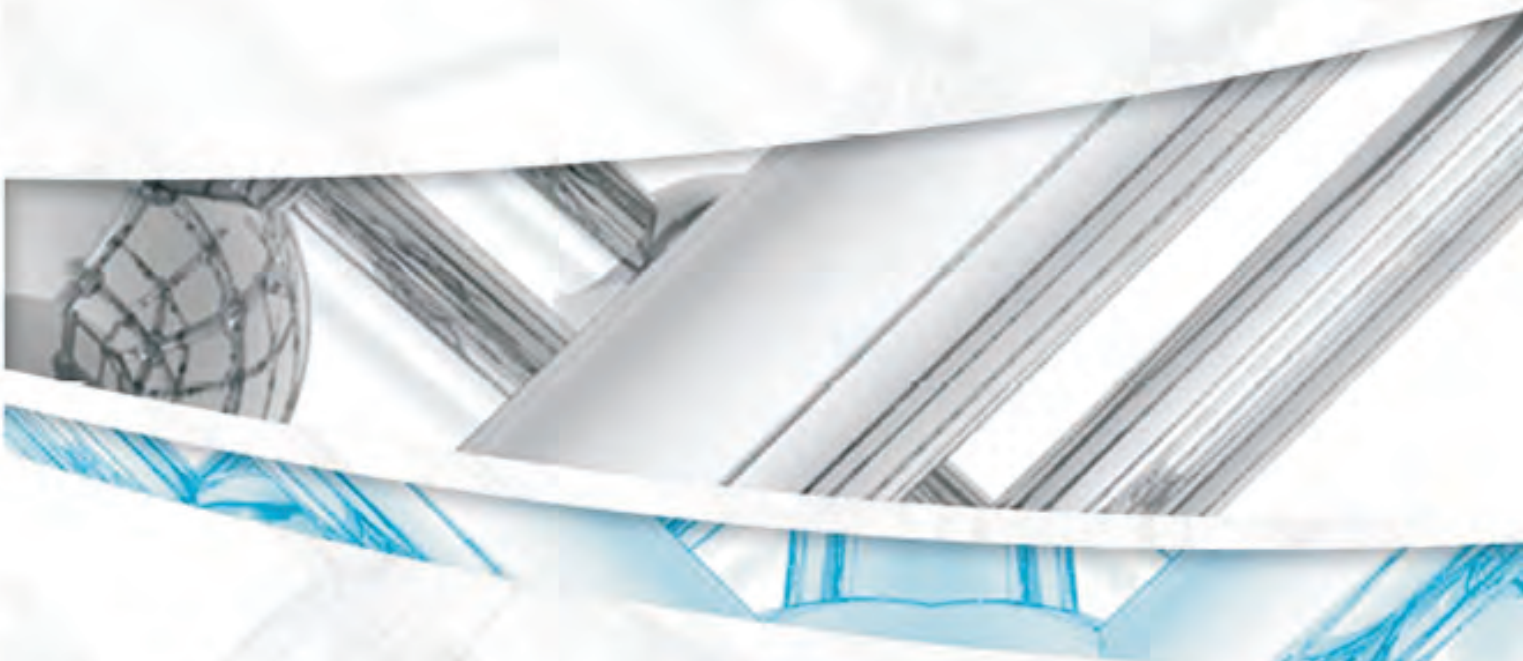




IMS is Our DNA

Annual Report 2009 - 2010





"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.



allied | digital™

think beyond boundaries

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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

2nd Floor, Kimmatrai Building,

77/79, Maharshi Karve Marg,

Marine Lines, Mumbai - 400 002

Tel : +91-22-2200 2020

Fax: +91-22-2206 4170

email: investors@alliedindia.com

website: www.allieddigital.net

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.

C-13 Pannalal Silk Mills Compound

L.B.S Marg, Bhandup (w),

Mumbai - 400 078, Maharashtra, India.

Tel:+91-22-2596 3838 Extn. - 2303

Fax:+91-22-2594 6969

Email: investors@alliedindia.com

website: www.intimespecturm.com

OUR CMD'S MESSAGE



Mr. Nitin Shah

Chairman & Managing Director
Allied Digital Services Ltd.

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 global 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...



A LEADING GLOBAL IT SOLUTIONS AND TECHNOLOGY SERVICES PROVIDER

FROM THE CEO'S DESK



Mr. Bimal Raj
Executive Director & CEO
Allied Digital Services Ltd.

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 automated 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 Services (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.



A LEADING GLOBAL IT SOLUTIONS AND TECHNOLOGY SERVICES PROVIDER



Richard Emil

Vice President, Services
Allied Digital, USA

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 effected 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





Kevin Schatzle

President
Allied Digital, USA

Greetings!

As we move into the second half of calendar 2010 I have great cause for enthusiasm and the prospects for our company. Allied Digital Services are indeed bright.

The U.S. Information Technology Infrastructure spend is showing strong signs of growth. Held back by the recent recession, American businesses are once again making investments in modernizing their technology platforms and this is being driven by several factors including:

- Aging fleets of computers and network infrastructure due to the previous economic recession
- Microsoft's new platform - Windows 7 and the announcement of discontinuance of Windows XP SP2 support
- Virtualization technologies
- Adoption of cloud based initiatives or migration of data centers to more efficient delivery platforms
- Convergence of voice and data networks

I am personally confident that in the coming years Allied Digital will emerge as a global leader in Information Technology Infrastructure Management and Cloud based technologies. Our unique approach to building out an Integrated Remote Delivery Framework where we combine highly customized best in class technology management tools with our shared services delivery

platform and our wealth of skilled engineering resources will allow us to offer our customers lower operating expenses, reduced capital expenditures, increased security and compliance and more productive users. Gartner Group, a global technology

advisor has predicted the 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. These predictions are core to our strategy here in the USA.

Our strategy of offering private labeled services through some large global partners will allow us to gain rapid market share while we fulfill our partner's requirements to transform their business to address global technology shifts. I am pleased to inform you we have signed contracts with four large partners in this area and are in discussions with several others. This has already resulted in several large customer contracts and we are starting to gather real momentum. Additionally we are also pursuing customers directly. Our private-cloud based delivery model and deep and wide offerings have resulted in several large wins and are putting us on the forefront of this evolutionary global trend.

In closing I would like to add that it is my sincere belief that Allied Digital's combination of strong executive leadership, our wealth or highly talented and skilled employees all around the globe and our innovative approach to delivering real and tangible value to our customers will fuel some historical growth and success for our company and our shareholders.

Thank you,

Kevin Schatzle

President

A LEADING GLOBAL IT SOLUTIONS AND TECHNOLOGY SERVICES PROVIDER



Mr. Shallesh Valdya
Independent Director



Mr. Manoj R. Shah
Executive Director - Technical



Dr. Roop Kishan Dave
Independent Director



Mr. Nitin D. Shah
Chairman & Managing Director



Mr. Bimal Raj
Executive Director & CEO



Mr. Prakash D. Shah
Executive Director & CFO



Dr. Shrikant Parikh
Independent Director



Prof. Venogopal Iyengar
Independent Director

A LEADING GLOBAL IT SOLUTIONS AND TECHNOLOGY SERVICES PROVIDER

Meet Our Executive Directors



Mr. Nitin Shah, aged 55 years, is a Promoter, Chairman and Managing Director of our Company. He holds a Bachelors Degree in Electrical Engineering from University of Mumbai and a Post Graduate Diploma in Computer Management from Jamnalal Bajaj Institute of Management Studies, Mumbai. He is a member of Manufacturer's Association of Information Technology and Traders Association of Information Technology. He is also a member in the Business Expert's Panel in Indian Express publication. He has an experience of thirty two (32) years in the IT industry. He has been associated with our Company since its inception. Prior to joining our Company, he has worked with Crompton Greaves Limited and Nelco Limited. He has also worked in CMC Limited for five (5) years as a Customer Support Engineer and Hinditron Computers Private Limited for two (2) years as a System Engineer.



Mr. Bimal Raj, aged 43 years, is the Whole-time Director of our Company. He holds a Bachelor Degree of Commerce from Kerala University, Post Graduate diploma in Business Administration and diploma in Computer Applications from Bangalore University. He has an experience of twenty (20) years in the IT industry. He has been associated with our Company for the past twelve (12) years and is currently responsible for marketing operations of our Company. Prior to joining our Company, he has worked with Sonata Limited, Cyber Communication Private Limited, Hyundai Bytes, System and Digital Solution Private Limited.



Mr. Prakash Shah, aged 47 years, is a Promoter, Whole-time Director and Chief Financial Officer of our Company. He holds a Bachelors Degree in Commerce from University of Mumbai and Diploma in Computer Management from University of Mumbai. He has an experience of twenty one (21) years in the field of Finance. He has been associated with our Company since its inception and is responsible for managing all the non-technical functions of our Company.



Mr. Manoj Shah, aged 42 years, is the Whole-time Director of our Company. He holds a Bachelors Degree in Science from Saurashtra University, a post graduate Diploma in Computer Science from Mumbai University and Diploma in Computer Engineering, Mumbai. He has an experience of seventeen (17) years in the IT Industry. He has been associated with our Company since inception. He is responsible for the entire service delivery planning and processes of our Company. Prior to joining our Company, he has worked with M/s. Digital Data Services for eight (8) years as a Customer Support Engineer.

Meet Our Independent Directors



Prof. Venugopal Iyengar, aged 53 years, is an Independent Director of our Company. He holds a Masters degree in Science, Certified in Governance of Enterprise IT, Certified Information Security Manager, Certified Information System Auditor (CISA), Certified Information System Security Professional and Associate Certified Fraud Examiner. He has thirty (30) years of experience in the field of IT. He received Most Valuable Professionals (MVP) award in the year 2006 from Microsoft Corporation, USA for his contribution to the global security community. He also received "Pillar of Hindustani Society" award in the year 2008 from the Trans-Asian Chamber of Commerce and Industries and Indo-Mongolian Chamber of Commerce for his global contribution in the area of IT governance, IS Audit and Information Security.



Mr. Shailesh Vaidya, aged 51 years, is an Independent Director of our Company. He holds a Bachelors Degree in Law from University of Mumbai and became a Solicitor in the year 1983. He has been a partner of M/s. Kanga and Co., Solicitors, since the year 1985. He is presently the Chairman of the Law, Review, Reforms and Rationalization Committee of the Indian Merchant's Chamber and is also a member of the managing committee of the Indian Merchant's Chamber.



Dr. Shrikant Parikh, aged 53 years, is an Independent Director of our Company. He holds a Bachelors Degree in Electrical Engineering from University of Mumbai; doctorate degree in Computer Science from Southern Methodist University, USA, Masters in Computer Science and Engineering from University of Texas, USA; certified Project Management Professional from Dallas, USA. He has twenty five (25) years of experience in the IT Industry. His industrial research has resulted in holding of thirty three (33) international patents in his name. He is a member of the Corporate Distributed System Performance Council (IBM) and is also a member of Corporate Automation Software Committee (SGS Thompson). He is a co-founder and ex-Chief Technical Officer of Globe Ranger Corp. (USA). He has served a long span of his career for IBM, USA.



Dr. Roop Kishan Dave, aged 54 years, is an Independent Director of our Company. He holds a Bachelors Degree of Engineering (Electronics and Communication) from Jodhpur University, Masters Degree in Business Administration from Gujarat University and MSHS (Emergency and Disaster Management) from Touro International University, CA, USA and Doctorate Degree in Emergency and Disaster Management from Gujarat University. He has an experience of thirty two (32) years in the information and communication technology and project management including emergency response, disaster mitigation and management. He is a senior member of Institute of Electrical & Electronic Engineers, USA. His domain of expertise includes all domains from spectrum management, information and communication technology policy to e-Governance system management & Emergency Action Plan.

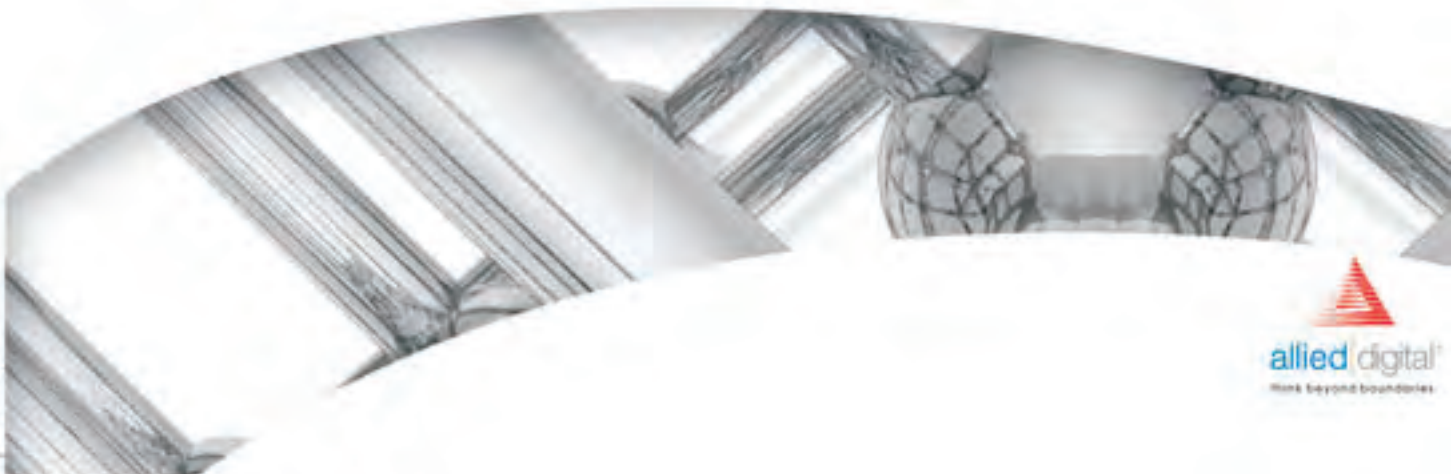
ALLIED DIGITAL - GLOBAL PRESENCE



USA

Allied Digital in USA:

Through its globally optimized business model & direct presence in 44 states across USA, Allied Digital Services LLC. (Formerly EPGS) is an IT solutions and outsourced managed services provider for commercial enterprises, government agencies and educational institutions.





INDIA

Allied Digital in India:

Leading Global IT solutions & technology services provider to leading companies across worldwide.

SINGAPORE

DETS (Digicomp Electronic Testing Services Pte. Ltd.), headquartered in Singapore offers a full range of specialized end-to-end hardware services and waste management solutions for ICT customers.

AUSTRALIA

Allied Digital in Australia:

Allied Digital provides end to end Remote IT management services through our partners across Australia and New Zealand providing unparalleled value to customers across the technology spectrum.

A LEADING GLOBAL IT SOLUTIONS AND TECHNOLOGY SERVICES PROVIDER

AWARDS



Best Automated Managed Service Provider, Gold (2009)
- DQ Channels



Best Under a Billion Dollar Company (2008 & 2009)
- Forbes Asia



Best Managed Services Provider (2009 & 2010)
- CRN Excellence Awards



Best Service, Gold (2009)
- DQ Channel



Fastest Growing Solution Provider, Silver (2009)
- DQ Channels



Most Successful Solution Provider, Gold (2009)
- DQ Channels

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of Allied Digital Services Limited will be held on Wednesday, September 29, 2010 at 3.30 p.m., at Walchand Hirachand Hall, 4th Floor, LNM IMC Building Trust, IMC Building, IMC Marg, Churchgate, Mumbai – 400020, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, Profit and Loss Account for the year ended on that date and the Reports of the Auditors' and the Directors' thereon.
2. To declare Final Dividend on Equity Shares.
3. To appoint a Director in place of Dr. Shrikant Parikh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Prof. Venugopal Iyengar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. K. M. Kapadia & Associates, Mumbai as Statutory Auditors of the Company for the period commencing from the conclusion of this meeting until conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

Special Business:

6. Appointment of Dr. Roop Kishan Dave as a Director of the Company, liable to retire by rotation.

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

“RESOLVED THAT Dr. Roop Kishan Dave who was appointed as an Additional Director by the Board of Directors on October 5, 2009 and who holds office upto the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 along with necessary deposit from a shareholder proposing the candidature of Dr. Roop Kishan Dave as a Director of the Company be and is hereby appointed as a Director of the Company and liable to retire by rotation.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution any Director of the Company be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things, as may be required.”

7. Ratification of Remuneration of Mr. Manoj Shah, Director of the Company and to consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to section 198, 269, 309, 310 and all applicable provisions of the Companies Act, 1956 and as approved and recommended by the Remuneration Committee and the Board, the Company hereby approves and ratifies the increase in the Remuneration to be paid to Mr. Manoj Shah.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution any Director of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things, as may be required.”

8. **Adoption of ESOP Scheme titled “ESOP 2010” and to consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

“RESOLVED THAT in accordance with the provisions contained in the Articles of Association and the provisions of Section 81(1A) and such other provisions of the Companies Act, 1956 (“the Act”) as may be applicable, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”), for the time being in force and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to offer, issue and allot at any time to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether whole time or not, whether working in India or out of India under a Scheme titled “ESOP 2010” (hereinafter referred to as the “ESOP” or “Scheme” or “Plan”) such number of Equity Shares and/or Equity linked instruments

(including Options), and/or any other instruments or securities (hereinafter collectively referred to as "Securities") of the Company which may result into the issue of Equity Shares not exceeding 30,00,000 Equity shares (Thirty Lakhs Equity Shares Only) of the Company of the face value of ₹ 5/- (₹ Five Only) each, at such price, in one or more tranches and on such terms and conditions as may be fixed or recommended by the Compensation Committee and determined by the Board in accordance with the applicable provisions of the law or guideline as may be prevailing at that time;

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

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

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

RESOLVED FURTHER THAT the Company shall confirm to the accounting policies specified in clause 13.1 of the Guidelines. "

9. Granting of Options (ESOP) to Employees/ Directors of Subsidiary Companies and to consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association and the provisions of Section 81(1A) and such other provisions of the Companies Act, 1956 ("the Act") as may be applicable, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines"), for the time being in force and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which shall be deemed to include any Committee including Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to extend the benefits of the "ESOP 2010" proposed in the resolution under item no. 8 of this notice to the eligible Employees / Directors of the subsidiary companies, existing and as and when formed, and/or to such other persons, as may from time to time be allowed under the prevailing laws, rules and regulations, and/or amendments thereto from time to time, on such terms and conditions as may be decided by the Board.

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

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

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

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

“RESOLVED THAT pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956, the rules and regulations thereto, including any statutory modification(s) or re-enactments thereto, for the time being in force and subject to such terms, conditions and modifications as may be prescribed by any of them in granting any such approvals and which may be agreed to by the Board of Directors (hereinafter referred to as “the Board” which shall be deemed to include any Committee of Directors, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution) and subject to the approval of the Central Government, consent of the Company be and is hereby accorded for Mr. Nehal Shah, son of Mr. Nitin Shah, the Chairman and Managing Director of the Company to hold and continue to hold an Office or Place of Profit as an Employee of the Company on such remuneration and terms and conditions as may be decided by the Board, subject to an overall limit of ₹ 1 lac per month or ₹ 12 lacs per annum.

RESOLVED FURTHER THAT the Board be and is hereby authorized to decide within the overall limits specified in this regard, the exact remuneration to be paid to Mr. Nehal Shah, the terms and nature of his appointment as also the changes in his designation and remuneration, modify the terms and conditions of appointment from time to time and do all such acts, deeds, matters, things, make and execute all such applications, writings and instruments as the Board may deem fit in its discretion for the purpose of giving effect to this resolution without being required to seek any further consent or approval of the members or otherwise, with the intent that members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

By order of the Board

sd/-

Ravindra Joshi
Company Secretary

Place : Mumbai
Date : 3rd September, 2010

Registered Office:

2nd Floor, Kimatrai Building,
77/79, Maharshi Karve Marg, Marine Lines,
Mumbai – 400 002

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. The instrument appointing the proxy must be deposited at the Register office of the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting in annexed hereto.
3. Members /Proxies should bring duly-filled Attendance Slips sent herewith to attend the meeting.
4. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Register of Members and Share Transfer Books of the Company will remain closed from September 22, 2010 to September 29, 2010 (both days inclusive) for the purpose of Annual General Meeting and Declaration of Dividend.
7. The final dividend of ₹ 1.00/- per Equity Share for the year ended March 31, 2010 as recommended by the Board, if sanctioned at the Annual General Meeting, will be payable to those members whose names appear on the Company's register of members on September 22, 2010.
8. Members holding shares in physical form and desirous of making/changing nomination in respect of their shareholding in the Company, may send their request in the prescribed Form to the Registrar & Transfer Agents of the Company.
9. Corporate Members are requested to send to the Company, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General meeting.

10. Members desirous of obtaining any information on the Accounts and Operations of the Company are requested to write at least 10 days before the meeting so that the same could be compiled in advance.
11. Members are requested to notify changes, if any, in their registered address to the Company's Registrar.
12. Members are requested to bring their copy of Annual Report to the Meeting.
13. All documents referred to in the notice and explanatory statement are open for inspection at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on all working days, except Saturdays prior to the date of the meeting.
14. Member are requested to address all correspondences, including dividend matters, to the Registrar and Share transfer Agents, M/s. Link Intime India Private Limited, C-13 Pannalal Silk Mills Compound L B S Marg, Bhandup – West, Mumbai - 400 078, Tel No: 25963838, Fax No.: 25946969.
15. As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from the Registrar and Transfer agents of the Company.
16. Members seeking any information or clarification on the Annual Report are requested to send in written queries to the Company at least 10 days before the meeting to enable the Company to compile the information and provide replies at the meeting.

INFORMATION UNDER CLAUSE 49 (IV) (G) (i) AND CLAUSE 49 (IV) (E) (v) OF THE LISTING AGREEMENT REGARDING APPOINTMENT OF DIRECTORS.

1. Dr. Roop Kishan Dave holds PHD degree and degree of M.S.H.S. in emergency and disaster management. He has done B.E. in Electronics & Communication and also holds an M.B.A. degree. Dr. Dave has more than 32 years of experience in ICT Policy & Project Management including emergency response, disaster mitigation and management. His domain of expertise includes - Spectrum Management, Information & Communication Technology Policy, eGovernance system management, vulnerability and Risk Assessment, development of emergency response policies / procedures / protocol / mutual-aid system, SCADA / real time data acquisition / data analysis and forecasting; design, establishment, operation and management of Emergency Operation Center(SEOC, DEOC, TEOC) in a typical Government system; Crisis Communication system; alert & warning system; development and management of EOP / EAP / SOP and capacity building.

Dr. Dave is a senior member of IEEE for more than 25 years. Mr. Dave is also a member of professional societies such as International Association of Emergency Managers (USA) and Fellow IETE.

Shareholding of Mr. Roop Kishan Dave (both own or held by / for other persons on a beneficial basis) as on date is NIL.

INFORMATION UNDER CLAUSE 49 (IV) (G) (i) AND CLAUSE 49 (IV) (E) (v) OF THE LISTING AGREEMENT REGARDING RE - APPOINTMENT OF DIRECTORS

1. Dr. Shrikant Parikh, 52 years joined the Board on 23 May, 2006 as an Independent Director of our Company. He holds a Bachelors Degree in Electrical Engineering from University of Mumbai; Doctorate Degree in Computer Science from Southern Methodist University, USA, Masters in Computer Science and Engineering from University of Texas, USA; certified Project Management Professional from Dallas, USA. He has twenty five (25) years of experience in the IT Industry. His industrial research has resulted in holding of thirty three (33) International patents in his name. He is a member of the Corporate Distributed System Performance Council (IBM) and is also a member of Corporate Automation Software Committee (SGS Thompson). He is a co-founder and Ex-Chief Technical Officer of Globe Ranger Corp. (USA). He is also a co-founder of M/s. InfoAlive Solutions and Services. He has served a long span of his career for IBM, USA. He has also served as a consultant and advisor to technology companies in USA and India providing his guidance on all issues relating to corporate management. He has also been training senior professionals in software projects / outsourcing services management of software / technology organizations.

Shareholding of Dr. Shrikant Parikh (both own or held by / for other persons on a beneficial basis) as on date is NIL.

2. Prof. Venugopal Iyengar, 54 years has been an Independent Director of the Company since April 28, 2009. He holds a Masters degree in Science, Certified in Governance of Enterprise IT, Certified Information Security Manager, Certified Information System Auditor (CISA), Certified Information System Security Professional and Associate Certified Fraud Examiner. He has thirty (30) years of experience in the field of IT. He received Most

Valuable Professionals (MVP) award in the year 2006 from Microsoft Corporation, USA for his contribution to the global security community. He also received "Pillar of Hindustani Society" award in the year 2008 from the Trans-Asian Chamber of Commerce and Industries and Indo-Mongolian Chamber of Commerce for his global contribution in the area of IT governance, IS Audit and Information Security. Prior to joining our Company, he had worked with Tata Consultancy Services Limited as the head of E-Security Consulting Practice, as a Corporate head of Quality Audit with Tata Infotech Limited and as a Regional Manager with Tata Unisys Limited.

Shareholding of Prof. Venugopal Iyengar (both own or held by / for other persons on a beneficial basis) as on date is NIL.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 6

Dr. Roop Kishan Dave was appointed as an Additional Director on 5th October, 2009 by the Board of Directors of the Company as per the provisions of Section 260 of the Companies Act, 1956 and under Article 132 of the Articles of Association of the Company. According to the said provisions of the Companies Act, 1956 the office of an Additional Director expires at the ensuing Annual General Meeting.

The Company has received the requisite notices from the members signifying their intention to propose the appointment of Dr. Roop Kishan Dave as a Director of the Company along with a deposit of ₹ 500/- as per the requirement of the Section 257 of the Companies Act, 1956. Dr. Roop Kishan Dave has accorded his consent to act as Director of the Company. Therefore the Shareholders are requested to regularize his appointment as an Independent Non Executive Director of the Company.

Except Dr. Roop Kishan Dave none of the Directors are interested or concerned in the resolution

Item No. 7

The Board and the Company as a whole has recognized the valuable services rendered by Mr. Manoj Shah, the Whole time Director of the Company. In appreciation of the efforts of Mr. Manoj Shah, keeping in view the steady increase in the Company's turnover and profitability, the Chairman had proposed to increase his remuneration from ₹ 14 Lacs per annum to ₹ 20 Lacs per annum on recommendation by the Remuneration Committee and the Board in its meeting held on April 26, 2010 had approved the same. Hereafter the Shareholders are requested to approve and ratify the aforesaid resolution.

Except Mr. Manoj Shah none of the Directors are interested or concerned in the resolution.

Item No. 8

Intellectual capital is the source of competitive advantage for organizations in most industries especially for those industries that are highly geared towards innovation. The success of these organizations to a large extent depends on its ability to attract, retain and motivate its human resources. Stock Options and similar other Equity-linked plans have been long recognized to be an effective tool in this regard. With this in view and in order to enable the employees to participate in the long term growth and financial success of the Company, the Board of Directors at their meeting held on 3rd September 2010 approved the Employee Stock Option Scheme titled as "ESOP 2010", subject to the approval of the members, granting stock options to the eligible employees of the Company.

In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall be disclosed in the Directors' Report.

In accordance with the requirements of clause 13.1 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Company shall comply with the accounting policies specified in the Schedule I of the said Guidelines.

The Company shall use intrinsic value to value its options.

The salient features of the Employee Stock Option Scheme are set-out below:

To Total Options to be Allocated 30,00,000 Options each entitling the holder thereof to be issued and allotted one Equity Share in the Company at the price as stated here in below.

| | |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Identification of classes of employees entitled to participate in the ESOP | Person who are “employees” of the Company, as defined in the ESOP Guidelines (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), and as may be decided by the Compensation Committee, from time to time. Under the prevailing regulations, an employee who is a promoter or belongs to the promoter group or a Director, who hold directly or indirectly more than 10% of the Equity Shares of the Company, will not be eligible to participate in the ESOP. |
| Requirements of vesting and period of vesting | Vesting of Options may commence after one year of grant of Options, and may extend upto 7 (seven) years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance of other milestone. |
| Exercise Price of Options | The Grant Price for all or any Options shall be determined by the Compensation Committee or the Board as the case may be but shall be not less than the Market Price as determined under the Guidelines. |
| Exercise Period and the process of Exercise | The exercise period will commence from the date of vesting and will expire later of 7 (Seven) years from the date of grant of Options or 6 (Six) years from the date of vesting or such other period as may be decided by the Compensation Committee, from time to time. The Options will be exercisable by the Employees by a written application to the Company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The Options will lapse if not exercised within the specified exercise period. |
| Appraisal Process for determining the eligibility of employees to ESOP | The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the Compensation Committee at its sole discretion. |
| Maximum number of Options to be issued per employee and in aggregate | The maximum number of Options granted per employee will not exceed 1% of the paid up Equity Shares of the Company. The aggregate of all such Options granted shall not exceed 30,00,000. |
| Corporate Action | The number of Options granted and/or the exercise price will be proportionately adjusted in the event of corporate actions such as bonus issues, rights issues, merger and amalgamations, demerger and all such actions which may call for proportionate adjustment in the number of Options and/or the Exercise Price subject to the Exercise Price not being less than the face value of the Shares. |

None of the Directors of the Company is, in anyway, concerned or interested in the said resolution.

The Board of Directors recommends this resolution for your approval.

Item No. 9

The Company has the following subsidiaries:

- a. En Pointe Global Services, LLC
- b. Digicomp Complete Solutions Limited

- c. Allied Digital, INC
- d. En Pointe Technologies India Private Limited

Further it is likely that the Company may have one or more subsidiaries in future also. This separate resolution is being proposed accordingly, to cover the employees of the subsidiaries, present and future. In addition any other persons as may be permitted from time to time under prevailing laws, rules and regulations and/or amendments thereto from time to time are also proposed to be covered under the ESOP. The broad features of the ESOP remain the same as explained in the explanatory statement for item no. 8.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is, in anyway, concerned or interested in the Resolution.

Item No. 10

In recognition of performance of Mr. Nehal Shah as Sr. Engineer – Services of the Company, he has been promoted as Manager – Technology & Operations. Remuneration Committee has recommended to increase his payment, subject to an overall limit of ₹ 1 lac per month or ₹ 12 lacs per annum, in accordance with Section 314(1B) of the Companies Act, 1956.

Payment of remuneration to a relative of Director exceeding ₹ 50,000/- per month attracts provisions of section 314(1B) of the Companies Act, 1956 and requires prior consent of the Shareholders of the Company by way of a special resolution and approval of the Central Government. Mr. Nehal Shah being son of Mr. Nitin Shah, the Chairman and Managing Director of the Company, consent of Shareholders is being sought for the special resolution as proposed in the notice, for increase in the overall limit and to authorize the Board for the payment of remuneration to Mr. Nehal Shah within the enhance limit. All other terms and conditions will be on the same lines as those applicable to other employees of the Company in the same grade as of Mr. Nehal Shah.

The Board of Directors recommends approval of the resolution by the shareholders.

Except Mr. Nitin D Shah, the Chairman and Managing Director of the Company and Mr. Prakash D Shah, Director & Chief Finance Officer of the Company, none of the Director is concerned or interested in the resolution.

By order of the Board

sd/-

Ravindra Joshi
Company Secretary

Place : Mumbai
Date : 3rd September, 2010

Registered Office:
2nd Floor, Kimatrai Building,
77/79, Maharshi Karve Marg, Marine Lines,
Mumbai – 400 002

DIRECTORS' REPORT

To

The Members of
ALLIED DIGITAL SERVICES LIMITED

We are delighted to present the Directors' Report on our business and operations together with the audited statement of accounts for the year ended March 31, 2010.

RESULTS OF OPERATIONS

| PARTICULARS | ₹ in Lakhs) | |
|--------------------------------------------------------------------------------------|------------------|------------------|
| | 2009-10 | 2008-09 |
| Total Operational Income | 47,051.06 | 39,164.10 |
| Other Income | 421.55 | 218.60 |
| Total Income | 47,472.61 | 39,382.70 |
| Less: Operating Expenditure | 34,642.76 | 29,467.27 |
| Profit before Interest, Depreciation, Amortization Tax & Exceptional Item | 12,829.85 | 9,915.43 |
| Less: Depreciation | 656.58 | 358.65 |
| Less: Interest | 363.11 | 259.59 |
| Profit before Tax and Exceptional Item | 11,810.16 | 9,297.19 |
| Excess Depreciation reversal in respect of Earlier Years | 0.00 | 270.07 |
| Profit before Tax | 11,810.16 | 9,567.26 |
| Less: Provision for Taxation including FBT | 2,008.90 | 1,476.54 |
| Less: Deferred Tax Liability | 137.21 | 136.15 |
| Net Profit for the year | 9,664.05 | 7,954.57 |
| Add: Balance brought forward from the Previous Year | 14,686.42 | 7,655.69 |
| Amount Available for Appropriation | 24,350.47 | 15,610.26 |
| Less: Transfer to General Reserve | 500.00 | 500.00 |
| Proposed Dividend Including Dividend Tax | 542.00 | 423.84 |
| Balance carried to Balance Sheet | 23,308.47 | 14,686.42 |

BUSINESS OPERATIONS

The financial 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. The overall performance of the Company for the financial year 2009-10 was satisfactory. The company was able to grow itself at all fronts.

The Company's gross income for the financial year ended March 31, 2010 increased to ₹ 47,472.61 lacs, from ₹ 39,382.70 lacs in the previous year, registering a growth of over 21%. The operating profit (PBDIT) of the Company increased 29% to ₹ 12,829.85 lacs during the year, up from ₹ 9,915.43 lacs in the previous year. Total Interest and Depreciation was at ₹ 1,019.69 lacs as against ₹ 348.17 lacs in the previous year. The provision for taxation during the year was ₹ 2,146.11 lacs. The net profit for the year increased by 21% to ₹ 9,664.05 lacs from ₹ 7,954.57 lacs in the previous year. An amount of ₹ 500 lacs was transferred to the General Reserve during the year under review. The Company's Net worth as on March 31, 2010, stood at ₹ 63,512.93 lacs, as against ₹ 31,842.87 lacs last year.

The 'service' segment of the Company contributed 35% in the year under review as compared to 28% contributed in the previous year. The increased share of 'service' segment and cost effectiveness has resulted in increase in operating margin during the year under review as compared to previous year.

APPROPRIATIONS:

a. DIVIDEND:

In recognition of the fact that the economy is recovering and in view of the Company's profitable performance the Directors recommend a Dividend of ₹ 1/-per Equity Share of ₹ 5/- each (last Year ₹ 2 on the paid up value of equity share of ₹ 10/- each) of the Company for the financial year 2009-2010. The final Dividend, if approved by the members, would involve an outflow of ₹ 464.80 lacs towards Dividend and ₹ 77.20 lacs towards Dividend Distribution Tax, resulting in a total outflow of ₹ 542.00 lacs.

b. TRANSFER TO RESERVES:

During the year, the Company proposes to transfer ₹ 500 Lacs to General Reserve out of the amount available for appropriation.

LIQUIDITY:

Your Company maintains sufficient cash to meet its strategic objectives. As on 31.3.2010, your Company has liquid assets including investment in mutual funds of ₹ 21,702.97 lacs as against ₹ 2,071.95 lacs at the previous year end. These funds are lying in current bank accounts, fixed deposits with banks and in mutual funds.

INCREASE IN THE SHARE CAPITAL:

QUALIFIED INSTITUTIONAL PLACEMENTS ("QIP")

During the year, Your Company has successfully raised an amount ₹ 23,142.21 lacs equivalent to USD 50 Million through Qualified Institutional Placements ("QIP") by allotting 49,00,000 Equity Shares of ₹ 10/- at a premium of ₹ 462.29 per shares to 33 allottees.

ESOP

During the year, the Company allotted 4,50,500* Equity Shares of ₹ 5/-each at premium of ₹ 42.5 each under growth plan of 'ESOP 2007.

* The Company had passed a resolution on September 23, 2009 at its fifteenth Annual General Meeting for sub – division of the Equity Shares of ₹ 10/- each of the Company into Equity Shares of ₹ 5/- each. Accordingly the exercise price has also reduced to half.

WARRANTS TO BENNETT, COLEMEN COMPANY LIMITED (BCCL)

During the year, Your Company has allotted 2,00,000 Warrants on preferential basis to BCCL, with an option to BCCL to subscribe to equal number of Equity Shares within a period of 18 months from the date of allotment of the Warrants at a floor price of ₹ 277/- per Equity Shares. The pricing of the Equity arising out of exercise of rights attached to the warrants shall not be lower than the price determined in accordance with clause 13.1.1.1 of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 SUBJECT HOWEVER THAT in the event, the price determined in accordance with Clause 13.1.1.1 of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 is more than ₹ 277/- at the time of conversion, then, the warrants will be converted into Equity Shares at such higher price subject to a upper cap of ₹ 100/- over and above floor price of ₹ 277/-. The Company has already received warrant application money of ₹ 188.50 Lacs.

STRATEGIC JOINT VENTURE

With the objective of moving towards its goal of being among the leading IT Infrastructure Mangement Service provider globally, the Company entered a 50: 50 Joint venture with TES – AMR Pte. Ltd. (Singapore) group and formed Digicomp Electronics Testing Services (Dets) Pte. Ltd as joint venture Company at Singapore through its subsidiary Digicomp Complete Solutions Limited. This joint venture will be 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 where the most valued service and process attributes of both JV partners consolidate at a common platform, providing extremely cost effective single point of solutions for customers to en-cash.

FUTURE PLANS

With already proven capabilities in India, the US & Australia geographies too have become an exciting arena of action for your Company. Our remote and shared service delivery capabilities, has allowed us to offer customers unmatched values and savings through the OPEX model in end to end technology services.

Our future plans and objectives will remain to maximize values for our customers, employees and stakeholders and to further strengthen our reach into the large IT - Infrastructure Management Services market globally.

Your company will continue to forge strategic partnerships with key players globally to deliver an unparalleled and customer focused seamless technology experience.

As predicted, businesses are moving towards the service based or cloud based computing model very fast and our Company already has a number of customers who are already availing of these services. As businesses globally move towards adopting technology through a utility based model, your Company will be ready to enhance its offerings and remain at the helm of innovation.

Your Company, through its subsidiaries, has also pioneered in the field of E-Waste Recycling and will also work towards strengthening the technology delivery capabilities and reach within India as well as abroad.

SPLIT OF EQUITY SHARES

During the year, The Equity share of ₹ 10/- each is sub divided into 2 (two) Equity Shares of ₹ 5/- each Vide Special resolution passed at the 15th Annual General Meeting held on September 23, 2009. Accordingly share prices w.e.f 11.11.2009 represents the Equity Shares of ₹ 5/- each fully paid up.

SUBSIDIARIES/ JOINT VENTURES

Your Company has four subsidiaries and one joint venture Company:

1. En Pointe Global Services, LLC;
2. Digicomp Complete Solutions Limited;
3. Allied Digital, INC;
4. En Pointe Technologies India Private Limited;
5. Digicomp Electronics Testing Services (Dets) Pte. Ltd (50:50 Joint venture of Digicomp Complete Solutions Limited and TES-AMR PTE. LTD.).

Pursuant to Section 212 of the Companies Act, 1956 ("the Act"), the Company is required to attach to its Annual Report, the Balance Sheet, Profit and Loss Account, Directors' Report and the Report of the Auditors (collectively referred to as "the accounts and reports"), of its subsidiaries for the year ended March 31, 2010. Since the Company presents audited consolidated financial statements in its Annual Report, the Company had applied to the Central Government for an exemption from attaching the accounts and reports of its subsidiaries to the Annual Report. The approval of the Central Government in this regard has been received vide letter no. 47/649/2010 – CL – III dated July 20, 2010 exempting the Company from attaching the accounts and reports of subsidiary companies under the provisions of Section 212 of the Companies Act, 1956. Hence, the accounts and reports of the subsidiary Companies are not attached to the Annual Report of the Company.

The Company will make available the accounts and related information of the subsidiary companies upon request by any member / investor of the Company or its subsidiaries. The accounts and related information of the subsidiary Companies will also be kept open for inspection by any member, at its head office and that of the subsidiary Companies concerned. The Company shall furnish a hard copy of the details of accounts of subsidiaries to any shareholder on demand. The Company has posted the details of accounts of individual subsidiary Companies on its website.

The statement containing the list of subsidiaries along with brief financial details of the subsidiaries is given on page numbers 82 of the Annual Report.

DIRECTORS:

a. APPOINTMENT

In accordance with Section 260 of the Companies Act, 1956, Dr. Roop Kishan Dave was appointed as an Additional Director of the Company with immediate effect by the Board of Directors at its meeting held on October 05, 2009. He holds office till the date of the ensuing Annual General Meeting of the Company. The Company has received requisite notice together with necessary deposits from a member of the Company pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Dr. Roop Kishan Dave for the office of a Director of the Company.

b. RE-APPOINTMENT

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956 at least two-thirds of our Directors shall be subject to retirement by rotation. One - third of these retiring Directors must retire from office at each Annual General Meeting of the Shareholders. The retiring Directors are eligible for re-election. Dr. Shrikant Parikh and Prof. Venugopal Iyengar, retiring by rotation and being eligible offer themselves for reappointment at this Annual General Meeting.

As stipulated under clause 49 of the Listing Agreement entered into with the stock exchanges, brief resumes of the Directors proposed to be appointed / reappointed, nature of their expertise in specific functional areas and the names of Companies in which they hold directorships and membership / chairmanship of Board Committees, are provided in the Report on Corporate Governance forming part of the Annual Report.

The Board recommends to the members the resolutions for appointment and re – appointment of the Directors mentioned above.

INTERNAL AUDITORS:

Your Company has appointed HNT & CO as the Internal Auditor for conducting the Internal Audit.

EMPLOYEE STOCK OPTION PLAN (ESOP) :

At present the company has two Option plans for its employees. The Company had granted total 4,96,630 options to eligible employees in tranches out of total 5,00,000 grants allocated under the ESOP Plans.

Your company considers that Intellectual capital is the source of competitive advantage for organizations in most industries especially for those industries that are highly geared towards innovation. The success of these organizations to a large extent depends on its ability to attract, retain and motivate its human resources. Stock Options and similar other equity-linked plans have been long recognized to be an effective tool in this regard. With this in view and in order to enable the employees to participate in the long term growth and financial success of the Company, the Board of Directors at their meeting held on 3rd September 2010 approved another Employee Stock Option Scheme titled as “ESOP 2010”, subject to the approval of the members, granting stock options to the eligible employees of the Company.

The salient features of the employee stock option scheme are set-out below:

| | |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total Options to be Allocated | 30,00,000 Options each entitling the holder thereof to be issued and allotted one Equity Share in the Company at the price as stated here in below. |
| Identification of classes of employees entitled to participate in the ESOP | Person who are “employees” of the Company, as defined in the ESOP Guidelines (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), and as may be decided by the Compensation Committee, from time to time. Under the prevailing regulations, an employee who is a promoter or belongs to the promoter group or a Director, who hold directly or indirectly more than 10% of the equity shares of the Company, will not be eligible to participate in the ESOP. |
| Requirements of vesting and period of vesting | Vesting of options may commence after one year of grant of options, and may extend upto 7 (seven) years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance of other milestone. |
| Exercise Price of options | The Grant Price for all or any Options shall be determined by the Compensation Committee or the Board as the case may be but shall be not less than the Market Price as determined under the Guidelines. |

| | |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exercise Period and the process of Exercise | The exercise period will commence from the date of vesting and will expire later of 7 (Seven) years from the date of grant of options or 6 (Six) years from the date of vesting or such other period as may be decided by the Compensation Committee, from time to time. The Options will be exercisable by the Employees by a written application to the company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period. |
| Appraisal Process for determining the eligibility of employees to ESOP | The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the Compensation Committee at its sole discretion. |
| Maximum number of options to be issued per employee and in aggregate | The maximum number of Options granted per employee will not exceed 1% of the paid up Equity shares of the Company. The aggregate of all such Options granted shall not exceed 30,00,000. |
| Corporate Action | The number of options granted and/or the exercise price will be proportionately adjusted in the event of corporate actions such as bonus issues, rights issues, merger and amalgamations, demerger and all such actions which may call for proportionate adjustment in the number of Options and/or the Exercise Price subject to the Exercise Price not being less than the face value of the Shares. |

None of the Directors of the Company is, in anyway, concerned or interested in the said resolution.

The Board of Directors are pleased to recommends the same for the approval of Shareholders.

The details of present ESOP are given in the table:

| PARICULARS | LOYALTY GRANT | GROWTH GRANT |
|---------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------|
| Total Options granted by the plan (no.) | 63,300 | 4,33,300 |
| Pricing formula on date of grant (₹) | 10/- | 95/- |
| Options granted during the year (no.) | Nil | Nil |
| Weighted average price per Option granted (₹) | NA | NA |
| Variation in terms of Options | NA | NA |
| Options exercised during the year (no.) | Nil | 2,25,250 |
| Total number of shares arising as a result of exercise of option | Nil | 1,96,050 equity shares of ₹ 10/- each & 58,400 equity shares of ₹ 5/- each |
| Money raised on exercise of Options during the year (₹ in lacs) | Nil | 213.99 |
| Options forfeited and lapsed during the year (no.) | Nil | 4,200 |
| Total number of Options in force at the end of the year. (no.) | Nil | 1,75,800* |
| Grant to senior management | Nil | Nil |
| Employees receiving 5% or more of the total number of Options granted during the year | Nil | Nil |
| Employees granted Options equal to or exceeding 1% of the issued capital | Nil | Nil |

| PARTICULARS | 2010 | | 2009 | |
|------------------------------------------|----------------------------------------------------------------------------|---------------------------------------|----------------|---------------------------------------|
| | NO. OF OPTIONS | WEIGHTED AVERAGE / EXERCISE PRICE (₹) | NO. OF OPTIONS | WEIGHTED AVERAGE / EXERCISE PRICE (₹) |
| Loyalty Grant | | | | |
| Outstanding at the beginning of the year | Nil | 10.00 | 63,300 | 10.00 |
| Forfeited | Nil | 10.00 | 12,864 | 10.00 |
| Exercised | Nil | 10.00 | 50,436 | 10.00 |
| Outstanding at the end of the year | Nil | 10.00 | Nil | 10.00 |
| Vested at the end of the year | Nil | 10.00 | Nil | 10.00 |
| Growth Grant | | | | |
| Outstanding at the beginning of the year | 3,17,400 | 95.00 | 2,08,200 | 95.00 |
| Forfeited | 4,200 | 95.00 | 43,500 | 95.00 |
| Exercised | 1,96,050 equity shares of ₹ 10/- each & 58,400 equity shares of ₹ 5/- each | 95.00 | 54,900 | 95.00 |
| Granted | Nil | 95.00 | 1,52,700 | 95.00 |
| Outstanding at the end of the year | 1,75,400* | 95.00 | 3,17,400 | 95.00 |
| Vested at the end of the year | 1,05,600* | 95.00 | 2,07,600 | 95.00 |

During the year there were no options vested below the fair market value of the shares, and hence no expenses have been provided on the account of Employee Stock Option cost.

* The Company had passed a resolution on September 23, 2009 at its fifteenth Annual General Meeting for sub – division of the Equity Shares of ₹ 10 each of the Company into Equity Shares of ₹ 5 each. Accordingly the exercise price has also reduced to half.

STATUTORY AUDITORS

M/s. K. M. Kapadia & Associates, Chartered Accountants, Mumbai, Statutory Auditors of your Company hold office till the conclusion of the forthcoming Annual General Meeting of the Company. He has signified his willingness to accept office, if re-appointed. The Company has also received his eligibility under Section 224 (1B) of the Companies Act, 1956.

COST AUDIT

The Company is not required to undertake the Cost Audit as required under Section 233 B of the Companies Act, 1956.

FIXED DEPOSITS

In terms of the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit Rules), 1975, the Company has not accepted any fixed deposits during the year and as such, no amount of Principal or Interest was outstanding as of the Balance Sheet date.

QUALITY & CERTIFICATION:

We continue our excellence in journey with a critical focus on Quality and Processes with significant investment in efforts and in Quality Processes. Pursuant to our ISO 9001 certification experience since last 11 years, we continued further certifications for our other activities. We have upgraded this certification to ISO 9001:2008 2 years ago.

Your Company's Remote Management Services (RMS) centre at Navi Mumbai has got ISO 27001:2005 certification in year 2007 and has gone through two successful surveillance audits thereafter. By this certification, we have protected our IT infrastructure by means of right infrastructure and process deployment so the customers we service are in safe hands.

We have further completed certification of this RMS by ISO 20000-1:2005 which is certification for excellence in IT service management. The IT services that we thus provided from this RMS are certified to be one of the best in the world meeting requirements of that standard.

We have further initiated movements towards Green IT and offer Green Data Center consultancy to our prospects. In this initiative we intend to voluntarily reduce energy consumption of hardwares and offer consultancy to our prospects to reduce energy consumption of their Data Centers thus improving carbon footprint and one more step towards precious energy conservation.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The information on Conservation of Energy required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to the Company. The Company requires minimum energy consumption and endeavor has been made to ensure the optimal utilization of energy, avoid wastage and conserve energy.

FOREIGN EXCHANGE EARNINGS AND OUTGO

| | (₹ In Lakhs) | |
|-------------------------------------|-----------------|-------------|
| PARICULARS | 2010 | 2009 |
| Earnings | 4,906.97 | 4,880.77 |
| Outflow (including Capital imports) | 356.40 | 664.83 |
| Net Foreign Exchange Earnings (NFE) | 4,550.57 | 4,215.94 |
| NFE / Earnings (%) | 93 | 86 |

PARTICULARS OF EMPLOYEES:

The information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are set out as under. The Department of Company Affairs has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of Companies engaged in the Information Technology sector posted and working outside India, not being directors or their relatives, drawing more than ₹ 24 Lakhs per financial year or ₹ 2 Lakhs per month, as the case may be, need not be included in the statement under Section 217 (2A) of the Companies Act, 1956, but such particulars shall be furnished to the Registrar of Companies. In terms of Section 219(1) (b) (iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statements in terms of Section 217(2AA) of the Companies Act, 1956, that:

- a) in the preparation of the Annual Accounts for the year ended March 31, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any.
- b) the Directors have 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 ended March 31, 2010 and of the profit of the Company for that year.
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the Directors have prepared the Annual Accounts for the year ended March 31, 2010, on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange in India, is presented in a separate section forming a part of this Annual Report.

CORPORATE GOVERNANCE

The Company has taken appropriate steps and measures to comply with all the applicable mandatory provisions of Clause 49 of the Listing Agreement entered with the Stock Exchanges and section 292A of the Companies Act 1956. The Company's governance practices are described separately in the *Corporate Governance* section from pages 22 to 37 of this Annual Report. We have obtained certification from a Practicing Chartered Accountant on our compliance with Clause 49 of the Listing Agreement with Indian Stock Exchanges, described in the separate section forming a part of this Annual Report.

AWARDS AND RECOGNITION

Allied Digital continues to be a recognized and celebrated name in the industry and this year, as before has received the following awards.:

- Best Managed Services Provider -2010 AWARD;
- Best Automated Managed Service Provider - 2009' (Gold);
- Most Successful Solution Provider - 2009' - (Gold);
- Best Service Provider - 2009' - (Gold);
- Fastest Growing Solution Provider 2009' - (SILVER);
- Best under a Billion Dollar Company' (Asia Pacific);
- Channel World Premier 100 –(India).

HUMAN RESOURCES:

Employees are our vital and valuable assets of the Company. We understand that the Company's success depends largely upon the quality and competence of its management team and key personnel. A failure to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on the Company's business, its future financial performance and the price of its equity shares. We have created a favorable work environment that encourages innovation and meritocracy. We have also set up a scalable recruitment and human resources management process, which enables us to attract and retain high caliber employees. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage. Therefore the Company has created a healthy and productive environment to encourage excellence. The Company's HR policies and processes are aligned to effectively drive its expanding business and emerging opportunities.

Our model of recruiting the best and brightest talent from top academic institutions across the country and providing intense training has contributed greatly to differentiating Allied Digital in the marketplace. Our culture of harmonious and constructive relations between the management and employees helped us to maintain a cordial work atmosphere and achieve business growth. Our training initiative offers the best and latest in technology, domain expertise and leadership.

ACKNOWLEDGMENT

Your Directors take this opportunity to thank the Company's Customers, Vendors, Investors and Bankers for their continued support during the year. We also wish to thank the Government of India, Ministry of Communication and Information Technology, the State Governments, various Government Agencies and the Government of United States of America where we have operations, for their immense support.

Your Directors also place on record their deep sense of appreciation for the excellent contribution made by Employees through their co-operation, commitment, competence with the view to achieving consistent growth for the Company.

For and on behalf of the Board of Directors

sd/-
Nitin D. Shah
Chairman and
Managing Director

sd/-
Prakash D. Shah
Chief Financial Officer and
Whole Time Director

Mumbai
3rd September, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY ANALYSIS

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 and the IT industry suffered an even greater decline than the dot-com bubble in 2001. IT spending in discretionary items was slashed considerably and the ripple effect was felt across companies in the IT services space.

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

Infrastructure Management Services hence stood out as a silver lining against the dark clouds that had gathered over the IT sector over the last two years.

State of the Market

The global IT infrastructure market has been growing exponentially over the past few years, across diverse industry verticals, including manufacturing, retail, hi-tech, media/ publishing, telecom and financial institutions. Industry watchers term it the segment with the greatest offshore potential, ahead of application development maintenance and BPO.

A NASSCOM McKinsey report has estimated the size of the IMS industry to be about US\$ 550 billion currently which is almost a quarter of the US\$ 2.3 trillion spend on the IT segment in total and is increasingly moving towards a remote delivery model where services are increasingly being delivered by vendors from low-cost locations. Within the IMS pie, the addressable market for the Remote Infrastructure Management (RIM) space is roughly over US\$ 100 billion which compares in size to the opportunities in the ADM and BPO space put together according to the same report. Currently, we have seen companies tap less than 7% of the market above as far as outsourcing vendors is concerned.

The growth in the RIM space has been exemplary with the market growing three fold from about US\$ 1 billion to roughly about US\$ 4 billion in the period 2005-2008. We believe that the RIM space is sure to unleash the next wave of growth given the fact that the traditional ADM business has reached a certain degree of maturity.

What is Remote Infrastructure Management (RIM)?

Remote Infrastructure Management (RIM) is defined as the remote support and management of various IT services that are related to infrastructure support from global delivery sites. These services include the remote monitoring of data center, networks (WAN and/or LAN including switches, routers, and hubs), e-mail systems, database administration, desktops/laptops, servers and related peripherals. As a result IT organizations can assign their internal staffs to higher-value strategic initiatives and accelerate the speed of innovation and the time-to-market.

How is RIM different from the ADM-BPO services?

One of the key aspects of the Infrastructure Management Services is that the services rendered are mission-critical and 'keeping-the-lights-on' function unlike the traditional ADM services that could be curtailed in case of an adverse economic situation. A Company will have to maintain its IT infrastructure in running condition given any economic downturn and that is one of the key aspects that is spurring growth in this sector.

Some of the other key differentiators would include:

- Real-time response mission-critical nature of activities/processes in RIM compared to predominantly project-based in ADM
- Device-based or SLA-based model in RIM compared to the largely FTE-based service model in ADM and BPO
- High need for process standardization in Remote Infrastructure Management
- High security requirements in RIM compared to ADM and most BPO processes
- Increased leverage of tools for Remote Infrastructure Management and contractual governance
- High dependency on other vendors and IT assets required for effective execution (i.e. closure of tickets) in RIM as against independent execution in ADM and BPO
- Talent requirement: Remote Infrastructure Management requires high technology skills. The service is mission critical in nature with zero tolerance to error.

Trends for the Future

Innovation in new remote management tools and technologies has led to the emergence of the asset light RIM, in which both the Companies and outsourcing vendors enter into a short-term contract. Unlike Asset heavy model, Asset light model does not entail transfer of asset ownership and IT personnel to the vendor. The asset-light model is being used proactively by providers to reduce cost and timeframe of implementation. Due to the lower capital investment involved, it has created opportunities for low-cost offshore providers to enter the RIM market.

Cloud computing is another area that is gaining prominence. Gartner defines cloud computing as a style of computing where massively scalable IT-related capabilities are provided “as a service” using Internet technologies to multiple external customers.

The types of IT services that can be provided through a cloud are wide-reaching. Compute facilities provide computational services so that users can use central processing unit (CPU) cycles without buying computers. Storage services provide a way to store data and documents without having to continually grow farms of storage networks and servers. SaaS Companies offer CRM services through their multitenant shared facilities so clients can manage their customers without buying software. These represent only the beginning of options for delivering all kinds of complex capabilities to both businesses and individuals.

Gartner predicts that the impact of cloud computing on IT vendors will be huge. Established vendors have a great presence in traditional software markets, and as new Web 2.0 and cloud business models evolve and expand outside of consumer markets, a great deal could change.

Way Ahead

The economic downturn has spurred IT departments to challenge the status quo and explore ways to improve operational efficiencies. The Savvis- sponsored 2010 Global IT Leadership Report found that a large percentage of organizations are looking at infrastructure outsourcing as a means of delivering first-class IT support to the organization. IT departments feel their top three cost savings would come from reducing infrastructure costs, infrastructure consolidation and a virtualization or cloud computing strategy.

BUSINESS AND COMPANY OVERVIEW

The Company is a Global IT Services and Solutions Company that partners with customers to make IT an enabler of positive change in the organization by providing end to end IT solutions for customers across domains and geographies.

With over two decades of proven experience in technology and enterprise IT infrastructure, the company has capability to successfully deploy and manage complex IT infrastructure for enterprise and Government customers worldwide. Today the Company’s capabilities provide the operational footing for a diverse portfolio of end to end business technology solutions and services including onsite and remote infrastructure management services, unified communications, networking, integrated solutions and cloud solutions.

The Company has over 2,000+ committed professionals globally from both managerial and engineering backgrounds, spread over 132 locations within India and over 40 locations across USA and Australia.

The Company’s goal is to be THE trusted IT partner for its customers by bringing down their costs and helping create highly available and agile IT systems

Today, the Company has the ability to provide a blend of solutions and services to the following verticals:

- Government
- Energy
- Telecom
- BFSI
- Manufacturing
- Advertising
- Entertainment
- Retail
- Service Providers
- Education
- Hospitality

FACTORS THAT MAY AFFECT RESULTS OF THE OPERATION

General economic conditions: General economic slowdown may compel our clients to postpone their decisions to acquire newer technology and reduce their IT operations cost. In turn such scenario may affect our revenue and profitability.

Foreign currency fluctuation: Primarily our foreign currency earnings are in US dollars. The exchange rate between the Indian rupee and US dollar has fluctuated significantly in recent past and the same may continue fluctuating in

future. Currency fluctuation some time may turn out highly unfavorable to us and may adversely affect our revenue and gross margins.

We are not technology originator: Our Enterprise Computing Team gives various technology solutions to customer. These solutions are usually conceived using building blocks of different range of IT products namely computing, storage, networking, security and software products. Very often this range of IT products belongs to different OEMs and functioning of final solutions highly depends on integration of all products.

Pricing Pressure: The Indian IT market (domestic) has been viewed as a highly emerging market compared to other markets, hence it has become a focused market for several large Indian IT firms & various global IT giants. Though the Company is comfortably placed because of its rich experience and vast geographical presence in the market place. But highly competitive scenario creates pricing pressure on the Company, which may affect its gross margin in the long run.

Human Resources: Our services business is a highly Human resource intensive. An increased demand of IT professionals may result in increased attrition which may affect our business in the short term

DISCUSSION ON RESULTS OF OPERATIONS

The financial statements are prepared in compliance with the Companies Act, 1956 and generally accepted accounting principles in India.

The following table sets forth certain financial information from the financial statement as well as these items as a percentage of our revenue for the periods indicated:

(₹ In Lacs)

| Particulars | March 31st, 2010 | | Y-o-Y Growth | March 31st, 2009 | |
|----------------------------------------------------------------------------------------|------------------|-------------------|--------------|------------------|-------------------|
| | Amount | % of total Income | | Amount | % of total Income |
| Income | | | | | |
| Operational Income | 47,051.06 | 99% | 20% | 39,164.10 | 99% |
| Services | 16,423.50 | 35% | 48% | 11,126.00 | 28% |
| Solution | 30,530.10 | 64% | 10% | 27,672.23 | 70% |
| Others | 97.46 | - | | 365.87 | 1% |
| Other Income | 421.55 | 1% | | 218.60 | 1% |
| Total Income | 47,472.61 | 100% | 21% | 39,382.70 | 100% |
| Expenditure | | | | | |
| Cost of sales | 29,149.64 | 61% | | 24,642.24 | 63% |
| Cost of Employees | 3,939.98 | 8% | | 3,666.85 | 9% |
| Administrative, selling and other expenses | 1,553.14 | 3% | | 1,158.18 | 3% |
| Total Expenditure | 34,642.76 | 73% | 18% | 29,467.27 | 75% |
| Profit before Interest, Depreciation, Amortization, Tax & Exceptional Items | 12,829.85 | 27% | 29% | 9,915.43 | 25% |
| Interest and Finance Charges | 363.11 | 1% | | 259.59 | 1% |
| Depreciation and Amortization | 656.58 | 1% | | 358.65 | 1% |
| Profit before Tax & Exceptional Items | 11,810.16 | 25% | 23% | 9,297.19 | 24% |
| Excess Depreciation reversal in respect of earlier years | - | - | | 270.07 | 1% |
| Profit before Tax | 11,810.16 | 25% | 23% | 9,567.26 | 24% |
| Provision for Taxation including FBT | 2,146.11 | 5% | | 1,612.69 | 4% |
| Profit after Tax | 9,664.05 | 20% | 21% | 7,954.57 | 20% |

TOTAL INCOME:

The Total Operating Income of the Company has increased from Rs.39,164.10 lacs in FY 2008-09 to ₹ 47,051.06 lacs in FY 2009-10 showing a y-o-y growth of 20%. The increase in Total Income is due to the steady growth in all lines of business. The 'services' business has grown from ₹ 11,126.00 lacs in FY 2008 - 09 to ₹ 16,423.50 lacs in FY 2009 - 10 whereas solution business has increased from 27,672.23 lacs in FY 2008 - 09 to ₹ 30,530.10 lacs in FY 2009 - 10. Both segments i.e. 'services' & 'solutions' have shown a growth of 48% and 10% respectively. The share of 'services' business in total business has increased from 29% last year to 35% for the year ended 31st March 2010.

During the year under review 90% of our revenues was domestic (Rupee) & 10% was foreign currency revenue. Foreign currency revenue was generated by way of exports of software and services from our STPI unit located at Millennium Business Park, Mahape, Navi Mumbai.

COST OF SALES:

The Company's cost of sales is predominantly related to its 'solutions' business & mainly consist of procurement of hardware, software and other related cost for execution of solutions orders. A small portion of the same also contributes to the Company's 'services' business whereby Company consumes spares, tools, utilities etc for its comprehensive service contracts. The cost of sales for the year ended March 2010 was 61% as compared to 63% during last fiscal. The reason for de-growth in cost of sales is mainly because of increased share of 'services' business in total sales of the Company and efficient consumption of material in execution of contracts.

OTHER OPERATING EXPENSES:

Employee cost decreased from 9% of total revenue in FY 2008 - 09 to 8% of total revenue in FY 2009 - 10. The decrease is mainly attributable to increased 'hybrid contracts', whereby services are provided to customers from the 'Network Operating Centre' of the Company.

INTEREST AND FINANCE CHARGES:

Interest and finance charges for the current year was ₹ 363.11 lacs as compared to ₹ 259.59 lacs during last fiscal. Increased working capital requirement and bank guarantees for various customers availed from the banks have attributed to increase in interest cost during the year under review.

DEPRECIATION:

Depreciation & amortization for the current year was Rs.656.58 lacs as compared to Rs.358.65 lacs for the financial year 2008 - 09. The increase is mainly attributable to increased 'capital expenditure' during the period under review.

EARNINGS BEFORE INTEREST DEPRECIATION, TAXES & AMORTISATION (EBIDTA):

EBIDTA of the Company has increased from ₹ 9,915.43 lacs in FY 2008 - 09 to 12,829.85 lacs in 2009 - 10 registering a growth of 29%. The EBIDTA as a percentage of total Income has increased to 27% in FY 2009-10 from 25% in FY 2008-09. The increase in EBIDTA level was due to increased 'services' revenue of the Company.

EQUITY SHARE CAPITAL:**Qualified Institutional Placements ("QIP")**

During the year, Your Company has successfully raised an amount ₹ 23,142.21 lacs equivalent to USD 50 Million through Qualified Institutional Placements ("QIP") by allotting 49,00,000 Equity Shares of ₹ 10/- at a premium of ₹ 462.29 per shares to 33 allottees.

Employees Stock Option Scheme(ESOP)

During the year, the Company allotted 450500* Equity Shares of ₹ 5/-each at premium of ₹ 42.5 each under growth plan of 'ESOP 2007.

** The Company had passed a resolution on September 23, 2009 at its fifteenth Annual General Meeting for sub - division of the Equity Shares of ₹ 10 each of the Company into Equity Shares of ₹ 5 each. Accordingly the exercise price has also reduced to half.*

WARRANTS TO BENNETT, COLEMEN COMPANY LIMITED (BCCL)

During the year, Your Company has allotted 2,00,000 Warrants on preferential basis to BCCL, with an option to BCCL to subscribe to equal number of Equity Shares within a period of 18 months from the date of allotment of the Warrants at a floor price of ₹ 277/- per Equity Shares. The pricing of the Equity arising out of exercise of rights attached to the warrants shall not be lower than the price determined in accordance with clause 13.1.1.1 of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 SUBJECT HOWEVER THAT in the event, the price determined

in accordance with Clause 13.1.1.1 of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 is more than ₹ 277/- at the time of conversion, then, the warrants will be converted into Equity Shares at such higher price subject to a upper cap of ₹ 100/- over and above floor price of ₹ 277/-. The Company has already received warrant application money of ₹ 188.49 Lacs.

LOAN:

Secured loan as at 31st March 2010 was ₹ 6,608.89 lacs (previous year : ₹ 4,332.03 lacs). This was mainly on account of increased bank borrowings to meet the working capital requirement of the Company.

DEFERRED TAX LIABILITY:

The Company has provided a Deferred Tax Liability of ₹ 137.21 lacs (Previous Year: ₹ 136.15 lacs). The provision was mainly on account of excess depreciation under the IT Act as compared to depreciation under the Companies Act.

FIXED ASSETS:

During the year the Company has capitalized ₹ 3,251.68 lacs in its Gross Block of assets (₹ 2,022.07 lacs for fiscal year 2009). Capital Work in Progress pending capitalization as on 31.3.2010 was ₹ 4,824.58 lacs. The major heads under which fixed assets were acquired during the year are 'Computers & IT equipment'.

INVESTMENTS

During the year the Company has acquired 100% Equity Stake in En Pointe Technologies India Private Limited (EPTIPL) at an acquisition cost of US\$. 1/- . EPTIPL is a company based out of Bangalore and engaged in SAP practice.

DEBTORS TURNOVER RATIO

| Particulars | (₹ in Lacs) | |
|-----------------------------------------------------------|-----------------------|-----------------------|
| | March 31, 2010 | March 31, 2009 |
| Outstanding Debtors at the end of the Period | 22,016.00 | 18,811.71 |
| <i>Debtors less than 180 Days as a % of total debtors</i> | <i>77%</i> | <i>74%</i> |
| <i>Debtors more than 180 Days as a % of total debtors</i> | <i>23%</i> | <i>26%</i> |
| No. of Days outstanding Debtors (Days) on an Average | 171 | 175 |

The Company usually realize its debts within a span of 100 to 180 days from the date of sales depending upon the nature of sales. Average number of days of outstanding debtors has gone down by 4 days as at March 31st, 2010 compare to earlier year on account of better control over realization.

CASH FLOW:

| Particulars | (₹ in Lacs) | |
|------------------------------------------------------------|-----------------------|-----------------------|
| | March 31, 2010 | March 31, 2009 |
| Net Cash Flow from Operating Activities | 4,937.77 | 1,167.84 |
| <i>Net Cash flow from / (used in) investing activities</i> | <i>(27,509.08)</i> | <i>(9,010.01)</i> |
| <i>Net Cash flow from / (used in) financing activities</i> | <i>24,037.94</i> | <i>8,717.13</i> |
| Cash and cash equivalents at the beginning of the year | 1571.96 | 697.00 |
| Cash and cash equivalents at the end of the year | 3,038.56 | 1,571.95 |

The Company has generated net cash of ₹ 4,937.77 lacs (Previous Year: ₹ 1,167.84 lacs) after adjusting increased in net current asset of ₹ 5,351.50 lacs. The Company has deployed ₹ 5,184.16 lacs for purchase of fixed assets and invested ₹18,664.41 lacs in various short term instruments.

As at 31st March 2010 the cash and cash equivalent was ₹ 3,038.56 lacs (previous year : ₹ 1,571.95 lacs).

HUMAN RESOURCES:

The Company considers its employees as the most valuable assets. The Company believes that people in the Organization are the most important aspects for its success & its performance is directly linked with the talented work force it posses. Faith, Trust & Respect for the people has been of a paramount importance & the Company strongly believes that its people are the cartelist to its sustained growth.

With the strong believe in the concept of “ERA” (Empowerment, Responsibility & Accountability) the Company is able to extract the Best out of its employees.

In the turbulent time of last year, where globally there was a major down turn & retrenchment across the world, The Company worked against the tide. It went ahead and made substantial investments in getting key employees with a proven track record on board. This resulted in attracting better & newer talent to the Organization, which has resulted in a better professional work culture.

As a proactive measure, the Company continues its search for the “Right People” who possesses niche skills & who could influence and contribute to drive the Company’s sales & revenue by putting in extra & exemplary efforts.

The Company always believes that going forward newer & better skills are imperative. To take this ahead the Company invested lot of time, energy & effort in constantly upgrading the skills that it’s employee’s posses on the technology as well as the soft-skills front. The Company today can boast of having a rich pool of resources that have attained international certifications through well respected institutions. There is a constant thrust on training & the Company invests a lot on internal training programs & also encourages its employees for external certifications (Training programs) which are sponsored for their betterment.

With the abundance of talent available in the Company, “knowledge sharing” is a culture which all employees have to adhere to. Knowledge is shared across all levels & there is an open culture of learning, better understanding & sharing of information. With investments into a central repository of knowledge base pool, the Company is in a position to keep up with the trends in today’s world & take a leap forward.

Cautionary Statement

Certain statements made in the Management Discussion and Analysis Report relating to the Company’s objectives, projections, outlook, expectations, estimates and others may constitute ‘forward looking statements’ within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make significant difference to the Company’s operations. These include climatic conditions and economic conditions affecting demand and supply government regulations and taxation natural calamities and so on over which the Company does not have any direct control.

REPORT ON CORPORATE GOVERNANCE

1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

ALLIED DIGITAL SERVICES LIMITED is committed to uphold the core values of transparency, integrity, honesty and accountability. This has been articulated through the Company's Code of Business Conduct and Ethics, Corporate Governance Guidelines, charters of various committees of the Board and Company's Disclosure policy. This lays the foundation for further development of superior Governance practices, which are vital for a growing and successful business, creating sustainability long terms shareholders value and balancing it with the interests of other stakeholders in the Company.

The foundation of any structure of Corporate Governance is disclosure. Openness is the basis of public confidence in the corporate system and funds will flow to the centers of economic activity that inspire trust. The very essence of Corporate Governance is based upon the principles of trusteeship, transparency, empowerment and accountability, fairness and responsibility, control and ethical corporate citizenship. Long term basis for success appears to be internalization of ethical values and ensuring that these are woven irretrievably into the Company's policies and practices.

Good Corporate Governance contributes to a powerful competitive differentiator and is critical to economic and social progress which leads to increase in the overall Corporation's value by effectively meeting its financial, social environmental, legal and statutory obligation. The benefit of good governance must accrue to the investors, customers, lenders of finance and to society at large. Better Corporate Governance allows Companies to recognize and act to fulfill their environmental and social responsibilities and contributes to long- term, sustainable growth. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

The Company is in compliance with the requirements of the guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. Accordingly, we always seek to ensure that we attain our performance rules with integrity. Our disclosures always seek to attain the best practices in International corporate governance. We also endeavor to enhance long-term shareholder value and respect minority rights in all our business decisions.

Our Corporate Governance philosophy is based on the following principles:

- ❖ Satisfy the spirit of the law and not just the letter of law. Corporate governance standards should go beyond the law.
- ❖ Be transparent and maintain a high degree of disclosure levels.
- ❖ Make a clear distinction between personal conveniences and corporate resources.
- ❖ Communicate externally, in a truthful manner, about how the Company is run internally.
- ❖ Comply with the laws in all the countries in which we operate.
- ❖ Have a simple and transparent corporate structure driven solely by business needs.
- ❖ Management is the trustee of the shareholders' capital and not the owner.
- ❖ Providing environment to harmonise the goals of maximizing stakeholder value and maintaining a customer centric focus.

Your Board of Directors presents the Corporate Governance Report for the year 2009 - 10.

2) BOARD OF DIRECTORS

The Board of Directors is the core of our Corporate Governance practice and oversees how the Management serves and protects the long-term interest of all our stakeholders. We believe that an active, well-informed and Independent Board is necessary to ensure highest standard of Corporate Governance.

The Directors possess experience in the fields as diverse as Information technology, Banking and Finance. The experience and the wisdom of the Directors, who are captains of Industry, have proved to be of immense assistance to the Company.

a) Size and Composition of Board

The Composition of Board of Directors is a combination of Executive and Non Executive Directors. The Board consists of 8 Directors, out of which 4 are Independent Non-Executive Directors. The Composition of the Board and Category of Directors are as follows:

| Category | Name of the Directors |
|----------------------------------------|--------------------------------------------------------------------------------------------------|
| Promoter Director | Mr.Nitin Shah (Chairman & Managing Director) Mr.Prakash Shah (Executive Director & CFO) |
| Executive Director | Mr.Manoj Shah (Executive Director) *Mr. Bimal Raj (Executive Director) |
| Independent and Non-Executive Director | Mr. Shailesh Vaidya Dr. Shrikant Parikh *Prof. Venugopal Iyengar *Dr. Roop Kishan Dave |

* Mr. Bimal Raj - Appointed on April 28, 2009

* Prof. Venugopal Iyengar - Appointed on April 28, 2009

* Dr. Roop Kishan Dave - Appointed on October 05, 2009

“Independent Director” means a Non-executive Director of the Company who apart from receiving Director’s remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors or its senior management or its holding company or its subsidiaries and associates, which may affect independence of the Director, is not related to promoters or persons occupying management positions at the Board level or at one level below; has not been an executive of the Company in the immediately preceding three financial years; is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following: the statutory audit firm or the internal audit firm that is associated with the Company, and the legal firm(s) and consulting firm(s) that have a material association with the Company; is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the Director; and is not a substantial shareholder of the Company, meaning owning two per cent or more of the block of voting shares.

Independent Non-Executive Directors are appointed for their professional exercise in their individual capacity as Independent professionals / Business Executives. Independent Non Executive Directors receive sitting fees for attending the meeting of the Board and various Committees. They do not receive any remuneration apart from the sitting fees.

b) The following table gives the number of other Directorships and Chairmanships / Membership of Committees of each Director in various Companies as on 31st March, 2010.

| Name of Directors | Category | No. of Directorship(s) in other Companies* | | No. of Membership / Chairmanship of other Board Committees** | |
|-----------------------------|--------------------------------------|--------------------------------------------|---------|--------------------------------------------------------------|----------|
| | | Public | Private | Member | Chairman |
| Mr. Nitin Shah | Chairman & Managing Director | - | 1 | - | - |
| Mr. Prakash Shah | Executive Director & CFO | - | 1 | - | - |
| Mr. Manoj Shah | Executive Director | - | - | - | - |
| Dr. Shrikant Parikh | Non Executive – Independent Director | - | - | - | - |
| Mr. Shailesh Vaidya | Non Executive – Independent Director | 9 | - | - | - |
| *** Prof. Venugopal Iyengar | Non Executive – Independent Director | - | - | - | - |
| *** Mr. Bimal Raj | Executive Director | - | - | - | - |
| **** Dr. Roop Kishan Dave | Non Executive – Independent Director | - | - | - | - |

Notes

* Excludes directorship in Allied Digital Services limited.

** For the purpose of considering the limit of the committee memberships and chairmanships of a Director, the Audit Committee, Shareholders’ Grievance Committee of public Limited Company have been considered. As per disclosure(s) received from the Directors, the Directors do not hold Memberships in more than 10

Committees and Chairmanship in more than 5 Committees.

*** Appointed on 28th April, 2009.

**** Appointed on 05th October, 2010.

c) Attendance at Board Meeting and Annual General Meeting:

During the accounting year 2009 – 2010, Six Board Meetings were held on 28th April 2009, 30th July 2009, 28th August, 2009, 5th October, 2009, 30th October 2009 and 28th January, 2010.

The details of Directors attendance at Board Meeting held during the year commencing 1st April, 2009 to 31st March, 2010 and the last AGM held on 23rd September, 2009.

| Name of Directors | No. of Board Meetings attended | Attendance at last AGM |
|--------------------------|--------------------------------|------------------------|
| Mr. Nitin Shah | 5 | Present |
| Mr. Prakash Shah | 5 | Present |
| Mr. Manoj Shah | 6 | Present |
| Dr. Shrikant Parikh | 5 | Present |
| Mr. Shailesh Vaidya | 6 | Present |
| *Prof. Venugopal Iyengar | 3 | Present |
| *Mr. Bimal Raj | 1 | Present |
| *Dr. Roop Kishan Dave | 1 | Present |

* Prof. Venugopal Iyengar - Appointed on 28th April 2009

* Mr. Bimal Raj - Appointed on 28th April 2009

* Dr. Roop Kishan Dave - Appointed on 05th October, 2009

d) Board Agenda

Meetings are governed by a structured agenda. The Board Members in consultation with the Chairman, may bring up any matters for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decision. The Agenda and relevant notes are sent in advance separately to each Director to enable the Board to take informed decisions.

e) Board's Functioning & Procedures

The Board has complete access to any information within the Company. At Meetings of the Board, it welcomes the presence of Managers who can provide additional insights into the items being discussed.

The items placed at the Meeting of the Board include the following:-

- Unaudited Quarterly / Half yearly financial results and audited annual accounts of the Company with relevant details for consideration and approval;
- Internal Audit Findings (through the Audit Committee);
- Status of Business Risk Exposures, its Management and related action plans;
- Minutes of meetings of other Committee Meetings;
- Abstracts of circular resolutions passed;
- General notices of interest;
- Sale and/or Purchase of investments, fixed assets;
- Review compliance of all laws applicable to the Company including the requirements of the Listing Agreement with the Stock Exchanges and steps taken by the Company to rectify instances of non compliances, if any;
- Related party transactions;
- Reviewing the company's financial and risk management policies;
- Reviewing the business plan and strategy of the Company;
- Reviewing the operations and financial results of the Subsidiary Company;
- Reviewing the Minutes of meetings of Subsidiary Company.

f) Post – meeting follow up system:

The governance process in the Company includes effective post – meeting follow up, review and reporting process for action taken / pending on decisions of the Board and the Committees.

The Minutes of the Meetings of the Board are circulated to all Directors and confirmed at the subsequent Meeting. The Minutes of the Audit Committee, Remuneration Committee, Compensation Committee and Management Committee are also individually given to the Board of Directors and thereafter tabled for discussion at the subsequent Board Meeting.

The Company has adopted a code of conduct for its Non-Executive Directors and all Non Executive Directors have affirmed compliance with the said Code. The code of conduct is also displayed on the Company's website. The Annual Report of the Company contains a Certificate duly signed by the Managing Director & CEO in this regard.

3) AUDIT COMMITTEE :

Audit Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors. The primary objective of the Audit Committee is to provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures.

a) Constitution and Composition of Committee

The Board of Directors constituted an Audit Committee in the year 2007. The Audit Committee for the accounting year comprises of following three Non-Executive and Independent Directors and one Executive Director who have financial/legal/accounting acumen to specifically look into the internal controls and audit procedures.

| Name of Members | Designation | Category of Director | Nos. of meetings attended |
|--------------------------|-------------|---------------------------|---------------------------|
| Mr. Shailesh Vaidya | Chairman | Non-Executive Independent | 5 |
| Dr. Shrikant Parikh | Member | Non-Executive Independent | 5 |
| *Prof. Venugopal Iyengar | Member | Non-Executive Independent | 2 |
| Mr. Prakash Shah | Member | Executive | 4 |

* Prof. Venugopal Iyengar - Appointed on April 28, 2009

In addition to the members of the Audit Committee, these meetings are attended by the General Manager Finance and statutory auditors of the Company, whenever necessary, and those executives of the Company who can provide inputs to the Committee. Members have discussions with the statutory auditors during the meetings of the Committee and the quarterly/half-yearly and annual audited financials of the Company are reviewed by the audit committee before consideration and approval by the Board of Directors. The Committee also reviews the internal control systems, IT systems and conduct of the internal audit.

b) Meetings

During the accounting year 2009- 10, five Audit Committee Meetings were held on 28th April 2009, 30th July 2009, 28th August, 2009, 30th October, 2009 and 28th January, 2010.

c) Mr. Ravindra Joshi, Company Secretary, acts as Secretary of the Committee.

d) The functions of the Audit Committee include the following:

- Reviewing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- To recommend re-appointment of Statutory Auditors and to fix their remuneration;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing with management the annual / half-yearly / quarterly financial statements before submission to the Board;
- Reviewing with management performance of statutory and internal auditors, the adequacy of the internal control systems;
- Discussion with statutory auditors before the audit, any significant findings and follow up thereon;
- Discussion with statutory auditors before the audit commences, nature and scope of audit as well as

have post-audit discussion to ascertain any area of concern;

- Reviewing the company's financial and risk management policies;
- To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non payment of declared dividends) and creditors;
- To review Related party transactions;
- To review the matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
- To review the Management Discussion and Analysis of financial conditions and results of operations;
- Reviewing any other areas which may be specified as a role of the Audit Committee under the Listing Agreement, Companies Act and other Statutes, as amended from time to time.

All the items in the Agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial /business plans, financial results. The Agenda and the relevant notes are sent in advance separately to each Member to enable the Committee to take informed decisions.

The Minutes of the Meetings of the Committee are circulated to all Directors and are confirmed at the subsequent Meeting.

The Statutory Auditors are invitees to the Audit Committee Meeting.

The Chairman of Audit Committee Mr. Shailesh Vaidya was present in last Annual General Meeting of the Company.

4) REMUNERATION COMMITTEE:

The Remuneration Committee of the Board has been constituted in the year 2007, which, inter-alia recommends to the Board the compensation terms of Executive Directors, key managerial personnels and the senior most level of management immediately below the Executive Directors.

a) Composition of the Committee

The Board constituted Remuneration Committee in the year 2007. The Remuneration Committee comprises of Mr. Shailesh Vaidya, Non-Executive and Independent Director as Chairman, Dr. Shrikant Parikh, Non-Executive and Independent Director and *Prof. Venugopal Iyengar, Non-Executive and Independent Director as Members of the Committee.

* Appointed on 28th April 2009

b) The functions of the Remuneration Committee include the following:

- To approve the Annual Remuneration Plan of the Company;
- To review and grant annual increments to Executive/Managing Director, key managerial personnel's and the senior most level of management immediately below the Executive Directors;
- Such other matters as the Board may from time to time request the Remuneration Committee to examine.

c) Attendance at the Remuneration Committee Meetings:

During the accounting year 2009 – 10, one meeting of the Remuneration Committee was held on 28th August, 2009.

d) Disclosure of Remuneration paid:

At present Non-executive and Independent Directors are not paid any remuneration except sitting fees for attending Board Meetings.

Details of remuneration paid to Executive Directors during the accounting year ended March 31, 2010 are as under:

| Name of Directors | Salary ₹ | Contribution To P.F. Gratuity and Superannuation Fund (Rs.) | Perquisites ₹ | Sitting Fees ₹ | Total ₹ | Stock Option granted |
|--------------------------|-------------|----------------------------------------------------------------------|------------------|----------------------|------------|----------------------------|
| Mr. Nitin Dhanji Shah | 34,37,502 | Nil | - | - | 34,37,502 | Nil |
| Mr. Prakash Dhanji Shah | 19,68,750 | Nil | - | - | 19,68,750 | Nil |
| Mr. Manoj Ramesh Shah | 13,71,204 | 28,800 | - | - | 14,00,004 | 24,500 |
| *Mr. Bimal Raj | 20,41,677 | - | - | - | 20,41,677 | 10,000 |
| *Prof. Venugopal Iyengar | - | - | - | 50,000 | 50,000 | Nil |
| Dr. Shrikant Parikh | - | - | - | 85,000 | 85,000 | Nil |
| Mr. Shailesh Vaidya | - | - | - | 90,000 | 90,000 | Nil |
| *Dr. Roop Kishan Dave | - | - | - | 10,000 | 10,000 | Nil |

*Mr. Bimal Raj - Appointed on 28th April, 2009

*Prof. Venugopal Iyengar – Appointed on 28th April, 2009

*Dr. Roop Kishan Dave – Appointed on 05th October, 2009

e) Employee Stock Option Scheme:

The employees has exercised 4,50,500* Options under Growth plan during the year.

Each option entitles the holder thereof to apply for and be allotted Equity Shares of the Company upon payment of the exercise price during the exercise period.

The exercise prices are as follows:

- Growth Plan : ₹ 95/- each (Before sub – division)
₹ 47.50/- each (After sub – division)

* The Company had passed a resolution on September 23, 2009 at its fifteenth Annual General Meeting for sub – division of the Equity Shares of ₹ 10 each of the Company into Equity Shares of ₹ 5 each.

5) SHAREHOLDERS GRIEVANCE COMMITTEE:

a) Constitution and Composition of Committee

The Board of Directors constituted a Shareholders Grievance Committee in the year 2007. The Shareholders Grievance Committee for the accounting year comprises of two Non-Executive Directors, Dr. Shrikant Parikh and Prof.Venugopal Iyengar* and Independent Directors and one Executive Director, Mr. Prakash Shah.

* Prof. Venugopal Iyengar - Appointed on 28th April 2009

b) Compliance Officer

Mr. Ravindra Joshi, Company Secretary, has been designated as the Compliance Officer.

c) Investor Grievance Redressal

Number of complaints received and resolved to the satisfaction of investors during the year under review and their break-up are as under:

| Investor Complaints / Requests | No. of Complaints for the quarter ended 31.03.2009 | No. of Complaints for the quarter ended 30.06.2009 | No. of Complaints for the quarter ended 30.09.2009 | No. of Complaints for the quarter ended 31.12.2009 | No. of Complaints for the quarter ended 31.03.2010 |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Pending at the beginning of the quarter | NIL | NIL | NIL | NIL | NIL |
| Received through Correspondence during the quarter | 01 | NIL | 01 | 01 | 13 |
| Received through Correspondence (letters) during the quarter (non receipt of refund order)s | NIL | NIL | NIL | NIL | 01 |
| Received from B. S. E. during the quarter | NIL | NIL | NIL | NIL | 01 |
| Received from SEBI during the quarter | 02 | NIL | NIL | NIL | NIL |

| Investor Complaints / Requests | No. of Complaints for the quarter ended 31.03.2009 | No. of Complaints for the quarter ended 30.06.2009 | No. of Complaints for the quarter ended 30.09.2009 | No. of Complaints for the quarter ended 31.12.2009 | No. of Complaints for the quarter ended 31.03.2010 |
|-------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Received for Non receipt of Annual Report | NIL | NIL | NIL | 01 | NIL |
| Received for non receipt or non credit of Dividend Warrants or Dividend | NIL | NIL | NIL | 21 | NIL |
| Disposed off during the quarter | 03 | NIL | 01 | 23 | 15 |

During the accounting year ended March 31, 2010, complaints received from shareholder have been attended/ resolved as on date. All valid Share Transfers received during the accounting year ended March 31, 2010 have been acted upon. There were no Share transfers pending as on March 31, 2010, for more than 30 days.

d) The functions of the Shareholders' Grievance Committee include the following:

- Transfer /Transmission of shares;
- Issue of duplicate Share Certificates;
- Reviewing Shares dematerialized, rematerialized and all other related matters;
- Monitoring expeditious redressal of Investors' Grievances;
- Non receipt of Annual Report and declared dividend;
- All other matters related to Shares.

6) COMPENSATION COMMITTEE:

The Compensation Committee was formed inter alia to formulate detailed terms and conditions of Employee Stock Option Scheme.

a) Constitution and Composition of Committee

The Board constituted a Compensation Committee comprising of Mr. Nitin Shah, Managing Director as Chairman, Dr. Shrikant Parikh and Prof. *Venugopal Iyengar, Non-Executive Independent Directors as Members of the Committee.

* Prof. Venugopal Iyengar - Appointed on April 28, 2009

b) Meeting of the Compensation Committee Meetings

During the accounting year 2009 – 2010, two Compensation Committee Meetings were held on 28th August, 2009 and 30th October, 2009.

| Name of Members | No. of Compensation Committee Meetings attended |
|---------------------------|-------------------------------------------------|
| Mr. Nitin Shah | 2 |
| Dr. Shrikant Parikh | 2 |
| * Prof. Venugopal Iyengar | 1 |

* Prof. Venugopal Iyengar - Appointed on 28th April 2009

c) The functions of the Compensation Committee include the following :

- To decide the terms and conditions of the Employee Stock Option Scheme (ESOP);
- the quantum of any option to be granted under an employee stock option scheme per employee and in aggregate;
- the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
- the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;

- the right of the Employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights, issues, bonus issues, merger, sale of divisions and other;
- the grant, vest and exercise of option in case of employees who are on long leave.

7) MANAGEMENT COMMITTEE

a) Constitution and Composition of Committee

The Board constituted Management Committee on 28th April 2009 comprising of Mr. Nitin Shah, Managing Director as Chairman, Mr. Prakash Shah, Executive Director and Mr. Manoj Shah, Executive Director as Members of the Committee.

b) Meeting of the Compensation Committee Meetings

During the accounting year 2009 – 2010, Ten Management Committee Meetings were held on 11th May, 2009, 13th May, 2009, 18th May, 2009, July 7, 2009, 14th October, 2009, 16th October, 2009, 21st October, 2009, 19th November, 2009, 6th January, 2010 and March 4, 2010.

| Name of Members | No. of Compensation Committee Meetings attended |
|------------------|-------------------------------------------------|
| Mr. Nitin Shah | 10 |
| Mr. Prakash Shah | 10 |
| Mr. Manoj Shah | 5 |

c) The Functions of the Management Committee includes

- To borrow monies not exceeding ₹ 200 crores or such other amount as may be authorized by the Shareholders at the General Meeting, together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) from Financial Institutions / Banks and others from time to time;
- To authorize Employees of the Company for purchase whether on hire purchase or otherwise or sale of vehicle;
- To open Bank Accounts and to authorise Directors/Authorised Signatories to operate the Bank Accounts;
- To withdraw / change the authority to operate any of the Company's Bank Account;
- To appoint attorney for and on behalf of the Company for specific power or for general purposes;
- To authorize Company Executives to represent the Company and sign and execute all the documents and papers related to the Central Government, State Government, Local Authority or any other authority in relation to the business of the Company;
- To take premises on leave and license / lease to be used as office / store / godown of the Company or for the purpose of residence of employees or for any other purpose;
- To decide on opening Branches / Godowns at different places in the country or abroad subject to such permission as may be required from different authorities;
- To authorize Company Executives for obtaining Telephone / Electricity connections or other permissions in the name of the Company;
- To decide on filing recovery suits against distributors / dealers / customers and to authorise Company's executives to prosecute the same;
- To launch criminal proceedings against those misusing the company's rights under the Design, Patents, Trade marks and Copyright Laws;
- To authorize Company's executives to defend civil suits filed by third parties against the Company;
- Other general day-to-day affairs of the Company.

8) GENERAL BODY MEETINGS :

The particulars of last Three Annual General Meetings are as under:-

| Financial Year | Day and Date | Location of AGM | Time |
|----------------|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------|
| 2008 - 2009 | Wednesday 23 rd September, 2009 | Walchand Hirachand Hall, Indian Merchants' Chamber Building, 4 TH Floor, Churchgate, Mumbai – 400001 | 11:30. a.m. |
| 2007 – 2008 | Friday 12 th September 2008 | M. C. Ghia Hall, Bhogilal Hargovindas Building, 2 nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001. | 11.00 a.m. |
| 2006 – 2007 | Thursday 21 st June, 2007 | 375, J.S.S. Road, Vidyut Building Charni Road, Mumbai – 400 002. | 11:00 a.m. |

Details of Special Resolution passed in the previous three Annual General Meetings:

At the Annual General Meeting of the Shareholders held on September 23, 2009, the following special resolutions were passed:

- Approval of the terms of Remuneration of Mr. Bimal Raj as a Whole Time Director designated as Executive Director;
- Increase in the Remuneration of Mr. Nitin Shah, Chairman and Managing Director of the Company;
- Increase in the Remuneration of Mr. Prakash Shah, Whole Time Director designated as Executive Director and CFO of the Company;
- Issue and Allotment of of Equity Warrants to Bennett, Coleman and Company Limited;
- Issue of Securities to Qualified Institutional Buyers (QIBs) pursuant to the Qualified Institutional Placement (QIP);
- Sub – division of Equity Shares of the Company of the face value of ₹ 10 each to 2 Equity Shares of ₹ 5/- each and Amendment in the Memorandum of Association.

No special resolution was passed through postal ballot in the year 2009-2010.

9) DISCLOSURES :

1. Related Party Transactions

- ❖ Related Parties and transactions as required under Accounting Standard (AS-18) are furnished under paragraph number 13 of the Notes to the Accounts attached with the financial statements for the year ended March 31, 2010.
- ❖ No transaction of material nature has been entered into by the Company with its promoters, the directors or the management, their subsidiary or relatives etc. that may have a potential conflict with the interest of the Company. The Register of Contracts containing transactions, in which directors are interested, is placed before the Board regularly.

2. Compliance by the Company

The Company has complied with the requirements of the Stock Exchange (BSE), the Securities and Exchange Board of India (SEBI) and Statutory Authorities on all matters related to capital markets and no penalties / strictures were imposed on the Company during the last three years.

3. Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted equity capital with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed Equity Capital. The secretarial audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

4. Mandatory & Non Mandatory requirement of this clause

- ❖ Adoption of non mandatory requirements under Clause 49 of the Listing Agreement are being reviewed by the Board from time to time.

- ❖ The Company has set up a Remuneration Committee, details of which have been given earlier in this Report.
- ❖ The Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.

10) MEANS OF COMMUNICATION:

- ❖ The Quarterly and Half Yearly results of the Company are published in one English and one Regional newspaper namely The Economic Times and The Maharashtra Times respectively. The results are also displayed on the Company's website: www.alliedindia.com
- ❖ The Company informs the Stock Exchanges about all price sensitive matters or such other matters which are material and of relevance to the shareholders and subsequently issues a Press Release on the said matters. A Management Discussion and Analysis Statement is a part of the Company's Annual Report.

11) CODE OF CONDUCT:

The Board of Directors has adopted the Business Ethics Policy and Code of Conduct for Directors and Senior Management. The Code is reviewed from time to time by the Board. The said Code has been communicated to the Directors and the Members of the Senior Management. The Code has also been posted on the Company's website www.alliedindia.com

12) TRADING IN THE COMPANY'S SHARES BY DIRECTORS AND DESIGNATED EMPLOYEES:

In compliance with the SEBI (Prevention of Insider Trading) Regulations, 1992, our Company has appointed **Mr. Ravindra Joshi**, Company Secretary of the Company as Compliance Officer who is responsible for setting policies, procedures for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct for trading in Company's securities under the overall supervision of the Board. The Company has adopted a Code of Conduct for Prevention of Insider Trading.

13) GENERAL SHAREHOLDER INFORMATION :

a) Annual General Meeting

- Date : 29th September 2010
- Time : 3.30 p.m.
- Venue : Walchand Hirachand Hall, 4th Floor,
LNM IMC Building Trust, IMC Building,
IMC Marg, Churchgate, Mumbai – 400020.
Tele: 22046633, Ext 131/134

b) Financial Year

The financial year of the Company is from April 1, 2009 to March 31, 2010

c) Financial Calendar

- Quarterly Financial Reporting for:-

| | |
|---------------------------------------------|------------------------------------|
| Quarter ending June 30, 2010 | 28 th July, 2010 |
| Quarter/Half year ending September 30, 2010 | By 15 th November, 2010 |
| Quarter ending December 31, 2010 | By 15 th February 2011 |
| Quarter/Year ending March 31, 2011 | By 15 th May, 2011 |
- Date of Book Closure: September 22, 2010 to September 29, 2010 (both days inclusive)

d) Dividend Payment Date:

The dividend will be paid on or after September 29(date of AGM), within the statutory time limit of 30 days subject to shareholders approval.

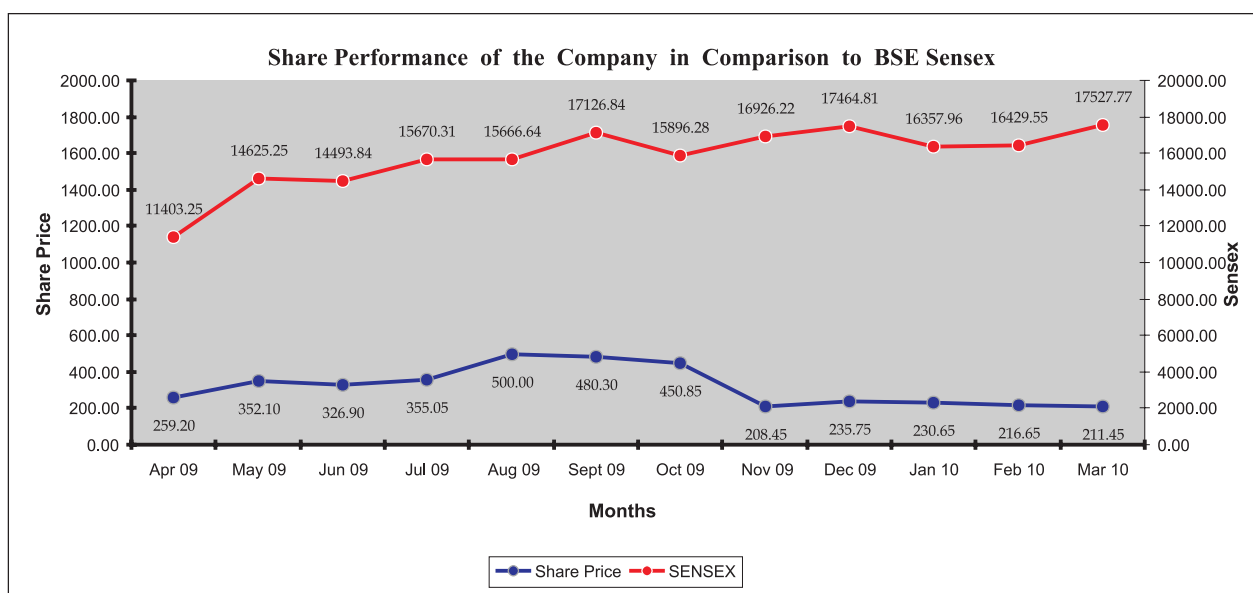
e) Market information

Listing on Stock Exchange : Bombay Stock Exchange Limited
National Stock Exchange of India Limited

- Listing fee for the year 2010 – 2011 has been paid in full to both the Stock Exchanges.
- Stock Code :
National Stock Exchange India Limited - ADSL
Bombay Stock Exchange Limited - 532875
- ISIN in NSDL and CDSL for equity shares : INE102I01027
- Corporate Identification No. : L72200MH1995PLC085488
- Market Price Data: High low during each month in last financial year.

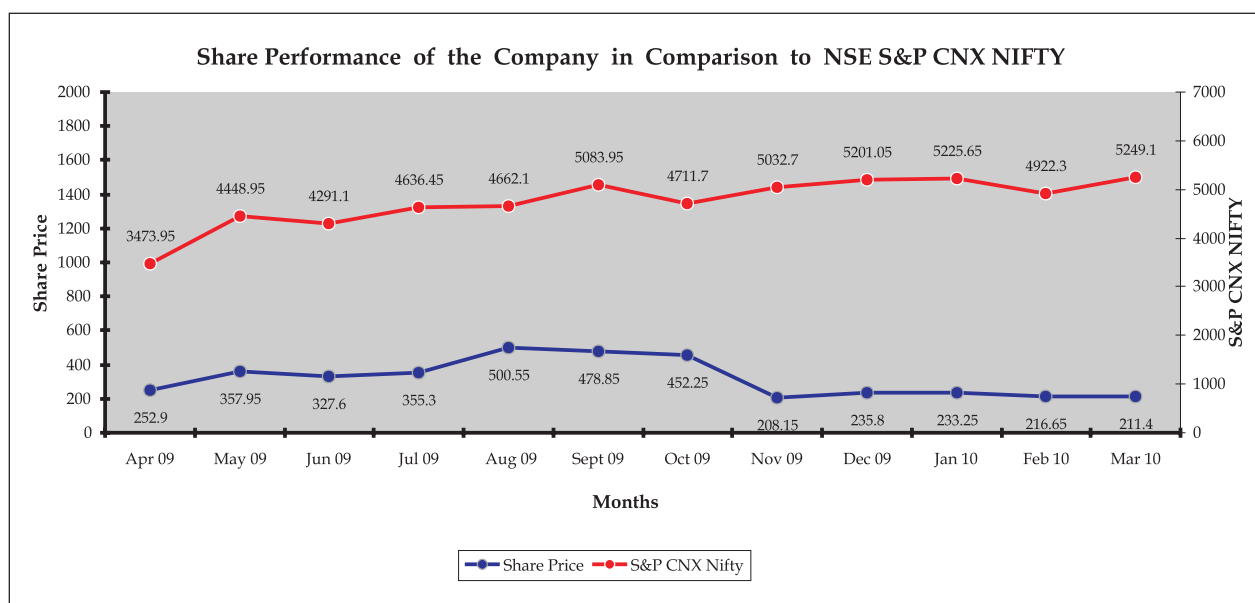
| ALLIED DIGITAL SERVICES LIMITED | | | | | | | | BSE Sensex | | |
|---------------------------------|----------|----------|---------|-----------|---------------|---------------|-------------|------------|----------|-----------|
| Date | Open (₹) | High (₹) | Low (₹) | Close (₹) | No. of Shares | No. of Trades | Net T/O (₹) | High (₹) | Low (₹) | Close (₹) |
| 2009 | | | | | | | | | | |
| Apr | 179.45 | 292 | 173 | 259.2 | 713111 | 9010 | 143899326 | 11492.10 | 9546.29 | 11403.25 |
| May | 243 | 385 | 243 | 352.1 | 478505 | 8506 | 151135804 | 14930.54 | 11621.30 | 14625.25 |
| Jun | 360 | 434.9 | 315 | 326.9 | 889940 | 6404 | 340314733 | 15600.30 | 14016.95 | 14493.84 |
| Jul | 330 | 358.3 | 282 | 355.05 | 547496 | 10691 | 181921104 | 15732.81 | 13219.99 | 15670.31 |
| Aug | 364.4 | 559.5 | 346.5 | 500 | 5601125 | 131162 | 2607778427 | 16002.46 | 14684.45 | 15666.64 |
| Sept | 513 | 514.85 | 406.6 | 480.3 | 1601987 | 49321 | 755513521 | 17142.52 | 15356.72 | 17126.84 |
| Oct | 481.8 | 512.2 | 401.25 | 450.85 | 1399416 | 42885 | 658892572 | 17457.26 | 15805.20 | 15896.28 |
| Nov | 448.9 | 492 | 195.2 | 208.45 | 1210771 | 32834 | 338932509 | 17290.48 | 15330.56 | 16926.22 |
| Dec | 234 | 240 | 204.25 | 235.75 | 1884776 | 37648 | 421497898 | 17530.94 | 16577.78 | 17464.81 |
| 2010 | | | | | | | | | | |
| Jan | 232 | 262 | 203.05 | 230.65 | 1555560 | 32136 | 376058352 | 17790.33 | 15982.08 | 16357.96 |
| Feb | 231.7 | 240 | 208.2 | 216.65 | 500305 | 16138 | 111324150 | 16669.25 | 15651.99 | 16429.55 |
| Mar | 220 | 237.95 | 205.65 | 211.45 | 539284 | 15842 | 121221810 | 17793.01 | 16438.45 | 17527.77 |

*The Equity share of ₹ 10 (Ten only) each is sub divided into 2 (two) Equity Shares of ₹ 5 (Five only) each Vide Special resolution passed at the 15th Annual General Meeting held on September 23, 2009. Accordingly share prices w.e.f 11.11.2009 represents the equity shares of ₹ 5/- each fully paid up.



| ALLIED DIGITAL SERVICES LIMITED | | | | | | | NSE Nifty | | |
|---------------------------------|----------|----------|---------|-----------|---------------|-------------------|-----------|---------|-----------|
| Date | Open (₹) | High (₹) | Low (₹) | Close (₹) | No. of Shares | Net T/O (in lacs) | High (₹) | Low (₹) | Close (₹) |
| 2009 | | | | | | | | | |
| Apr | 176.6 | 293 | 175.15 | 252.9 | 426056 | 1025.62 | 3517.25 | 2965.70 | 3473.95 |
| May | 262 | 371.7 | 246 | 357.95 | 526412 | 1604.96 | 4509.40 | 3478.70 | 4448.95 |
| Jun | 360 | 439.9 | 316.95 | 327.6 | 424735 | 1578.14 | 4693.20 | 4143.25 | 4291.10 |
| Jul | 328.15 | 359 | 280 | 355.3 | 844906 | 2823.37 | 4669.75 | 3918.75 | 4636.45 |
| Aug | 360 | 559.95 | 347.25 | 500.55 | 8540459 | 40200.46 | 4743.75 | 4359.40 | 4662.10 |
| Sept | 510 | 514.9 | 400 | 478.85 | 3028054 | 14250.85 | 5087.60 | 4576.60 | 5083.95 |
| Oct | 478 | 511.7 | 400 | 452.25 | 2561250 | 12051.63 | 5181.95 | 4687.50 | 4711.70 |
| Nov | 450 | 494.4 | 195.1 | 208.15 | 2695080 | 7296.97 | 5138.00 | 4538.50 | 5032.70 |
| Dec | 210 | 240 | 204.25 | 235.8 | 3418406 | 7657.93 | 5221.85 | 4943.95 | 5201.05 |
| 2010 | | | | | | | | | |
| Jan | 234.8 | 262.1 | 203.05 | 233.25 | 2863294 | 6877.4 | 5310.85 | 5167.10 | 5225.65 |
| Feb | 225 | 240 | 210 | 216.65 | 969627 | 2157.18 | 4992.00 | 4757.25 | 4922.30 |
| Mar | 220 | 237 | 190.45 | 211.4 | 1102220 | 2451.25 | 5329.55 | 4935.35 | 5249.10 |

*The Equity share of ₹ 10 (Ten only) each is sub divided into 2 (two) Equity Shares of ₹ 5 (Five only) each Vide Special resolution passed at the 15th Annual General Meeting held on September 23, 2009. Accordingly share prices w.e.f 11.11.2009 represents the equity shares of ₹ 5/- each fully paid up.



f) Share Transfer System & Other Related Matters.

● Share Transfer System

The Shares lodged for transfer are processed by the Registrar and Transfer Agent and are approved by Shareholders Grievance Committee. Shares sent for transfer in physical form are registered and returned within a maximum period of 30 days from the date of receipt, subject to documents being valid and complete in all respects. Similarly all requests for demat are received and processed by the Registrar and Transfer Agent and confirmations are given to the depositories within the prescribed time limit.

- **Registrar and Share Transfer Agent:**

Link Intime India Private Limited,
C 13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (West)
Mumbai 400078
Tel. No. : +91 22 25963838 - 2306
Fax No. : +91 22 25946969
Email : investors@alliedindia.com
Website : www.linkintime.co.in

- **Nomination Facility for Shareholding:**

As per the provisions of the Companies Act, 1956, facility for making nomination is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from the Registrar and Transfer agents of the Company.

- **Payment of Dividend through Electronic Clearing Service:**

The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend.

- **Correspondence regarding Change in Address:**

Members are requested to address all correspondences, including dividend matters, to the Registrar and Share transfer Agents, Link Intime India Private Limited, Tel No: +91 22 2596 3838, Fax No.: +91 22 25946969, Email: investors@alliedindia.com

DISTRIBUTION OF SHARE HOLDING AS ON 31.3.2010

| NO. OF EQUITY SHARES HELD | NO. OF SHARE HOLDERS | % OF TOTAL SHARE HOLDERS | NO. OF SHARES HELD* | % OF TOTAL NUMBER OF SHARES |
|---------------------------|----------------------|--------------------------|---------------------|-----------------------------|
| 1 - 5000 | 15588 | 95.8790 | 1908670 | 4.1064 |
| 5001 - 10000 | 307 | 1.8883 | 456492 | 0.9821 |
| 10001 - 20000 | 141 | 0.8673 | 406698 | 0.8750 |
| 20001 - 30000 | 49 | 0.3014 | 240660 | 0.5178 |
| 30001 - 40000 | 34 | 0.2091 | 1186770 | 0.5107 |
| 40001 - 50000 | 12 | 0.0738 | 114072 | 0.2454 |
| 50001 - 100000 | 34 | 0.2091 | 517275 | 1.1129 |
| 100001 AND ABOVE | 93 | 0.5720 | 42598731 | 91.6497 |
| TOTAL | 16258 | 100.00 | 46479952 | 100.00 |

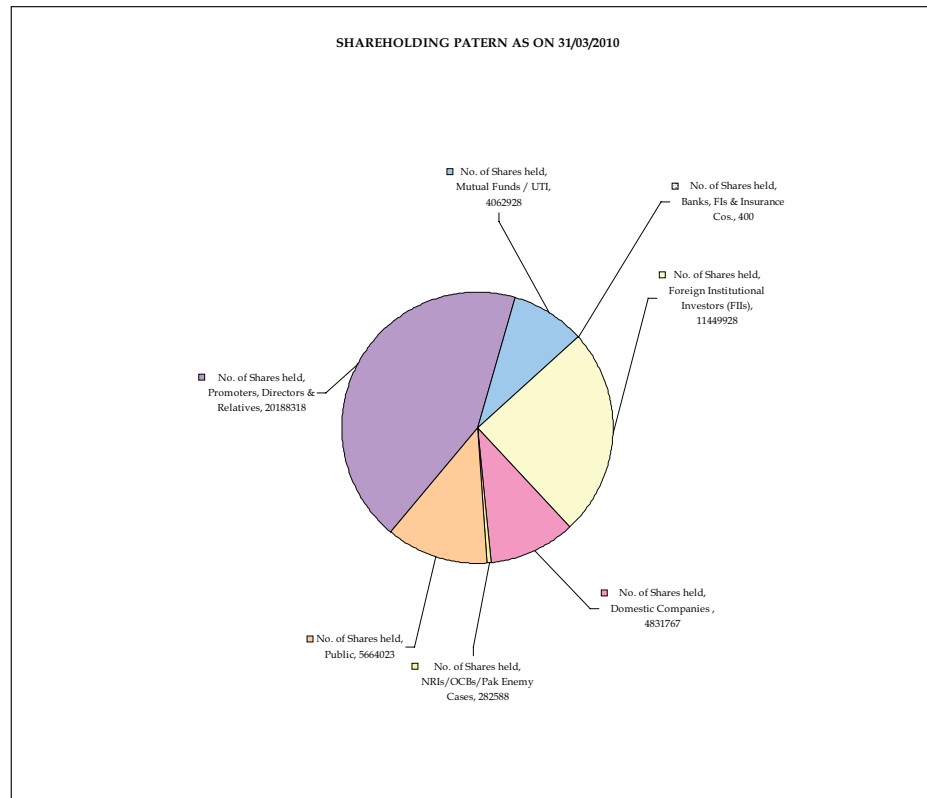
Change the number of equity shares due to split of shares.

*The Equity share of ₹ 10 (Ten only) each is sub divided into 2 (two) Equity Shares of ₹ 5 (Five only) each Vide Special resolution passed at the 15th Annual General Meeting held on September 23, 2009.

SHAREHOLDING PATTERN AS ON 31.3.2010

| CATEGORY | NO. OF SHARES HELD* | PERCENTAGE TO TOTAL NUMBER OF SHARES (%) |
|-------------------------------------------|---------------------|------------------------------------------|
| a. Promoters, Directors & Relatives | 20188318 | 43.43 |
| b. Mutual Funds / UTI | 4062928 | 8.74 |
| c. Banks, FIs & Insurance Cos. | 400 | 0.0009 |
| d. Foreign Institutional Investors (FIIs) | 11449928 | 24.63 |
| e. Domestic Companies | 4831767 | 10.40 |
| f. NRIs/OCBs/Pak Enemy Cases | 282588 | 0.61 |
| g. Public | 5664023 | 12.19 |
| TOTAL | 46479952 | 100 |

*The Equity share of ₹ 10 (Ten only) each is sub divided into 2 (two) Equity Shares of ₹ 5 (Five only) each Vide Special resolution passed at the 15th Annual General Meeting held on September 23, 2009.



● **Dematerialisation of Shares**

The Shares of the Company can be held and traded in electronic form. As on March 31, 2010, 96.78 % (44983798 Shares) of total shares of the Company were held in demat form.

BREAK UP OF SHARES IN PHYSICAL AND DEMAT FORM AS OF 31ST MARCH, 2010:

| No. of Share | Percentage of Shares |
|------------------|----------------------|
| Physical Segment | 3.22% |
| Demat Segment | 96.78% |
| NSDL | 93.45% |
| CDSL | 3.33% |
| Total | 100.00% |

- Outstanding GDRs/ ADRs : NIL
- Warrants or any convertible Instrument, conversion date and likely impact on equity : 2,00,000* Equity Warrants, each Warrants convertible into 1 Equity Shares of ₹ 5/- each.

* The Company had passed a resolution on September 23, 2009 at its fifteenth Annual General Meeting for sub – division of the Equity Shares of ₹ 10 each of the Company into Equity Shares of ₹ 5 each.

- Escrow Account : At the beginning of the year, Seven shareholders were having their 490 Shares outstanding in the suspense account. During the year no shareholders approached issuer for transfer of shares from suspense account. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.
- Plant Location : Not Applicable.
- Address for Correspondence : **ALLIED DIGITAL SERVICES LIMITED**
A-4, Sector – I,
Millennium Business Park,
MIDC Mahape,
Navi Mumbai - 400 710
Tel. : +91 22 66816681
Fax : +91 22 27784968
Email : investors@alliedindia.com
Website : www.alliedindia.com

- **E-mail Id for Investor's Grievances:**

The Company has designated separate Email Id for the investor grievance and to improve the quality of the services to the investor. The e-mail address for investor grievance is investors@alliedindia.com

- **Secretarial Audit Report:**

As stipulated by the Securities and Exchange Board of India, a qualified Practising Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, inter-alia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

14) MANAGEMENT DISCUSSION AND ANALYSIS

As required by Clause 49 of the Listing Agreement the Management Discussion and Analysis is included as a separate section in this Annual Report.

15) CEO/CFO Certification

As required by Clause 49 of the Listing Agreement the CEO/CFO Certificate is provided in the Annual Report.

16) AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement the Auditor's Certificate is obtained and provided in the Annual Report.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To The Members of Allied Digital Services Limited:-

- We have examined the compliance of conditions of Corporate Governance by Allied Digital Services Limited for the Year ended March 31, 2010 as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges.
- The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statement of the Company.
- In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievances Committee.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K. M. Kapadia & associates,**
Chartered Accountants

Date: 3rd September, 2010
Place : Mumbai

Sd/-
Kamlesh Kapadia
Membership No.: 039707

CHIEF EXECUTIVE OFFICER (CEO) and CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Nitin D. Shah, Chairman & Managing Director and Prakash Shah, Whole time Director, of ALLIED DIGITAL SERVICES LIMITED, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account and notes on accounts, as well as the cash flow statements and the Directors' report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements and other financial information included in this report, fairly present in all material respects, the financial condition, results of the operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/or applicable laws and regulations.
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct.
5. The Company's other certifying officers and we, are responsible for establishing and maintaining disclosure controls and procedures for the Company, and we have :
 - a. designed such disclosure controls and procedures to ensure that material information relating to the Company, is made known to us by others within those entities particularly during the period during which this report is being prepared; and
 - b. evaluated the effectiveness of the company's disclosure, controls and procedures.
6. The Company's other certifying officers and we, have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors (and persons performing equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weakness in internal controls;
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls;
 - c. the company's other certifying officers and we, have indicated in this report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness; and
 - d. all significant changes in the accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
7. In the event of any materially significant misstatements or omissions, the signing officers will return to the Company that part of any bonus or incentive or equity –based compensation, which was inflated on account of such errors, as decided by the Audit Committee;
8. We affirm that we have not denied any personnel access to the Audit Committee of the Company;
9. We further declare that all Board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Place: Mumbai
Date: 3rd September, 2010

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Chief Finance Officer & Whole time Director

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members have confirmed compliance with the Code of Conduct and Ethics for the year ended 31st March 2010.

For **Allied Digital Services Limited**

Place : Mumbai
Date : 3rd September, 2010

sd/-
Nitin Shah
Chairman & Managing Director

AUDITORS' REPORT

TO THE MEMBERS OF

ALLIED DIGITAL SERVICES LIMITED

We have audited the attached Balance Sheet of ALLIED DIGITAL SERVICES LIMITED ("the Company"), as at 31st March, 2010, and also 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs, Government of India, in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order on the basis of such checks as we considered appropriate and according to the information and explanations given to us.

Further to our comments in the Annexure referred to above, we report that:

- i. 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;
- ii. 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 those books;
- iii. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. 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;
- v. On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us the said accounts, read with the Notes of Accounts thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b. in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **K. M. KAPADIA & ASSOCIATES**
Chartered Accountants

Place: Mumbai
Date: 3rd September 2010

sd/-
(KAMLESH KAPADIA)
Membership No.: 039707

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE SHAREHOLDERS OF ALLIED DIGITAL SERVICES LIMITED

As required by the Companies (Auditors Report) Order, 2003 issued by the department of Company Affairs, Government of India in terms of Section 227(4A) of the Companies Act 1956 and on the basis of such checks of Books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we further state that:

- I (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
(b) We are informed that most of the Fixed Assets have been verified once during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed by the management as compared with the records maintained by the Company.
(c) The Company has not disposed off any fixed assets during the year so as to affect its going concern status.
- II (a) The Stock of Goods have been physically verified by the management during the year at reasonable intervals.
(b) The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining reasonable records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- III In respect of loans, secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956;
(a) The Company has granted loans secured / unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. The balance amount due to be received from these parties as on 31st March, 2010 is ₹ 1,606.61 lacs. The maximum amount due from such loans during the year was ₹ 1,656.61 lacs.
(b) The Company has not taken interest free / interest bearing loans, secured / unsecured loans during the year under review from any party and the balance outstanding as on 31st March, 2010 is ₹ Nil. The maximum amount involved during the year was ₹ Nil.
(c) The registers required to be maintained u/s 301 of the Companies Act 1956 have been maintained in the prescribed format by the Company.
(d) In our opinion and according to the information and explanation given to us, the rate of interest in case of loan taken, wherever applicable and other terms and conditions are not prima- facie prejudicial to the interest of the Company.
(e) In respect of the loans taken by the Company, the principal as well as interest is regularly paid by the Company.
(f) There is no over due amount in respect of the loans taken by the Company.
- IV In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of the business, for the purchase of the inventory and fixed assets and for the sale of goods.
- V (a) The registers required to be maintained u/s 301 of the Companies Act 1956 have been maintained in the prescribed format by the Company.
(b) In our opinion and according to the information given to us all the transactions entered into by the Company with related parties in pursuance to Section 301 of the Companies Act have been done with fair amount of reasonability vis-à-vis the prevailing market prices at the relevant time.

- VI The Company has not accepted any deposits from public during the year.
- VII The Company has in-house Internal Audit system which is commensurate with its size and nature of its business.
- VIII No Cost Records have been prescribed by the Central Govt. under Clause (d) of Sub Section (1) of Section 209 of the Companies Act, 1956.
- IX (a) According to the records of the Company, the Company has generally been regular in depositing with appropriate authorities the undisputed statutory dues such as Provident Fund, Employees State Insurance, VAT, CST, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it. However some delays have been noticed in payment of some of the above liabilities.
- (b) According to the information and explanation given to us, details of Income Tax which has not been deposited on account of dispute is as follows:

| Name of the Statute | Nature of Dues | Amount (₹) | Amount paid (₹) | Period of Dues | Forum where Dispute is pending |
|---------------------|------------------------------------|------------|-----------------|----------------|--------------------------------|
| Income Tax | Disallowance of deduction u/s. 10A | 40.00 Lacs | 10.00 Lacs | A.Y. 2006-07 | CIT (Appeals)-8 |
| Income Tax | Disallowance of deduction u/s. 10A | 9.17 Lacs | Nil | A.Y. 2007-08 | CIT (Appeals)-8 |

- X The Company does not have accumulated losses as at the end of the year and the Company has not incurred any cash losses in the current and immediately preceding financial year.
- XI As per the explanation and information given to us, the Company has not defaulted in repayment of any dues to any Financial Institution or Banks. There is no issue of any Debentures by the Company in the year under review or any of the preceding years.
- XII The Company has not granted loans and advances on the basis of security by way of pledge of Shares, debentures or other securities.
- XIII In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provision of clause 4 (xiii) of said order are not applicable to the Company.
- XIV In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provision of clause (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- XV According to the information and explanation given to us, the Company has given guarantee for the loans taken by others from Banks and Financial Institutions. The details of the Guarantee are as follows:

| Sr. No | Name of the Company | Nature of the Guarantee | Amount of Guarantee |
|--------|--------------------------|---------------------------------------|---------------------|
| 1. | Allied Digital Inc (USA) | Corporate Guarantee against Term Loan | US\$ 80.00 Lacs |

- XVI According to the information and explanations given to us by the Company, term loans taken have been applied for the purpose for which they were obtained.
- XVII In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short term basis have not been used for long term investment.
- XVIII During the year, the Company has not made any preferential allotment of shares to the parties and the Company covered in the register maintained under section 301 of the Act.
- XIX In our opinion and according to the information and explanation given to us, the Company has not issued any debentures during the period covered by our report. Accordingly, clause 4 (xix) of the said order is not applicable.

- XX During the period covered by our report, the Company has not raised any money by way of public issue. However during the year under review the company has raised ₹ 23,142.21 Lacs by way of Qualified Institutional Placements (QIP).
- XXI According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **K. M. KAPADIA & ASSOCIATES**
Chartered Accountants

Place: Mumbai
Date: 3rd September 2010

Sd/-
(KAMLESH KAPADIA)
Membership No.: 039707

BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| | Schedule | As At 31 st March, 2010 | As At 31 st March, 2009 |
|-------------------------------------------------------|----------|---------------------------------------|---------------------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 2,324.00 | 1,811.47 |
| Reserves and Surplus | 2 | 61,188.93 | 30,031.40 |
| Loan Funds | | | |
| Secured Loans | 3 | 6,608.89 | 4,332.03 |
| Deferred Tax Liability | | 284.96 | 147.75 |
| Total | | 70,406.78 | 36,322.65 |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | 4 | 7,532.30 | 4,280.61 |
| Less: Depreciation | | 1,373.19 | 723.71 |
| Net Block | | 6,159.11 | 3,556.90 |
| Capital Work in Progress | | 4,824.58 | 3,119.15 |
| | | 10,983.69 | 6,676.05 |
| Investments | 5 | 30,511.47 | 8,712.06 |
| Current Assets, Loans and Advances | | | |
| Inventories | 6 | 918.03 | 755.32 |
| Sundry Debtors | 7 | 22,016.00 | 18,811.71 |
| Cash and Bank Balances | 8 | 3,038.56 | 1,571.95 |
| Loans and Advances | 9 | 6,224.38 | 3,226.89 |
| | | 32,196.98 | 24,365.87 |
| Less : Current Liabilities and Provisions | 10 | | |
| Current Liabilities | | 1,956.72 | 1,642.68 |
| Provisions | | 1,328.64 | 1,788.65 |
| | | 3,285.36 | 3,431.33 |
| Net Current Assets | | 28,911.62 | 20,934.54 |
| Total | | 70,406.78 | 36,322.65 |
| Significant Accounting Policies and Notes on Accounts | 17 | | |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai

Dated : 3rd September 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | Schedule | For the year ended 31 st March, 2010 | For the year ended 31 st March, 2009 |
|--------------------------------------------------------------------------------------------|----------|----------------------------------------------------|----------------------------------------------------|
| Income | | | |
| Operational Income | 11 | 47,051.06 | 39,164.10 |
| Other Income | 12 | 421.55 | 218.60 |
| | | <u>47,472.61</u> | <u>39,382.70</u> |
| Expenditure | | | |
| Cost of Sales | 13 | 29,149.64 | 24,642.24 |
| Employee Costs | 14 | 3,939.98 | 3,666.85 |
| Administration, Sales and Other Expenses | 15 | 1,553.14 | 1,158.18 |
| | | <u>34,642.76</u> | <u>29,467.27</u> |
| Profit before Interest, Depreciation, Amortization, Tax & Exceptional Items | | 12,829.85 | 9,915.43 |
| Interest and Finance Charges | 16 | 363.11 | 259.59 |
| Depreciation and Amortization | 4 | 656.58 | 358.65 |
| Profit before Tax & Exceptional Items | | 11,810.16 | 9,297.19 |
| Excess Depreciation reversal in respect of earlier years | | - | 270.07 |
| Profit before Tax | | 11,810.16 | 9,567.26 |
| Provision for Taxation | | 2,008.90 | 1,476.54 |
| Deferred Tax Liability/(Asset) | | 137.21 | 136.15 |
| Profit after Tax | | 9,664.05 | 7,954.57 |
| Balance in Profit and Loss account b/f | | 14,686.42 | 7,655.69 |
| Amount available for Appropriation | | 24,350.47 | 15,610.26 |
| Appropriations | | | |
| Transfer to General Reserve | | 500.00 | 500.00 |
| Proposed Dividend | | 464.80 | 362.29 |
| Dividend Tax | | 77.20 | 61.55 |
| Balance in Profit and Loss account c/f | | 23,308.47 | 14,686.42 |
| Earning per share (Refer Note No. 10(ii)) | | | |
| Basic | | 23.72 | 22.58 |
| Diluted | | 23.70 | 22.58 |
| Significant Accounting Policies and Notes on Accounts | 17 | | |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai

Dated : 3rd September 2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | For the year ended 31 st March, 2010 | For the year ended 31 st March, 2009 |
|--------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Cash Flow from Operating Activities: | | |
| Net Profit before tax | 11,810.16 | 9,567.26 |
| Adjustments for : | | |
| Depreciation and Amortization | 1,135.56 | 114.09 |
| Loss on sale of fixed assets | 44.95 | - |
| Interest Expenses | 363.11 | 259.59 |
| Interest and Dividend Income | (401.92) | (200.79) |
| Amortization of ESOP compensation cost | - | (4.86) |
| Operating profit before working capital changes | 12,951.86 | 9,735.29 |
| Adjustments for : | | |
| Trade and other receivables | (3,683.28) | (4,036.10) |
| Inventories | (162.71) | (258.33) |
| Trade Payables | 389.56 | (522.51) |
| Loans and Advances | (1,895.07) | (1,110.73) |
| Direct Tax Paid | (2,662.59) | (2,639.78) |
| Net Cash from operating activities | 4,937.77 | 1,167.84 |
| Cash Flow from Investing Activities: | | |
| Purchase of Fixed Assets | (5,184.16) | (4,740.30) |
| Sale/(Purchase) of Investments | (21,799.41) | (2,565.17) |
| Sale of Fixed Assets | 175.00 | - |
| Balance with Subsidiaries | (1,102.43) | (1,905.33) |
| Interest and Dividend Received | 401.92 | 200.79 |
| Net Cash used in investment activities | (27,509.08) | (9,010.01) |
| Cash Flow from Financing Activities: | | |
| Issue of Equity Shares | 22,548.00 | 6,216.62 |
| Proceeds from borrowings | 2,276.90 | 2,760.10 |
| Dividend incl. dividend tax | (423.85) | - |
| Financing Charges | (363.11) | (259.59) |
| Net Cash used from financing activities | 24,037.94 | 8,717.13 |
| Increase in cash and cash equivalents: | | |
| Cash and Cash equivalents (Opening) | 1,571.96 | 697.00 |
| Cash and Cash equivalents (Closing) | 3,038.56 | 1,571.95 |
| Net increase in cash and cash equivalents | 1,466.60 | 874.95 |

Notes :

- 1 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on cash flow statement issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalent at the end of the year consist of cash in hand and balances with banks.

(₹ in lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|--------------------|---------------------------------------|---------------------------------------|
| Cash in hand | 37.55 | 32.47 |
| Balances with Bank | 3,001.01 | 1,539.48 |
| Total | 3,038.56 | 1,571.95 |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai
Dated : 3rd September 2010

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "1" :- Share Capital | | |
| Authorised | | |
| 5,00,00,000 (Previous year 2,50,00,000 Equity Shares of ₹ 10/- each) Equity Shares of ₹ 5/- each | 2,500.00 | 2,500.00 |
| Issued, Subscribed and Paid up | | |
| 4,64,79,952 (Previous year 1,81,14,726 Equity Shares of ₹ 10/- each) Equity Shares of ₹ 5/- each fully paid up | 2,324.00 | 1,811.47 |
| | 2,324.00 | 1,811.47 |
| Note: | | |
| 1) Out of the above, 13,22,300 Equity Shares of ₹ 10/- each were allotted as fully paid up bonus shares by capitalising reserves in 1999-2000. | | |
| 2) Out of the above, 71,05,605 Equity Shares of ₹ 10/- each were allotted as fully paid up bonus shares by capitalising reserves in 2006-07. | | |
| 3) Out of the above, 745,000 Equity Shares of ₹ 10/- each were allotted as fully paid up shares to En Pointe Technologies Sales Inc., at the premium 820/- per share under the swap arrangement for the acquisition of En Pointe Global Services LLC in 2008-2009. | | |
| Schedule "2" :- Reserves and Surplus | | |
| Securities Premium | | |
| At the commencement of the year | 14,507.21 | 8,354.03 |
| Addition during the year | 22,843.57 | 6,153.18 |
| | 37,350.78 | 14,507.21 |
| Less : Share Issue Expenses | 996.58 | - |
| | 36,354.20 | 14,507.21 |
| General Reserve | | |
| At the commencement of the year | 837.77 | 337.77 |
| Transfer during the year | 500.00 | 500.00 |
| | 1,337.77 | 837.77 |
| Capital Reserve | | |
| Subscription amount received on Equity Warrants | 188.49 | - |
| Balance in Profit and Loss Account | 23,308.47 | 14,686.42 |
| | 61,188.93 | 30,031.40 |
| Schedule "3" :- Secured Loans | | |
| - Term Loans from Banks | - | 53.95 |
| - Working Capital facilities from Banks | 6,608.89 | 4,278.08 |
| | 6,608.89 | 4,332.03 |

Notes:

Security Details:-

Working Capital Facilities :

- a) Working Capital Loan from State Bank of India and Standard Chartered Bank are Secured by hypothecation of Stock, Book Debts and further secured by way of Collateral charge on office premises, Fixed Deposits with Banks and the Personal Guarantees of Shri Nitin Shah and Shri Prakash Shah.
- b) Foreign Currency Loan from Barclays Bank PLC is secured against SBLC issued by Standard Chartered Bank.
- c) Working Capital Facilities from State Bank of India includes FCNRB facility of USD.4 million fully hedged.
- d) Overdraft Facility from ICICI Bank is secured by Fixed Deposits of the company.

Schedule : "4" :- Fixed Assets

(₹ in Lacs)

| Description of Assets | Gross Block | | Depreciation/Amortisation | | | | Net Block | | | |
|------------------------------------------------------------|------------------------------------|--------------------------|------------------------------------|-----------------------------------|-------------------------------------------------------------|----------------|-------------------------|-----------------------------------|------------------------------------|------------------------------------|
| | As at 31 st March, 2009 | Additions / (Deductions) | As at 31 st March, 2010 | Upto 31 st March, 2009 | Depreciation upto 31 st March, 2008 written back | For the Period | Additions/ (Deductions) | Upto 31 st March, 2010 | As at 31 st March, 2010 | As at 31 st March, 2009 |
| Leasehold Premises | 159.04 | 372.80 | 531.84 | 4.04 | - | 8.65 | - | 12.69 | 519.15 | 155.00 |
| Freehold Premises | 270.65 | (227.05) | 43.60 | 6.56 | - | 3.85 | (7.10) | 3.31 | 40.29 | 264.09 |
| Civil and Plumbing Work | 58.07 | 225.17 | 283.24 | 1.25 | - | 2.29 | - | 3.54 | 279.70 | 56.81 |
| Furniture and Fixtures | 832.38 | 341.73 | 1,174.11 | 69.52 | - | 62.50 | - | 132.02 | 1,042.09 | 762.86 |
| Office Equipments | 237.93 | 12.16 | 250.09 | 26.53 | - | 15.01 | - | 41.54 | 208.55 | 211.40 |
| Motor Vehicles | 114.40 | 19.04 | 133.44 | 28.56 | - | 11.89 | - | 40.45 | 92.99 | 85.84 |
| Computers and IT Equipments | 2,452.17 | 2,507.83 | 4,960.00 | 442.88 | - | 540.78 | - | 983.66 | 3,976.34 | 2,009.29 |
| Computers (Given on lease) | 155.98 | - | 155.98 | 144.37 | - | 11.61 | - | 155.98 | - | 11.61 |
| Total | 4,280.62 | 3,251.68 | 7,532.30 | 723.71 | - | 656.58 | (7.10) | 1,373.19 | 6,159.11 | 3,556.90 |
| Capital Work-In-Progress including Capital Advances | | | | | | | | | | |
| Grand Total | | | | | | | | | 4,824.58 | 3,119.15 |
| Previous Year | 2,258.54 | 2,022.07 | 4,280.61 | 635.13 | 270.07 | 358.65 | - | 723.71 | 3,556.90 | 1,623.41 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "5" :- Investments | | |
| I) Long Term, Unquoted:- | | |
| a) En Pointe Global Services LLC (USA) 3,06,017 (Previous year: 46,017) Equity Shares of USD 10 each fully paid up | 7,503.31 | 6,237.98 |
| b) Digicomp Complete Solutions Ltd. 19,300 (Previous year: 19,300) Equity Shares of ₹ 100/- each fully paid up | 572.94 | 572.94 |
| c) Allied Digital Inc (USA) (Refer note no.B 4 (ii)) | 3,770.81 | 1,401.14 |
| d) En Pointe Technologies India Private Limited 1000 (Previous year: Nil) Equity Shares of ₹ 100/- each fully paid up | - | - |
| II) Current Investments:- | | |
| a) Standard Chartered Fixed Maturity Plan - Yearly Previous year: 5,000,000 units of ₹ 10 each | - | 500.00 |
| b) Fortis Money Plus Fund Institutional Plan - Daily Dividend 15,273,534.116 (Previous year: Nil) units of ₹ 10.0031 each | 1,525.32 | - |
| c) Fortis Flexi Debt Fund - Regular - Quarterly Dividend 5,037,589.889 (Previous year: Nil) units of ₹ 10.0433 each | 508.45 | - |
| d) HDFC Cash Management Fund Treasury Advantage Plan - Daily Dividend 25,323,394.680 (Previous year: Nil) units of ₹ 10.0315 each | 2,540.32 | - |
| e) Kotak Floater Long Term - Daily Dividend 10,228,782.916 (Previous year: Nil) units of ₹ 10.0798 each | 1,031.04 | - |
| f) Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan 104,171.931 (Previous year: Nil) units of ₹ 1001.3389 each | 1,043.11 | - |
| g) Reliance Quarterly Interval Fund - Series III - Institutional Dividend Plan 9,996,801.024 (Previous year: Nil) units of ₹ 10.0049 each | 1,000.17 | - |
| h) ICICI Prudential Flexible Income Plan Premium - Daily Dividend 498,682.211 (Previous year: Nil) units of ₹ 105.7350 each | 527.28 | - |
| i) Birla Sun Life Floating Rate Fund - Long Term - Weekly Dividend 5,146,464.985 (Previous year: Nil) units of ₹ 10.0295 each | 516.16 | - |
| j) SBI SHF Ultra Short Term Fund - Institutional Plan - Daily Dividend 20,170,457.969 (Previous year: Nil) units of ₹ 10.0060 each | 2,018.26 | - |
| k) DSP Black Rock Floating Rate Fund - Institutional Plan - Weekly Dividend 50,440.971 (Previous year: Nil) units of ₹ 1000.6014 each | 504.71 | - |
| l) DSP Black Rock Floating Rate Fund - Institutional Plan - Daily Dividend 201,933.224 (Previous year: Nil) units of ₹ 1000.5452 each | 2,020.43 | - |
| m) Canara Robeco Treasury Advantage Super Institutional - Daily Dividend 8,158,037.5631 (Previous year: Nil) units of ₹ 12.4071 each | 1,012.18 | - |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| n) TFLW Tata Floater Fund - Weekly Dividend 5,010,396.032 (Previous year: Nil) units of ₹ 10.0807 each | 505.08 | - |
| o) IDFC Money Manager Fund - Treasury Plan 5,047,669.848 (Previous year: Nil) units of ₹ 10.0070 each | 505.12 | - |
| p) Baroda Pioneer Treasury Advantage Fund - Institutional Weekly Dividend Option 5,052,503.52 (Previous year: Nil) units of ₹ 10.0001 each | 505.25 | - |
| q) Birla Sunlife Dynamic Bond Fund - Retail - Quarterly Dividend 4,498,748.848 (Previous year: Nil) units of ₹ 11.1306 each | 500.74 | - |
| r) Templeton India Short Term Income Retail Plan 46,201.095 (Previous year: Nil) units of ₹ 1083.4842 each | 500.58 | - |
| s) SBI Magnum Insta Cash Fund - Daily Dividend Option 11,344,306.1306 (Previous year: Nil) units of ₹ 16.7503 each | 1,900.21 | - |
| | 30,511.47 | 8,712.06 |
| Schedule "6" :- Inventories | | |
| - Stock in trade | 918.03 | 755.32 |
| | 918.03 | 755.32 |
| Schedule "7" :- Sundry Debtors | | |
| Other Debts | | |
| - Considered Good | 17,428.67 | 13,867.21 |
| - Considered Doubtful | - | - |
| | 17,428.67 | 13,867.21 |
| Debts outstanding for a period exceeding six months | | |
| - Considered Good | 4,587.33 | 4,944.50 |
| - Considered Doubtful | 478.98 | 25.50 |
| | 5,066.31 | 4,970.00 |
| Total Debtors | 22,494.98 | 18,837.21 |
| Less : Provision for doubtful debts | 478.98 | 25.50 |
| | 22,016.00 | 18,811.71 |
| Schedule "8" :- Cash and Bank Balances | | |
| Cash in Hand | 37.55 | 32.47 |
| Balances with Scheduled Banks | | |
| - in Current Accounts | 1,122.60 | 241.68 |
| - in Deposit Accounts | 1,878.41 | 1,297.80 |
| | 3,038.56 | 1,571.95 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|-----------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "9" :- Loans and Advances | | |
| (Unsecured, Considered Good) | | |
| Advance recoverable in cash or kind or for value to be received | 4,341.71 | 2,499.99 |
| Balance with Subsidiaries | 1,606.61 | 504.19 |
| Staff advances | 158.58 | 88.96 |
| Sundry Deposits | 117.48 | 133.75 |
| | 6,224.38 | 3,226.89 |
| Schedule "10" :- Current Liabilities and Provisions | | |
| Current Liabilities | | |
| Sundry Creditors for Goods | 976.79 | 1,276.25 |
| Sundry Creditors for Expenses | 942.37 | 310.95 |
| Other Liabilities | 37.56 | 55.48 |
| | 1,956.72 | 1,642.68 |
| Provisions | | |
| - Taxation | 637.86 | 1,262.50 |
| - Gratuity | 27.69 | 42.95 |
| - Dividend including dividend tax | 542.00 | 423.85 |
| - Others | 121.09 | 30.30 |
| - Fringe Benefit Tax | - | 29.05 |
| | 1,328.64 | 1,788.65 |
| | 3,285.36 | 3,431.33 |

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010**

(₹ in Lacs)

| Particulars | For the year ended 31 st March, 2010 | For the year ended 31 st March, 2009 |
|--------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Schedule "11" :- Operational Income | | |
| Services, Solutions and Sales | 46,953.60 | 38,798.23 |
| Lease Rent | 14.82 | 12.92 |
| Gain/(Loss) on Foreign Currency (net) | 44.00 | 303.69 |
| Others | 38.64 | 49.26 |
| | 47,051.06 | 39,164.10 |
| Schedule "12" :- Other Income | | |
| Interest Income | 75.41 | 65.40 |
| Dividend Income | 326.51 | 135.38 |
| Other Miscellaneous Income | 19.63 | 17.82 |
| | 421.55 | 218.60 |
| Schedule "13" :- Cost of Sales | | |
| Opening Stock in Trade | 755.32 | 496.99 |
| Add : Purchases during the year | 29,269.18 | 24,854.99 |
| | 30,024.50 | 25,351.98 |
| Less : Closing Stock in Trade | 918.03 | 755.32 |
| | 29,106.47 | 24,596.66 |
| Add : Other Direct Expenses | 43.17 | 45.58 |
| | 29,149.64 | 24,642.24 |
| Schedule "14" :- Employees Cost | | |
| Salaries and Wages | 3,681.85 | 3,427.39 |
| Directors' Remuneration | 88.48 | 44.00 |
| Contribution to PF and other Funds | 132.21 | 139.08 |
| Contribution to Gratuity Fund | 4.16 | 25.74 |
| Staff Training and Welfare Expenses | 33.28 | 30.64 |
| | 3,939.98 | 3,666.85 |

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010**

(₹ in Lacs)

| Particulars | For the year ended 31 st March, 2010 | For the year ended 31 st March, 2009 |
|------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Schedule "15" :- Administration, Sales and Other Expenses | | |
| Rent, Rates & Taxes | 165.27 | 142.95 |
| Travelling & Conveyance Expenses | 165.20 | 170.43 |
| Communication Expenses | 160.92 | 175.71 |
| Printing & Stationery Expenses | 26.44 | 26.31 |
| Electricity Expenses | 70.28 | 58.53 |
| Legal & Professional Fees | 83.19 | 111.06 |
| Repairs & Maintenance | 24.54 | 50.39 |
| Insurance | 9.92 | 6.96 |
| Other Administrative Expenses | 111.65 | 131.58 |
| Provision for Doubtful Debts | 478.98 | 25.50 |
| Bad debts written off | 57.29 | 60.07 |
| Loss on sale of Asset | 44.95 | - |
| Sales Promotion Expenses | 5.53 | 15.44 |
| Freight Outwards | 81.70 | 90.18 |
| Advertisement Expenses | 67.28 | 93.07 |
| | <u>1,553.14</u> | <u>1,158.18</u> |
| Schedule "16" :- Interest and Financial Charges | | |
| Interest to Banks: | | |
| On Term Loans | 2.15 | 8.95 |
| On Working Capital Loans | 175.95 | 208.79 |
| Bank and Other Financial Charges | 185.01 | 41.85 |
| | <u>363.11</u> | <u>259.59</u> |

SCHEDULE '17' – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) Significant Accounting Policies

1) Basis of Preparation

The financial statements are prepared under the historical cost convention and as per the requirements of the Companies Act, 1956.

2) Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee benefits, provision for income taxes, accounting for contract costs expected to be incurred to complete software development and the useful lives of depreciable fixed assets.

3) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Financing cost related to acquisition of Fixed Assets are also included to the extent they relate to the period till such assets are ready to put to use.

4) Depreciation

Depreciation other than on capital work-in-progress is charged so as to write-off the cost of assets, on the following basis:

| | | |
|-----------------------------------------|---------------|--------|
| Freehold & Leasehold Land & Buildings | Straight line | 1.63% |
| Freehold Buildings | Straight line | 1.63% |
| Furniture and Fixtures | Straight line | 6.33% |
| Computer Equipment (Own Use and Leased) | Straight line | 16.21% |
| Motor Cars | Straight line | 9.5% |
| Office Equipment | Straight line | 4.75% |
| Civil and Plumbing Work | Straight line | 1.63% |

Depreciation is charged only from the date the asset concerned is put to use by the Company.

Fixed Assets individually costing ₹ 5,000/- or less are fully depreciated in the year of acquisition itself.

5) Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on pro-rata basis over the period of the lease.

6) Impairment

At each Balance Sheet date, the management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is re-estimated in order to determine the extent of impairment loss. Any deviation in the value of such asset is recognized in the Profit and Loss Account. Recoverable amount is the higher of an asset's net selling price and value in use.

7) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

Profit or Loss on sale of Investment is determined on the specific identification basis.

8) Employee Benefits

(i) Post Retirement Benefit Plans

Payments to the defined retirement benefit schemes are recognized as expenses when employees have rendered services entitling them to contributions.

In accordance to the applicable Indian Laws and as per the Accounting Standard 15 (Revised) for "Accounting for Employees Benefit", the Company with effect from April 1, 2006 provides for gratuity for its eligible employees. The Actuarial Gains or Losses are charged to the Profit and Loss Account for the period in which they occur.

(ii) Employees Defined Contribution Plans

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. This contribution is made to the Government's Provident Fund.

9) Revenue Recognition

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Sales in case of supply of goods are recognized when the goods are invoiced or dispatched to the customers and are recorded exclusive of VAT, CST, other local levies and other discounts and rebates.

Revenue from sale of software licenses are recognized upon delivery where there is no customization required. In case of sale of customized software the same is recognized on the basis of achieving the various milestones attached with the customization, net of all taxes, local levies and other discounts & rebates.

Service revenue is considered on acceptance of the contract and is accrued over the period of the contract, net of all taxes, local levies and other discounts & rebates.

Dividends are recorded when the right to receive payment is established.

Interest income is recognised on time proportion basis.

10) Taxation

Current income tax expense comprises taxes on income from operations in India.

Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax expense or benefit is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in the subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws prevailing as on the date of the Balance Sheet.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised to the extent that there is virtual certainty that sufficient taxable income will be available in future to realise such assets.

Provisions for income taxes are presented in the balance sheet after offsetting Advance Taxes paid and TDS deductions for the respective assessment years.

The Company offsets deferred tax assets and deferred tax liabilities, if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

11) Foreign Currency Transactions

The transactions in Foreign Currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transaction. The difference on account of fluctuation in the rate of exchange prevailing on the date of transaction and the date of realization is treated as revenue / expenditure.

Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year end are recognized in the Profit and Loss Account except those relating to acquisition of fixed assets which are adjusted in the cost of the assets.

12) Employee Stock Option Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the Company is following the Intrinsic

Value Method of ESOP cost whereby the excess of Fair Market Value of the shares of the Company one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost. This cost is amortized on straight-line basis over the period of vesting of the Option.

However, during the year, there were no Options vested below the Fair Market Value of the Shares hence no expenses have been provided on account of Employee Stock Options Cost (Previous Year: Nil).

13) Inventories

Inventories are carried at lower of cost and net realizable value. Cost is determined on a first in first out basis. Purchased goods in transit are carried at cost. Stores and spare parts are carried at cost less provision for obsolescence.

B) Notes on Accounts

1) Acquisitions / Divestments

- (i) On 1st April, 2009, the Company has acquired 100% Equity Stake in En Pointe Technologies India Private Limited (EPTIPL) for a consideration of US\$ 1/-. EPTIPL is a Company engaged and specialised in SAP support & implementation. Since the amounts shown in Audited Financial Statements of the Company are shown as '₹ in Lacs', the amount reflecting under the Schedule of investment against EPTIPL is Nil.

2) Employee Benefits

- (i) An amount of ₹ 20.00 Lacs (*Previous Year ₹ 2.00 Lacs*) has been contributed towards the Employees Gratuity Fund against the current year liability of ₹ 4.16 Lacs (*Previous Year ₹ 25.74 Lacs*) and earlier year liabilities as per the Actuarial Valuation for Gratuity as on 31st March 2010. The Company has its Employees Gratuity Fund managed by Birla Sun Life Insurance Company.
- (ii) The Company recognised ₹ 89.40 Lacs (*Previous year: ₹ 84.46 Lacs*) for provident fund contributions during the year. The contributions payable to this plan by the Company are at rates specified in the rules of the scheme and the same are charged to the Profit and Loss Account of the Company.

(iii) Employees Stock Options

The Company by a Special Resolution passed at the Extra Ordinary General Meeting held on January 02, 2007 approved the Employee Stock Option Scheme under Section 79 A of the Companies Act, 1956 to be read along with SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 whereby options convertible into Equity Shares had been granted to eligible employees of the Company. The Board of Directors had resolved to grant the Options to the eligible employees vide resolution dated January 22, 2007, consequently the Options were granted to eligible employees.

The Company has two Stock Options Plans which are summarized as under:

(a) Stock Option Scheme (2007) Loyalty Grant

Under this scheme, the Company had granted 63,300 Options @ ₹ 10/- each to the eligible employees.

Out of the above mentioned grant of 63,300 Options, 50,436 Options were exercised by the eligible employees and balance Options were lapsed.

(b) Stock Option Scheme (2007) Growth Grant

Under this scheme, the Company had granted 4,30,300 Options (pre-split of Company's Equity Shares) @ ₹ 95/- each to the eligible employees which were to be exercised within four years from the date of the grant.

Out of the above, during the year under review 196,050 (pre – split of Company's Equity Shares) and 58,400 (post - split of Company's Equity Shares) Options were exercised by the eligible employees.

The summary of the Stock Options exercised by the eligible employees during the year under review are as under :

| | | |
|-------------------------------------------------------|---|----------|
| Outstanding options as at April 1, 2009 | - | 3,17,400 |
| Granted during the year | - | Nil |
| Exercised during the year (Pre-split) | - | 196,050 |
| Exercised during the year (Post-split) | - | 58,400 |
| Forfeited/lapsed during the year (Pre-split) | - | 4,200 |
| Outstanding options as at March 31, 2010 (Post-split) | - | 1,75,900 |

3) Contingent Liabilities

- (i) As per the Certificate issued by the banks, value of bank guarantees outstanding as on 31st March, 2010 amounts to ₹ 996.09 Lacs (*Previous Year ₹ 744.64 Lacs*) and the value of Letter of Credit Outstanding as on 31st March, 2010 amounts to ₹ 24.81 Lacs (*Previous Year ₹ 145.52 Lacs*).
- (ii) Claim against the Company not acknowledged as debts ₹ 5.92 Lacs (*Previous Year ₹ 5.92 Lacs*). The Company has deposited ₹ 4.50 Lacs (*Previous Year ₹ 4.50 Lacs*) against the same in the Mumbai High Court.
- (iii) Vide order of the Deputy Commissioner of Income Tax dated 26.05.2008 for the A.Y. 2006-07, the Company's claim of deduction u/s 10A of ₹ 93.05 Lacs out of the total claim of ₹ 552.37 Lacs has been disallowed on account of delay in realization of export proceeds. An amount of ₹ 40.00 Lacs is payable on account of this disallowance. The Company has preferred an appeal with the Commissioner of Income Tax (Appeals)-IV, Mumbai against this order and is likely to get substantial relief after this appeal is decided. The Company has already paid ₹ 10.00 Lacs out of the total demand as per the aforesaid order.
- (iv) Vide order of Deputy Commissioner of Income Tax 4(1) dated 14.12.2009 for the A.Y. 2007-08, the Company's claim of deduction u/s 10A of ₹ 27.00 Lacs out of the total claim of ₹ 711.02 Lacs has been disallowed on account of allocation of common expenses to the Software Technology Park Undertaking. The Company has preferred an appeal with the Commissioner of Income Tax (Appeal-8) Mumbai against this order and is likely to get substantial relief after this appeal is decided.
- (v) Liability of ₹ 5.00 Lacs each F.Y. 2006-07 and 2007-08 as per the order of Deputy Commissioner of Income Tax 4(1) is due. The Company has preferred an appeal with the Commissioner of Income Tax (Appeal-8), Mumbai against the said order and full relief is expected from the outcome of this appeal.

4) Current Assets, Loans and Advances

In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated and are realisable in the ordinary course of business.

- (i) The management is in process of obtaining external confirmations and reconciling balances relating to Sundry Debtors and Loans & Advances amounting to ₹ 22,494.98 Lacs and ₹ 6,224.38 Lacs respectively as at 31st March 2010. Accordingly the need to make further provisions for doubtful debts, if any, will be assessed and given effect into the books of accounts in the year of completion of exercise mentioned hereinabove.
- (ii) Amounts extended to wholly owned subsidiary company Allied Digital Inc has been shown under the head investment as the same is long term in nature.

5) Current Liabilities and Provisions

In the opinion of the Board, the Current Liabilities are approximately at the fair value in the Balance Sheet. Balances of Sundry Creditors are subject to confirmation and reconciliation.

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

6) **Additional Information pursuant to the Provisions of Part II of the Schedule VI of the Companies Act 1956**

(₹ In Lacs)

| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|-----------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| (i) Income in Foreign Currency Sales of services, Software & Solution | 4,906.97 | 4,880.77 |
| (ii) Expenditure in Foreign Currency (subject to deduction of tax where applicable) | | |
| (a) Travelling Expenses | 37.54 | 28.05 |
| (b) Professional Fees | 1.89 | Nil |
| (iii) Value of Imports calculated on C.I.F. basis | | |
| (a) Capital goods | 98.64 | 253.33 |
| (b) Trade goods | 218.33 | 383.45 |

7) **Quantitative Information**

Considering the nature of business of the Company, it is not practically possible to give quantitative information in the absence of common expressible unit.

8) **Dues to Micro, Small and Medium Enterprises**

The names of the Micro, Small and Medium Enterprises to whom the Company owes a sum exceeding ₹ 1 Lac, which is outstanding for more than 30 days, could not be identified, as the necessary information is not in the possession of the Company.

9) **Earnings Per Share**

| | 2009-10 | 2008-09 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| A Weighted average number of Equity Shares of ₹ 10/- each | | |
| I Number of shares at the beginning of the year (Nos.) of ₹ 10/- each. | 1,81,14,726 | 1,72,89,740 |
| II Number of at the end of the year (Nos.) of ₹ 5/- each (<i>Previous Year of ₹ 10/- each</i>) | 4,64,79,952 | 1,81,14,726 |
| III ESOP outstanding to employees of 1,75,900 Eq. Shares of ₹ 5/- each (previous year 2,35,300 Eq. Shares of ₹ 10/- each) @ ₹ 47.50 per share | 1,75,900 | 3,17,400 |
| IV Weighted average number of Equity Shares of ₹ 5/- each (<i>Previous Year ₹ 10/- each</i>) outstanding during the year (Nos) for Basic EPS | 4,07,37,334 | 1,76,17,791 |
| V Weighted average number of Equity Shares of ₹ 5/- each (<i>Previous Year ₹ 10/- each</i>) outstanding during the year (Nos) for Dilutive EPS | 4,07,79,111 | 1,76,17,791 |
| B Net Profit after tax available for Equity Shareholders (In ₹ Lacs) | 9,664.05 | 7,954.57 |
| C Basic income per share (in ₹) [B/A (v)] | ₹ 23.72 | ₹ 45.15 |
| D Diluted income per share (in ₹) [B/A (vi)] | ₹ 23.70 | ₹ 45.15 |

10) **Split of Shares**

- During the year, the Equity Share of ₹ 10/- each is Sub-divided into 2 Equity shares of ₹ 5/- each vide special resolution passed at 15th Annual General Meeting held on September 23, 2009.
- Pursuant to the Sub-division of Equity Share of the Company from ₹ 10/- each to ₹ 5/- each the Basic & Diluted EPS and number of shares have been computed for the current year and restated for the previous year based on the face value of ₹ 5/- per equity share.

11) **Issue of Warrant to BCCL**

During the year, the Company has allotted 2,00,000 (Two Lacs) Warrants (convertible into Equity Shares of ₹ 5/- each) to Bennett, Coleman and Company Limited ("BCCL") on preferential allotment basis at ₹ 377/- per warrant with following condition; (1) if at the time of conversion, the price determined in accordance with SEBI (ICDR) is less than ₹ 377/- then the Warrants will be converted at such lower price; (2) but in any case such lower price shall not be below ₹ 277/- per Warrant.

12) Taxes on Income

- (i) Provision for taxation for the year has been made in accordance with the provisions of the Income Tax Act, 1961.
- (ii) In terms of Accounting Standard on "Accounting for Taxes on Income" (AS 22), the Company has recognised Deferred Tax Liability amounting to ₹ 284.96 Lacs (*Previous Year ₹ 147.75 Lacs*) for the period ended 31st March, 2010 in the Profit and Loss Account.

The amount of Deferred Tax Liability as on 31st March, 2010 comprises of:

(₹ In Lacs)

| Sr. No. | Particulars | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|---------|------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| | Deferred Tax Liability/ (Asset) | | |
| 1 | Depreciation | 1,017.40 | 312.85 |
| 2 | Provision for Bad Debts | (162.61) | (8.67) |
| 3 | On account of Exchange Rate Fluctuation | - | - |
| 4 | On account of Deferred Revenue Expenses | (564.45) | (169.28) |
| 5 | On account of other disallowable Expenses and Income | - | 20.92 |
| 6 | Gratuity | (5.38) | (8.07) |
| | Deferred Tax Liability / (Assets) | 284.96 | 147.75 |

13) Related Party Disclosures

A) Related Parties and their Relationship

(i) Subsidiaries

1. Digicomp Complete Solutions Ltd.
2. En Pointe Global Services LLC
3. Allied Digital Inc
4. En Pointe Technologies India Private Limited

(ii) Associates

1. Assetlite Equipment India Private Limited
2. Allied CNT Solutions Private Limited*
3. The Gateways
4. Digicomp Electronics Testing Services (DETS) Pte. Limited

Note : The company has divested its Equity Stake in Allied CNT Solutions Pvt. Ltd. during financial year 2008-09.

(iii) Key Management Personnel & their relatives (KMP)

| | |
|--------------------|------------------------------|
| Mr. Nitin Shah | Chairman & Managing Director |
| Mr. Prakash Shah | Executive Director & CFO |
| Mr. Manoj Shah | Executive Director |
| Mr. Bimal Raj | Executive Director |
| Mr. Bharat Shah* | Brother of Director |
| Mrs. Tejal P. Shah | Wife of Mr. Prakash Shah |
| Mr. Nehal N. Shah | Son of Mr. Nitin Shah |
| Mrs. Smitha B. Raj | Wife of Mr. Bimal Raj |

(** Expired on 06/06/2008)

B) Nature of Transactions with the Related Parties

(₹ In Lacs)

| Year ended 31 st March, 2010 | Subsidiaries | Associates | Key Management Personnel |
|--------------------------------------------|--------------|------------|--------------------------|
| Revenue | 1,545.11 | 108.57 | - |
| | 8.75 | 25.73 | - |
| Purchase of goods, Services and facilities | 28.57 | 44.67 | 8.41 |
| | 21.18 | 80.95 | 2.17 |
| Loan and Advances | 2,018.31 | 2.98 | - |
| | 518.58 | 61.00 | - |

C) Balances with Related Parties

(₹ in Lacs)

| As at 31 st March, 2010 | Subsidiaries | Associates | Key Management Personnel |
|------------------------------------|--------------|------------|--------------------------|
| Debtors | 10.30 | 100.14 | - |
| | - | 58.54 | - |
| Loan and Advances | 1,606.61 | - | - |
| | 504.19 | 328.01 | - |
| Sundry Creditors | - | - | - |
| | 7.69 | - | - |

(iv) Remuneration to Key Management Personnel

(₹ In Lacs)

| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|---------------------------|--------------------------------------------|--------------------------------------------|
| Mr. Nitin Shah | 34.38 | 20.00 |
| Mr. Prakash Shah | 19.69 | 10.00 |
| Mr. Manoj Shah | 14.00 | 14.00 |
| Mr. Bimal Raj | 20.42 | Nil |
| Total Remuneration | 88.48 | 44.00 |

(v) Computation of Net Profit in accordance with Section 198 and with Section 349 of the Companies Act, 1956

(₹ In Lacs)

| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|--------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| (a) Net Profit as per Profit and Loss Account | 9,664.05 | 7,954.57 |
| Add: Provision for Income Tax and Fringe Benefit Tax | 2,008.90 | 1,476.54 |
| Provision for Deferred Tax | 137.21 | 136.15 |
| Profit under Section 349 of the Companies Act, 1956 | 11,810.16 | 9,567.26 |
| Add: Managerial Remuneration | 88.48 | 44.00 |
| Depreciation as per accounts | 656.58 | 88.58 |
| Provision for bad and doubtful debts | 478.98 | 25.50 |
| Less: Depreciation as per Section 350 of the Companies Act, 1956 | 656.58 | 358.65 |
| Profit under Section 198 of the Companies Act, 1956 | 12,377.62 | 9,366.69 |
| (b) Details of Managerial Remuneration under Section 198 of the Companies Act, 1956 | | |
| Salaries, Remuneration and Allowances | 88.48 | 44.00 |
| Total | 88.48 | 44.00 |

14) Auditors' Remuneration

| | Year Ended 31 st March, 2010 | (₹ In Lacs) Year Ended 31 st March, 2009 |
|------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------|
| For services as Auditors, including quarterly audits | 3.50* | 2.00* |
| For Tax Audit | 0.50* | 0.50* |
| Others | 4.95* | Nil |
| | <u>8.95</u> | <u>2.50</u> |

* excluding service tax

15) Lease Incomes

In accordance with the Accounting Standard 19, "Leases" issued by the Institute of Chartered Accountants of India, the Company has given Assets on Operational Lease on or after 1st April 2001. These assets have been capitalised and consequently depreciation has also been provided on these assets. The minimum lease rent receivable as at 31st March, 2010 are as follows:

| | Year Ended 31 st March, 2010 | (₹ In Lacs) Year Ended 31 st March, 2009 |
|---------------------------------------------------|--------------------------------------------|-----------------------------------------------------------|
| <u>Lease Rent Receivable</u> | | |
| Not Later than One Year | 14.82 | 19.57 |
| Later than One Year but Not Later than Five Years | 107.65 | 38.21 |

16) Segment Reporting

During the year under review, the Company's business consisted of two reportable business segments i.e. Solutions and Infrastructure Management Services. The details pertaining to attributable Revenues, Profits and Capital employed are given hereunder.

| Sr. No. | Particulars | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|---------|---------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| 1 | Segment Revenue | | |
| | Solutions | 30,530 | 27,670 |
| | Infrastructure Management Services | 16,424 | 11,126 |
| | Unallocated | 519 | 585 |
| | Net Segment Revenue | <u>47,473</u> | <u>39,383</u> |
| 2 | Profit before Interest, unallocable expenses & Tax | | |
| | Solutions | 8,186 | 8,440 |
| | Infrastructure Management Services | 11,889 | 7,865 |
| | | 20,075 | 16,305 |
| | Less : i) Interest | 363 | 260 |
| | ii) Un-allocable Expenses (net of un-allocable income) | 7,902 | 6,478 |
| | Total Profit Before Tax | <u>11,810</u> | <u>9,567</u> |
| 3 | Capital Employed | | |
| | Unallocable | 33,464 | 23,328 |
| | Total Capital Employed | <u>33,464</u> | <u>23,328</u> |

17) Previous year's figures have been recast / restated wherever necessary.

18) Previous year's figures are in italics.

As per our report of even date

For K. M. Kapadia & Associates
Chartered Accountants

sd/-

Kamlesh Kapadia
Membership No.039707

Place : Mumbai

Dated : 3rd September 2010

sd/-

Nitin Shah
Chairman & Managing Director

For **Allied Digital Services Ltd.**

sd/-

Prakash Shah
Executive Director & CFO

sd/-

Ravindra Joshi
Company Secretary

Balance Sheet Abstract and Company's General Business Profile:
Information pursuant to Part IV of schedule VI to Companies Act, 1956.

I Registration Details

| | | | | | | | | | |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------|-------------|-------|------|------|-------|------|--|--|
| Registration No. : | 85488 | State Code: | 11 | | | | | | |
| Balance Sheet Date : | <table border="1"> <tr> <td>31</td> <td>March</td> <td>2010</td> </tr> <tr> <td>Date</td> <td>Month</td> <td>Year</td> </tr> </table> | 31 | March | 2010 | Date | Month | Year | | |
| 31 | March | 2010 | | | | | | | |
| Date | Month | Year | | | | | | | |

II. Capital Raised during the Year (₹ in Lacs)

| | | | |
|-----------------------|------|-----------------------------------------------|--------|
| Public Issue | N.A. | Right Issue | N.A. |
| Bonus Issue | N.A. | Private Placement/ Promoter's Contribution | 23,142 |
| Call Unpaid/ Received | N.A. | | |

III. Position of Mobilisation and Deployment of Funds (Rs. In Lacs)

| | | | |
|-----------------------------|--------|------------------------|--------|
| Total Liabilities | 70,407 | Total Assets | 70,407 |
| Sources of Funds | | | |
| Paid up Capital | 2,324 | Reserve and Surplus | 61,189 |
| Share Application Money | NIL | Secured Loans | 6,609 |
| Unsecured Loans | NIL | Deferred Tax Liability | 285 |
| Application of Funds | | | |
| Net Fixed Assets | 10,984 | Investments | 30,511 |
| Net Current Assets | 28,912 | Deferred Tax Asset | NIL |
| Accumulated Losses | NIL | | |

IV. Performance of Company. (Rs. In Lacs)

| | | | |
|----------------------------------------------------|--------|-----------------------|--------|
| Turnover and Income | 47,473 | Total Expenditure | 35,662 |
| Profit/ Loss Before Tax | 11,810 | Profit/Loss After Tax | 9,664 |
| (Please tick appropriate box.+ Profit, - for Loss) | | | |
| Earnings Per Share in (₹) | 23.72 | Dividend Rate % | 20% |

V. Generic Names of Three Principal Products/Services of Company (As Per Monetary Terms)

| | | | |
|--------------------------|--------------------|--------------------------|--------------|
| Item Code No. (ITC Code) | 84713010 | Item Code No. (ITC Code) | 85249113 |
| Product Description | Personal Computers | Product Description | I.T Software |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai
Dated : 3rd September 2010

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF ALLIED DIGITAL SERVICES LIMITED

We have audited the attached Consolidated Balance Sheet of ALLIED DIGITAL SERVICES LIMITED and its subsidiaries (collectively referred as "the ADSL Group) as at March 31, 2010 and the Consolidated Profit & Loss A/c and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 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 disclosure 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 over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets (net) of ₹ 7,927.30 lacs as at March 31, 2010, total revenues of ₹ 17,993.52 lacs and net operating cash out flows amounting to ₹ 2,699.53 lacs for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on these reports of other auditors.

We report that the consolidated financial statement have been prepared by the ADSL Group's management in accordance with the requirements of the Accounting Standards (AS) 21, Consolidated Financial statements and Accounting Standards (AS) 23 Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statement and on the financial statement of the component, and to the best of our information and according to the explanation given to us, we are of the opinion that, subject to our Notes of Accounts, the attached consolidated financial statements give a true and fair view in conformity with the accounting principle generally accepted in India:

- (i) In the case of the Consolidated Balance Sheet, of the state of affairs of the ADSL Group as at March 31, 2010;
- (ii) In the case of Consolidated Profit and Loss A/c , of the profit on that date; and
- (iii) In the case of Consolidated Cash Flow Statements, of the cash flows for the year ended that

For **K. M. Kapadia & Associates,**
Chartered Accountants

sd/
(Kamlesh Kapadia)

Membership No.: 039707

Place : Mumbai

Date : 3rd September, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | Schedule | As at 31st March, 2010 | As at 31 March, 2009 |
|-------------------------------------------------------|----------|---------------------------|-------------------------|
| Sources of Funds | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 2,324.00 | 1,811.47 |
| Reserves and Surplus | 2 | 61,006.25 | 29,820.95 |
| Minority Interest | | 872.32 | 361.17 |
| Loan Funds | | | |
| Secured Loans | 3 | 9,516.69 | 8,413.12 |
| Unsecured Loans | 4 | 43.97 | 600.36 |
| Deferred Tax Liability | | 314.07 | 160.39 |
| Total | | 74,077.30 | 41,167.46 |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 8,678.41 | 5,082.77 |
| Less: Depreciation | | 1,776.35 | 915.82 |
| Net Block | | 6,902.06 | 4,166.95 |
| Capital Work in Progress | | 5,031.05 | 3,385.89 |
| | | 11,933.11 | 7,552.84 |
| Goodwill (On Consolidation) | | 11,260.11 | 11,252.22 |
| Investments | 6 | 18,664.41 | 500.00 |
| Current Assets, Loans and Advances | | | |
| Inventories | 7 | 1,309.95 | 1,059.47 |
| Sundry Debtors | 8 | 26,579.74 | 22,718.41 |
| Cash and Bank Balances | 9 | 3,539.64 | 1,651.94 |
| Loans and Advances | 10 | 5,308.30 | 3,304.78 |
| | | 36,737.63 | 28,734.60 |
| Less : Current Liabilities and Provisions | 11 | | |
| Current Liabilities | | 3,131.09 | 5,035.84 |
| Provisions | | 1,386.87 | 1,836.36 |
| | | 4,517.96 | 6,872.19 |
| Net Current Assets | | 32,219.67 | 21,862.40 |
| Total | | 74,077.30 | 41,167.46 |
| Significant Accounting Policies and Notes on Accounts | 18 | | |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai
Dated : 3rd September, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | Schedule | As at 31st March, 2010 | As at 31st March, 2009 |
|----------------------------------------------------------------------------------------|----------|---------------------------|---------------------------|
| Income | | | |
| Operational Income | 12 | 67,304.51 | 55,574.93 |
| Other Income | 13 | 429.33 | 222.78 |
| | | 67,733.84 | 55,797.71 |
| Expenditure | | | |
| Cost of Sales | 14 | 40,970.63 | 34,461.01 |
| Employee Costs | 15 | 8,559.51 | 7,366.92 |
| Administration, Selling and Other Expenses | 16 | 4,741.54 | 3,785.45 |
| | | 54,271.68 | 45,613.38 |
| Profit before Interest, Depreciation, Amortization, Tax & Exceptional Items | | 13,462.16 | 10,184.33 |
| Interest and Finance Charges | 17 | 605.83 | 561.79 |
| Depreciation and Amortization | 5 | 875.72 | 496.82 |
| Profit before Tax & Exceptional Items | | 11,980.61 | 9,125.72 |
| Excess Depreciation reversed in respect of earlier years | | - | 270.07 |
| Profit before Tax | | 11,980.61 | 9,395.79 |
| Provision for Taxation including FBT | | 2,084.32 | 1,530.92 |
| Deferred Tax Liability/(Asset) | | 153.62 | 145.09 |
| Profit after Tax | | 9,742.67 | 7,719.78 |
| Minority Interest | | 82.36 | 28.38 |
| Profit after Minority Interest | | 9,660.31 | 7,691.40 |
| Balance in Profit and Loss account b/f | | 14,423.25 | 7,655.69 |
| Profit available for Appropriation | | 24,083.56 | 15,347.09 |
| Appropriations : | | | |
| Transfer to General Reserve | | 500.00 | 500.00 |
| Proposed Dividend | | 464.80 | 362.29 |
| Dividend Tax | | 77.20 | 61.55 |
| Balance in Profit and Loss account c/f | | 23,041.56 | 14,423.25 |
| Earning per share (Refer Note No. 10(ii)) | | | |
| Basic | | 23.71 | 21.83 |
| Diluted | | 23.69 | 21.83 |
| Significant Accounting Policies and Notes on Accounts | 18 | | |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai
Dated : 3rd September, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | For the year ended 31st March, 2010 | For the year ended 31st March, 2009 |
|--------------------------------------------------------|----------------------------------------|----------------------------------------|
| Cash Flow from Operating Activities: | | |
| Net Profit before tax | 11,980.61 | 9,395.79 |
| Adjustments for : | | |
| Depreciation and Amortization | 1,374.87 | 441.16 |
| Loss on sale of assets | 53.62 | 1.38 |
| Interest Expenses | 605.83 | 561.79 |
| Interest and Dividend Income | (403.94) | (201.98) |
| Amortization of ESOP compensation cost | - | (4.86) |
| Operating profit before working capital changes | 13,610.99 | 10,193.28 |
| Adjustments for : | | |
| Trade and other receivables | (4,360.48) | (8,131.76) |
| Inventories | (250.48) | (562.48) |
| Trade Payables | (1,830.84) | 2,909.07 |
| Loans and Advances | (2,007.17) | (1,681.59) |
| Direct Tax Paid | (2,722.20) | (2,696.12) |
| Net Cash from operating activities | 2,439.82 | 30.40 |
| Cash Flow from Investing Activities: | | |
| Purchase of Fixed Assets | (5,498.81) | (5,813.29) |
| Sale/(Purchase) of Investments | (18,172.29) | (6,703.91) |
| Sale of fixed assets | 189.27 | - |
| Foreign Currency Translation Reserves | 31.51 | 52.72 |
| Interest and Dividend Received | 403.94 | 201.98 |
| Net Cash used in investment activities | (23,046.38) | (12,262.50) |
| Cash Flow from Financing Activities: | | |
| Issue of Equity Shares | 22,976.79 | 6,288.40 |
| Proceeds from borrowings | 547.18 | 7,441.55 |
| Financing Charges | (605.83) | (561.79) |
| Dividend paid | (423.85) | - |
| Net Cash used from financing activities | 22,494.29 | 13,168.16 |
| Increase in cash and cash equivalents: | | |
| Cash and Cash equivalents (Opening) | 1,651.95 | 715.90 |
| Cash and Cash equivalents (Closing) | 3,539.64 | 1,651.95 |
| Net increase in cash and cash equivalents | 1,887.69 | 936.05 |

Notes :

- 1 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on cash flow statement issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalent at the end of the year consist of cash in hand and balances with banks.

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|--------------------|---------------------------------------|---------------------------------------|
| Cash in hand | 40.87 | 33.99 |
| Balances with Bank | 3,498.77 | 1,617.96 |
| Total | 3,539.64 | 1,651.95 |

As per our report of even date

For **Allied Digital Services Ltd.**

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai
Dated : 3rd September, 2010

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "1" :- Share Capital | | |
| Authorised | | |
| 5,00,00,000 (Previous year 2,50,00,000 Equity Shares of ₹ 10/- each) Equity Shares of ₹ 5/- each | 2,500.00 | 2,500.00 |
| Issued, Subscribed and Paid up | | |
| 4,64,79,952 (Previous year 1,81,14,726 Equity Shares of ₹ 10/- each) Equity Shares of ₹ 5/- each fully paid up | 2,324.00 2,324.00 | 1,811.47 1,811.47 |
| Note: | | |
| 1) Out of the above, 13,22,300 Equity Shares of ₹ 10/- each were allotted as fully paid up bonus shares by capitalising reserves in 1999-2000. | | |
| 2) Out of the above, 71,05,605 Equity Shares of ₹ 10/- each were allotted as fully paid up bonus shares by capitalising reserves in 2006-07. | | |
| 3) Out of the above, 745,000 Equity Shares of ₹ 10/- each were allotted as fully paid up shares to En Pointe Technologies Sales Inc., at the premium 820/- per share under the swap arrangement for the acquisition of En Pointe Global Services LLC in 2008-2009. | | |
| Schedule "2" :- Reserves and Surplus | | |
| Securities Premium | | |
| At the commencement of the year | 14,507.21 | 8,354.03 |
| Additions during the year | 22,843.57 | 6,153.18 |
| | 37,350.78 | 14,507.21 |
| Less : Share Issue Expenses | 996.58 | - |
| | 36,354.20 | 14,507.21 |
| General Reserve | | |
| At the commencement of the year | 837.77 | 337.77 |
| Transfer during the year | 500.00 | 500.00 |
| | 1,337.77 | 837.77 |
| Capital Reserve | | |
| Subscription Amount Received on Equity Warrants | 188.49 | - |
| Foreign Currency Translation Reserve | | |
| | 84.23 | 52.72 |
| Balance in Profit and Loss Account | | |
| | 23,041.56 | 14,423.25 |
| | 61,006.25 | 29,820.95 |
| Schedule "3" :- Secured Loans | | |
| - Term Loan from Banks | 2,907.80 | 4,135.04 |
| - Working Capital Loans from Banks | 6,608.89 | 4,278.08 |
| | 9,516.69 | 8,413.12 |
| Security Details:- | | |
| Working Capital Facilities : | | |
| a) Working Capital Loan from State Bank of India and Standard Chartered Bank (incl. loan given to Allied Digital Inc) are Secured by hypothecation of Stock, Book Debts and further secured by way of Collateral charge on office premises, Fixed Deposits with Banks and the Personal Guarantees of Shri Nitin Shah and Shri Prakash Shah. | | |
| b) Foreign Currency Loan from Barclays Bank PLC is secured against SBLC issued by Standard Chartered Bank. | | |
| c) Working Capital Facilities from State Bank of India includes FCNRB facility of USD.4 million fully hedged. | | |
| d) Overdraft Facility from ICICI Bank is secured by Fixed Deposits of the Company. | | |
| Schedule "4" :- Unsecured Loans | | |
| - Overdraft from Bank | 14.50 | 38.06 |
| - From Shareholders | - | 50.00 |
| - From Others | 29.47 | 512.30 |
| | 43.97 | 600.36 |

(₹. in Laacs)

Schedule "5" :- Fixed Assets

| Description of Assets | Gross Block | | | | Depreciation/Amortisation | | | | | | Net Block | | |
|------------------------------------------------------------|------------------------------------|-----------------|-----------------|---------------------------------|-------------------------------------|----------------------------------|-----------------------------------------------|----------------|----------------|---------------------------------|---------------------|----------------------|----------------------|
| | As at April 1 st , 2009 | Additions | Deductions | Translation Exchange Difference | As at 31 st , March 2010 | As at 1 st April 2009 | Depreciation upto March 31, 2008 written back | Deductions | For the Period | Translation Exchange Difference | Upto March 31, 2010 | As at March 31, 2010 | As at March 31, 2009 |
| Leasehold Premises | 301.75 | 399.88 | - | (16.27) | 685.36 | 34.31 | - | - | 43.03 | (1.76) | 75.58 | 609.76 | 263.54 |
| Freehold Premises | 270.65 | - | (227.05) | - | 43.60 | 6.56 | - | (7.10) | 3.85 | - | 3.31 | 40.29 | 264.09 |
| Civil and Plumbing Work | 58.07 | 225.17 | - | - | 283.24 | 1.25 | - | - | 2.29 | - | 3.54 | 279.70 | 56.81 |
| Furniture and Fixtures | 932.35 | 382.18 | - | (6.46) | 1,308.07 | 94.99 | - | - | 87.76 | (1.12) | 181.63 | 1,126.44 | 833.91 |
| Office Equipments | 387.77 | 30.80 | (0.05) | (11.76) | 406.76 | 56.98 | - | (7.31) | 46.25 | (1.42) | 101.81 | 304.95 | 323.19 |
| Motor Vehicles | 161.36 | 37.96 | (32.87) | (3.46) | 162.99 | 35.96 | - | - | 18.86 | (0.23) | 47.28 | 115.71 | 125.03 |
| Computers and IT Equipments | 2,728.81 | 2,790.09 | (2.62) | (18.23) | 5,498.05 | 541.23 | - | - | 656.10 | (4.68) | 1,192.65 | 4,305.40 | 2,177.40 |
| Computers (Given on lease) | 155.98 | - | - | - | 155.98 | 144.37 | - | - | 11.61 | - | 155.98 | - | 11.61 |
| Plant & Machinery | 119.99 | 14.36 | - | - | 134.35 | 8.60 | - | - | 5.97 | - | 14.57 | 119.78 | 111.38 |
| Total | 5,116.73 | 3,880.45 | (262.59) | (56.18) | 8,678.41 | 924.25 | - | (14.41) | 875.72 | (9.21) | 1,776.35 | 6,902.06 | 4,166.96 |
| Capital Work-in-Progress including Capital Advances | | | | | | | | | | | | | 5,031.05 |
| Grand Total | | | | | | | | | | | | | 11,933.11 |
| Previous Year | 2,405.56 | 2,680.53 | (3.31) | - | 5,082.78 | 711.47 | 270.07 | (0.86) | 496.82 | 8.50 | 915.82 | 4,166.95 | |

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH , 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "6" :- Investments | | |
| l) Current Investments:- | | |
| a) Standard Chartered Fixed Maturity Plan - Yearly Previous year: 5,000,000 units of ₹ 10 each | - | 500.00 |
| b) Fortis Money Plus Fund Institutional Plan - Daily Dividend 15,273,534.116 (Previous year: Nil) units of ₹ 10.0031 each | 1,525.32 | - |
| c) Fortis Flexi Debt Fund - Regular - Quarterly Dividend 5,037,589.889 (Previous year: Nil) units of ₹ 10.0433 each | 508.45 | - |
| d) HDFC Cash Management Fund Treasury Advantage Plan - Daily Dividend 25,323,394.680 (Previous year: Nil) units of ₹ 10.0315 each | 2,540.32 | - |
| e) Kotak Floater Long Term - Daily Dividend 10,228,782.916 (Previous year: Nil) units of ₹ 10.0798 each | 1,031.04 | - |
| f) Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan 104,171.931 (Previous year: Nil) units of ₹ 1001.3389 each | 1,043.11 | - |
| g) Reliance Quarterly Interval Fund - Series III - Institutional Dividend Plan 9,996,801.024 (Previous year: Nil) units of ₹ 10.0049 each | 1,000.17 | - |
| h) ICICI Prudential Flexible Income Plan Premium - Daily Dividend 498,682.211 (Previous year: Nil) units of ₹ 105.7350 each | 527.28 | - |
| i) Birla Sun Life Floating Rate Fund - Long Term - Weekly Dividend 5,146,464.985 (Previous year: Nil) units of ₹ 10.0295 each | 516.16 | - |
| j) SBI SHF Ultra Short Term Fund - Institutional Plan - Daily Dividend 20,170,457.969 (Previous year: Nil) units of ₹ 10.0060 each | 2,018.26 | - |
| k) DSP Black Rock Floating Rate Fund - Institutional Plan - Weekly Dividend 50,440.971 (Previous year: Nil) units of ₹ 1000.6014 each | 504.71 | - |
| l) DSP Black Rock Floating Rate Fund - Institutional Plan - Daily Dividend 201,933.224 (Previous year: Nil) units of ₹ 1000.5452 each | 2,020.43 | - |
| m) Canara Robeco Treasury Advantage Super Institutional - Daily Dividend 8,158,037.5631 (Previous year: Nil) units of ₹ 12.4071 each | 1,012.18 | - |
| n) TFLW Tata Floater Fund - Weekly Dividend 5,010,396.032 (Previous year: Nil) units of ₹ 10.0807 each | 505.08 | - |
| o) IDFC Money Manager Fund - Treasury Plan 5,047,669.848 (Previous year: Nil) units of ₹ 10.0070 each | 505.12 | - |
| p) Baroda Pioneer Treasury Advantage Fund - Institutional Weekly Dividend Option 5,052,503.52 (Previous year: Nil) units of ₹ 10.0001 each | 505.25 | - |
| q) Birla Sunlife Dynamic Bond Fund - Retail - Quarterly Dividend 4,498,748.848 (Previous year: Nil) units of ₹ 11.1306 each | 500.74 | - |
| r) Templeton India Short Term Income Retail Plan 46,201.095 (Previous year: Nil) units of ₹ 1083.4842 each | 500.58 | - |
| s) SBI Magnum Insta Cash Fund - Daily Dividend Option 11,344,306.1306 (Previous year: Nil) units of ₹ 16.7503 each | 1,900.21 | - |
| | 18,664.41 | 500.00 |

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|-----------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "7" :- Inventories | | |
| - Stock in trade | 1,309.95 | 1,059.47 |
| | 1,309.95 | 1,059.47 |
| Schedule "8" :- Sundry Debtors | | |
| Other Debts | | |
| - Considered Good | 21,961.70 | 17,754.70 |
| - Considered Doubtful | - | - |
| | 21,961.70 | 17,754.70 |
| Debts outstanding for a period exceeding six months | | |
| - Considered Good | 4,618.04 | 4,963.71 |
| - Considered Doubtful | 685.91 | 214.47 |
| | 5,303.94 | 5,178.18 |
| Total Debtors | 27,265.65 | 22,932.88 |
| Less : Provision for doubtful debts | 685.91 | 214.47 |
| | 26,579.74 | 22,718.41 |
| Schedule "9" :- Cash and Bank Balances | | |
| Cash in Hand | 40.87 | 33.99 |
| Balances with Scheduled Banks | | |
| - in Current Accounts | 1,590.74 | 293.00 |
| - in Deposit Accounts | 1,908.03 | 1,324.95 |
| | 3,539.64 | 1,651.94 |
| Schedule "10" :- Loans and Advances (Unsecured, Considered Good) | | |
| Advance recoverable in cash or kind or for value to be received | 4,902.26 | 3,008.21 |
| Staff Advances | 164.03 | 95.27 |
| Sundry Deposits | 234.43 | 190.07 |
| Advance Tax and TDS | 7.58 | 11.23 |
| | 5,308.30 | 3,304.78 |
| Schedule "11" :- Current Liabilities and Provisions | | |
| Current Liabilities | | |
| Sundry Creditors for Goods | 1,587.16 | 3,660.60 |
| Advance received against order | 1.97 | 0.75 |
| Sundry Creditors for Expenses | 1,057.07 | 1,219.55 |
| Book overdraft with bank | 226.90 | 26.59 |
| Other Liabilities | 257.99 | 128.35 |
| | 3,131.09 | 5,035.84 |
| Provisions | | |
| Provision for Taxation | 659.29 | 1,271.77 |
| Provision for Gratuity | 27.69 | 46.10 |
| Provision for Dividend including dividend tax | 542.00 | 423.85 |
| Provision for Service Tax | 36.80 | 35.29 |
| Provisions for Others | 121.09 | 30.30 |
| Provision for Fringe Benefit Tax | - | 29.05 |
| | 1,386.87 | 1,836.36 |
| | 4,517.96 | 6,872.20 |

**CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010**

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|--------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "12" :- Operational Income | | |
| Services, Solutions and Sales | 67,232.14 | 55,210.43 |
| Lease Rent | 14.82 | 12.92 |
| Gain/(Loss) on Foreign Currency (net) | 18.91 | 302.31 |
| Others | 38.64 | 49.27 |
| | 67,304.51 | 55,574.93 |
| Schedule "13" :- Other Income | | |
| Interest Income | 77.43 | 66.60 |
| Dividend Received | 326.51 | 135.38 |
| Other Miscellaneous Income | 25.39 | 20.80 |
| | 429.33 | 222.78 |
| Schedule "14" :- Cost of Sales | | |
| Opening Stock in Trade | 969.00 | 605.32 |
| Add : Purchases during the year | 41,112.02 | 34,746.17 |
| | 42,081.02 | 35,351.49 |
| Less : Closing Stock in Trade | 1,236.84 | 1,059.47 |
| | 40,844.18 | 34,292.02 |
| Add : Other Direct Expenses | 126.45 | 168.99 |
| | 40,970.63 | 34,461.01 |
| Schedule "15" :- Employees Costs | | |
| Salaries and Wages | 6,659.10 | 5,853.80 |
| Directors' Remuneration | 98.08 | 51.22 |
| Contribution to PF and other Funds | 852.42 | 703.71 |
| Contribution to Gratuity Fund | 4.16 | 30.50 |
| Staff Training and Welfare Expenses | 945.75 | 727.69 |
| | 8,559.51 | 7,366.92 |

**CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010**

(₹ in Lacs)

| Particulars | As at 31 st March, 2010 | As at 31 st March, 2009 |
|--------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Schedule "16" :- Administration, Selling and Other Expenses | | |
| Rent, Rates & Taxes | 575.50 | 431.60 |
| Travelling & Conveyance Expenses | 522.97 | 461.65 |
| Communication Expenses | 423.36 | 378.15 |
| Printing & Stationery Expenses | 38.32 | 34.12 |
| Electricity Expenses | 90.80 | 68.99 |
| Legal & Professional Fee | 135.25 | 173.49 |
| Repairs & Maintenance | 74.46 | 85.50 |
| Insurance | 157.65 | 106.15 |
| Other Administrative Expenses | 838.99 | 726.05 |
| Provision for Doubtful Debts | 499.15 | 214.40 |
| Bad debts written off | 59.57 | 60.07 |
| Loss on sale of assets | 53.62 | 1.38 |
| Prior period expenses | 2.94 | 1.02 |
| Sales Promotion Expenses | 16.79 | 24.44 |
| Freight Outwards | 100.06 | 99.60 |
| Commission | 1,040.23 | 824.69 |
| Advertisement Expenses | 111.88 | 94.15 |
| | <u>4,741.54</u> | <u>3,785.45</u> |
| Schedule "17" :- Interest and Financial Charges | | |
| Interest to Banks: | | |
| On Term Loans | 202.87 | 199.29 |
| On Working Capital Loans | 217.95 | 315.75 |
| Bank and Other Financial Charges | 185.01 | 46.75 |
| | <u>605.83</u> | <u>561.79</u> |

SCHEDULE '18' – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) Significant Accounting Policies

1) Basis of Preparation

The Consolidated Financial Statements of Allied Digital Services Limited and its subsidiaries are prepared under the historical cost convention and as per the requirements of the Companies Act, 1956.

2) Principles of Consolidation

The Financial Statements of the subsidiary companies used for the publishing of the consolidated results are drawn upto the same reporting date as of the Company.

The consolidated Financial Statements have been prepared on the following basis:

- (i) The financial statements of the Company and its subsidiary companies have been combined on the line by line basis by adding together like item of assets, liabilities, income and expenses. Inter-Company balances and transactions and unrealized profits or losses have been fully eliminated.
- (ii) The excess of cost to the Parent Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investment in subsidiary companies are made, is recognized as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- (iii) Minority interest in the net assets of the consolidated subsidiaries consists of the amount of the equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.
- (iv) Interest in a jointly controlled entity is reported using proportionate consolidation.

3) Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee benefits, provision for income taxes, accounting for contract costs expected to be incurred to complete software development and the useful lives of depreciable fixed assets.

4) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Financing cost related to acquisition of Fixed Assets are also included to the extent they relate to the period till such assets are ready to put to use.

5) Depreciation

Depreciation other than on capital work-in-progress is charged so as to write-off the cost of assets, on the following basis:

| | | |
|-----------------------------------------|---------------|--------|
| Freehold & Leasehold Land & Buildings | Straight line | 1.63% |
| Furniture and Fixtures | Straight line | 6.33% |
| Computer Equipment (Own Use and Leased) | Straight line | 16.21% |
| Motor Cars | Straight line | 9.5% |
| Office Equipment | Straight line | 4.75% |
| Civil and Plumbing Work | Straight line | 1.63% |

Depreciation is charged only from the date the concerned asset is put to use by the Company.

Fixed Assets individually costing ₹ 5,000/- or less are fully depreciated in the year of acquisition itself.

The depreciation has been charged using straight line Method over the estimated life of assets of three to seven years in case of En Pointe Global Services, LLC,

6) Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on pro-rata basis over the period of the lease.

7) Impairment

At each Balance Sheet date, the management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is re-estimated in order to determine the extent of impairment loss. Any deviation in the value of such asset is recognized in the Profit and Loss Account. Recoverable amount is the higher of an asset's net selling price and value in use.

8) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

Profit or Loss on sale of Investment is determined on the specific identification basis.

9) Employee Benefits

(i) Post Retirement Benefit Plans

Payments to the defined retirement benefit schemes are recognized as expenses when employees have rendered services entitling them to contributions.

In accordance to the applicable Indian Laws and as per the Accounting Standard 15 (Revised) for "Accounting for Employees Benefit", the Company with effect from April 1, 2006 provides for gratuity for its eligible employees. The Actuarial Gains or Losses are charged to the Profit and Loss Account for the period in which they occur.

(ii) Employees Defined Contribution Plans

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. This contribution is made to the Government's Provident Fund.

10) Revenue Recognition

Revenues from contracts priced on a time and material basis are recognized when services are rendered and related costs are incurred.

Sales in case of supply of goods are recognized when the goods are invoiced or dispatched to the customers and are recorded exclusive of VAT, CST, other local levies and other discounts and rebates.

Revenue from sale of software licenses are recognized upon delivery where there is no customization required. In case of sale of customized software the same is recognized on the basis of achieving the various milestones attached with the customization and are recorded exclusive of VAT, CST, other local levies and other discounts and rebates.

Service revenue is considered on acceptance of the contract and is accrued over the period of the contract and are recorded exclusive of local levies and other discounts and rebates

Dividends are recorded when the right to receive payment is established.

Interest income is recognized on time proportion basis.

11) Taxation

Current income tax expense comprises taxes on income from operations in India.

Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expenses relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred tax expense or benefit is recognized on timing differences; being the difference between taxable income and accounting income that originate in one period and are capable of reversal in the subsequent

periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws prevailing as on the date of the Balance Sheet.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized to the extent that there is virtual certainty that sufficient taxable income will be available in future to realise such assets.

Provisions for income taxes are presented in the balance sheet after offsetting Advance Taxes paid and TDS deductions for the respective assessment years.

The Company offsets deferred tax assets and deferred tax liabilities, if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

12) Foreign Currency Transactions

The transactions in foreign currencies on revenue accounts are stated at the rate of exchange prevailing on the date of transaction. The difference on account of fluctuation in the rate of exchange prevailing on the date of transaction and the date of realization is treated as revenue / expenditure.

Differences on translation of Current Assets and Current Liabilities remaining unsettled at the year-end are recognized in the Profit and Loss Account except those relating to acquisition of fixed assets which are adjusted in the cost of the assets.

For the purpose of consolidation, Income & expenses are translated at average rates and assets & liabilities are stated at closing rate. The net impact of such change is disclosed under foreign exchange translation reserve.

13) Employee Stock Option Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the Company is following the Intrinsic Value Method of ESOP cost whereby the excess of Fair Market Value of the shares of the Company one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost. This cost is amortized on straight-line basis over the period of vesting of the Option.

However during the year, there were no Options vested below the fair market value of the Shares, and hence no expenses have been provided on account of Employee Stock Option cost (*Previous year ₹. 19.39 Lacs*).

14) Inventories

Inventories are carried at lower of cost and net realizable value. Cost is determined on a first in first out basis. Purchased goods in transit are carried at cost. Stores and spare parts are carried at cost, less provision for obsolescence.

B) Notes on Accounts

1) Acquisitions / Divestments

- (i) On 1st April, 2009, the Company has acquired 100% Equity Stake in En Pointe Technologies India Private Limited (EPTIPL) for a consideration of US\$.1/-. EPTIPL is a Company engaged and specialised in SAP support & implementation. Since the amounts shown in Audited Financial Statements of the Company are shown as ₹. in Lacs', the amount reflecting under the Schedule of investment against EPTIPL is Nil.
- (ii) On 18th January 2010, the Company entered a 50: 50 Joint venture with TES – AMR (Singapore) group and formed Digicomp Electronics Testing Services (Dets) Pte. Ltd as joint venture Company at Singapore through its subsidiary Digicomp Complete Solutions Limited. As of 31st March 2010 the total investment in joint venture was ₹ 33.02 Lacs.

2) Employee Benefits

- (i) An amount of ₹ 23.24 Lacs (*Previous Year ₹ 7.25 Lacs*) has been contributed towards the Employees Gratuity Fund against the current year liability of ₹ 6.18 Lacs (*Previous Year ₹ 30.50 Lacs*) and earlier year liabilities as per the Actuarial Valuation for Gratuity as on 31st March 2010.
- (ii) The Company recognised ₹ 103.78 Lacs (*Previous Year ₹ 94.28 Lacs*) for provident fund contributions during the year. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes and the same are charged to the Profit and Loss Account of the Company.
- (iii) The US Subsidiary of the Company viz. En Pointe Global Services, LLC has employee saving plans (the 401(k) plan) that cover substantially all full time employees who are twenty year of age or older. The Company's contribution to the 401(k) plan are at the discretion of the Board of Directors and vest over seven years of service. To the date the Company has made no contribution to the 401(k) plan.

(iv) Employees Stock Options

The Company by a Special Resolution passed at the Extra Ordinary General Meeting held on January 02, 2007 approved the Employee Stock Option Scheme under Section 79 A of the Companies Act, 1956 to be read along with SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 whereby options convertible into Equity Shares had been granted to eligible employees of the Company. The Board of Directors had resolved to grant the Options to the eligible employees vide resolution dated January 22, 2007, consequently the Options were granted to eligible employees.

The Company has two Stock Options Plans which are summarized as under:

(a) Stock Option Scheme (2007) Loyalty Grant

Under this scheme, the Company had granted 63,300 Options @ ₹ 10/- each to the eligible employees.

Out of the above mentioned grant of 63,300 Options, 50,436 Options were exercised by the eligible employees and balance Options were lapsed.

(b) Stock Option Scheme (2007) Growth Grant

Under this scheme, the Company had granted 4,30,300 Options (pre-split of Company's Equity Shares) @ ₹ 95/- each to the eligible employees which were to be exercised within four years from the date of the grant.

Out of the above, during the year under review 196,050 (pre – split of Company's Equity Shares) and 58,400 (post - split of company's Equity Shares) Options were exercised by the eligible employees.

The summary of the Stock Options exercised by the eligible employees during the year under review are as under :

| | | |
|-------------------------------------------------------|---|----------|
| Outstanding options as at April 1, 2009 | - | 3,17,400 |
| Granted during the year | - | Nil |
| Exercised during the year (Pre-split) | - | 196,050 |
| Exercised during the year (Post-split) | - | 58,400 |
| Forfeited/lapsed during the year (Pre-split) | - | 4,200 |
| Outstanding options as at March 31, 2010 (Post-split) | - | 1,75,900 |

3) Contingent Liabilities

- (i) As per the Certificate issued by the banks, value of bank guarantees outstanding as on 31st March, 2010 amounts to ₹ 1016.61 Lacs (*Previous Year ₹ 764.16 Lacs*) and the value of Letter of Credit Outstanding as on 31st March, 2010 amounts to ₹ 24.81 Lacs (*Previous Year ₹ 145.52 Lacs*).
- (ii) Claim against the Company not acknowledged as debts ₹ 5.92 Lacs (*Previous Year ₹ 5.92 Lacs*). The Company has deposited ₹ 4.50 Lacs (*Previous Year ₹ 4.50 Lacs*) against the same in the Mumbai High Court.
- (iii) Vide order of the Deputy Commissioner of Income Tax dated 26.05.2008 for the A.Y. 2006-07, the Company's claim of deduction u/s 10A of ₹ 93.05 Lacs out of the total claim of ₹ 552.37 Lacs has been disallowed on account of delay in realization of export proceeds. An amount of ₹ 40.00 Lacs is payable on account of this disallowance. The Company has preferred an appeal with the Commissioner of Income Tax (Appeals)-IV, Mumbai against this order and is likely to get substantial relief after this appeal is decided. The Company has already paid ₹ 10.00 Lacs out of the total demand as per the aforesaid order.
- (iv) Vide order of Deputy Commissioner of Income Tax 4(1) dated 14.12.2009 for the A.Y. 2007-08, the Company's claim of deduction u/s 10A of ₹ 27.00 Lacs out of the total claim of ₹ 711.02 Lacs has been disallowed on account of allocation of common expenses to the Software Technology Park Undertaking. The Company has preferred an appeal with the Commissioner of Income Tax (Appeal-8) Mumbai against this order and is likely to get substantial relief after this appeal is decided.
- v) Liability of ₹ 5.00 Lacs each F.Y. 2006-07 and 2007-08 as per the order of Deputy Commissioner of Income Tax 4(1) is due. The Company has preferred an appeal with the Commissioner of Income Tax (Appeal-8), Mumbai against the said order and full relief is expected from the outcome of this appeal.

4) Current Assets, Loans and Advances

In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated and are realisable in the ordinary course of business.

- (i) The management is in process of obtaining external confirmations and reconciling balances relating to Sundry Debtors and Loans & Advances amounting to ₹ 22,494.98 Lacs and ₹ 6,224.38 Lacs respectively as at 31st March, 2010. Accordingly the need to make further provisions for doubtful debts, if any, will be assessed and given effect into the books of accounts in the year of completion of exercise mentioned hereinabove.
- (ii) Amounts extended to wholly owned subsidiary company Allied Digital Inc has been shown under the head investment as the same is long term in nature.

5) Current Liabilities and Provisions

In the opinion of the Board, the current liabilities are approximately at the fair value in the Balance Sheet. Balances of sundry creditors are subject to confirmation and reconciliation.

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

6) Additional Information pursuant to the Provisions of Part II of the Schedule VI of the Companies Act 1956

(₹ In Lacs)

| | Year Ended 31 st March, 2010 | Year Ended 31 st March 31,2009 |
|----------------------------------------------------------|--------------------------------------------|----------------------------------------------|
| (i) Income in Foreign Currency | | |
| Sales of services, Software & Solution | 5,548.72 | 5,286.50 |
| (ii) Expenditure in Foreign Currency | | |
| (subject to deduction of tax where applicable) | | |
| (a) Travelling Expenses | 44.80 | 31.84 |
| (b) Professional Fees | 1.89 | Nil |
| (iii) Value of Imports calculated on C.I.F. basis | | |
| (a) Capital goods | 98.79 | 318.22 |
| (b) Trade goods | 352.03 | 505.18 |

7) Quantitative Information

Considering the nature of business of the Company, it is not practically possible to give quantitative information in the absence of common expressible unit.

8) Dues to Micro, Small and Medium Enterprises

The names of the Micro, Small and Medium Enterprises to whom the Company owes a sum exceeding ₹ 1 Lakh, which is outstanding for more than 30 days, could not be identified, as the necessary information is not in the possession of the Company.

9) Earning Per Share

| | 2009-10 | 2008-09 |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| A Weighted average number of equity shares of ₹ 10/- each | | |
| I Number of shares at the beginning of the year (Nos. of ₹ 10/- each) | 1,81,14,726 | 1,72,89,740 |
| II Number of at the end of the year (Nos. of ₹ 5/- each Previous Year of ₹ 10/- each) | 4,64,79,952 | 1,81,14,726 |
| III ESOP outstanding to employees of 1,75,900 (previous year 2,35,300 of ₹ 10/- each)) Eq. Shares of ₹ 5/- @ ₹ 47.50 per share | 1,75,900 | 3,17,400 |
| IV Weighted average number of Equity Shares of ₹ 5/- each (Previous Year of ₹ 10/- each) outstanding during the year (Nos) for Basic EPS | 4,07,37,334 | 1,76,17,791 |

| | | | |
|---|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| V | Weighted average number of Equity Shares outstanding during the year (Nos of ₹ 5/- each)(Previous Year of ₹ 10/- each) for Dilutive EPS | 4,07,79,111 | 1,76,17,791 |
| B | Net Profit after tax available for equity shareholders (In Rs. Lacs) | 9,660.31 | 7,691.39 |
| C | Basic income per share (in ₹) [B/A (v)] | ₹ 23.71 | ₹ 43.66 |
| D | Dilutive income per share (in ₹) [B/A (vi)] | ₹ 23.68 | ₹ 43.66 |

10) Split of Shares

- During the year, the Equity Share of ₹ 10/- each is Sub-divided into 2 Equity shares of ₹ 5/- each vide special resolution passed at 15th Annual General Meeting held on September 23, 2009
- Pursuant to the sub division of equity share of the Company from ₹ 10/- each to ₹ 5/- each the Basic & Diluted EPS and number of shares have been computed for the current year and restated for the previous year based on the face value of Rs.5/- per equity share.

11) Issue of Warrant to BCCL

During the year, the Company has allotted 2,00,000 (Two Lakhs) Warrants (convertible into Equity Shares of ₹ 5/- each) to Bennett, Coleman and Company Limited ("BCCL") on preferential allotment basis at ₹ 377/- per warrant with following condition; (1) if at the time of conversion, the price determined in accordance with SEBI (ICDR) is less than ₹ 377/- then the warrants will be converted at such lower price; (2) but in any case such lower price shall not be below ₹ 277/- per warrant.

12) Taxes on Income

- Provision for taxation for the year has been made in accordance with the provisions of the Income Tax Act, 1961.
- In terms of Accounting Standard on "Accounting for Taxes on Income" (AS 22) the Company has recognised Deferred Tax Liability amounting to ₹ 314.07 Lacs (*Previous Year ₹ 145.09 Lacs*) for the period ended 31st March, 2010 in the Profit and Loss Account.

The amount of Deferred Tax Liability as on March 31, 2010 comprises of:

(₹ In Lacs)

| Sr. No. | Particulars | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|---------|------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| | Deferred Tax Liability/ (Asset) | | |
| 1 | Depreciation | 1,053.37 | 311.09 |
| 2 | Provision for Bad Debts | (169.47) | (9.57) |
| 3 | On account of Exchange Rate Fluctuation | - | - |
| 4 | On account of Deferred Revenue Expenses | (564.45) | (169.28) |
| 5 | On account of other disallowable Expenses and Income | - | 20.92 |
| 6 | Gratuity | (5.38) | (8.07) |
| | Deferred Tax Liability / (Assets) | 314.07 | 145.09 |

13) Related Party Disclosures

A) Related Parties and their Relationship

(i) Subsidiaries

- Digicomp Complete Solutions Ltd.
- En Pointe Global Services LLC
- Allied Digital Inc
- En Pointe Technologies India Private Limited

(ii) Associates

- Assetlite Equipment India Private Limited
- Allied CNT Solutions Private Limited*

3. The Gateways
4. Digicomp Electronics Testing Services (DETS) Pte. Limited
5. En Pointe Technologies Sales Inc.

Note : The company has divested its Equity Stake in Allied CNT Solutions Pvt. Ltd. during financial year 2008-09.

(iii) Key Management Personnel & their relatives (KMP)

| | |
|--------------------|------------------------------|
| Mr. Nitin Shah | Chairman & Managing Director |
| Mr. Prakash Shah | Executive Director & CFO |
| Mr. Manoj Shah | Executive Director |
| Mr. Bimal Raj | Executive Director |
| Mr. Bharat Shah* | Brother of Director |
| Mrs. Tejal P. Shah | Wife of Mr. Prakash Shah |
| Mr. Nehal N. Shah | Son of Mr. Nitin Shah |
| Mrs. Smitha B. Raj | Wife of Mr. Bimal Raj |
| Mr. Suresh K. S. | Managing Director |
| Mr. Pradeep P. | Wholtime Director |
| Mr. Kaleere Gowda | Co- Promoter |
| Mr. Ravikiran N. | Co- Promoter |
| Mr. Ranganath P. | Co- Promoter |
| Mr. Bob Din | Director |

(* Expired on 06/06/2008)

B) Nature of transactions with the related parties

| (₹ in Lacs) | | | |
|--------------------------------------------|--------------|------------|--------------------------|
| Year ended 31 st March, 2010 | Subsidiaries | Associates | Key Management Personnel |
| Revenue | * | 108.57 | - |
| | - | 49.97 | - |
| Purchase of goods, Services and facilities | - | 44.67 | 22.81 |
| | - | 112.30 | 11.60 |
| Loan and Advances | - | 2.98 | - |
| | - | 61.43 | - |

* An amount of ₹ 1,668.82 Lacs have been reduced in 'Operational Income' on account of Inter Company sales between the company and subsidiaries.

C) Balances with Related Parties

| (₹ in Lacs) | | | |
|------------------------------------|--------------|------------|--------------------------|
| As at 31 st March, 2010 | Subsidiaries | Associates | Key Management Personnel |
| Debtors | - | 100.14 | - |
| | - | 58.50 | - |
| Loan and Advances | - | - | - |
| | - | 328.01 | - |
| Sundry Creditors | - | 9.07 | - |
| | - | 2,183.38 | - |

The company's subsidiary En Pointe Global Services, LLC (USA) had sales, purchase and other related transaction with En Pointe Technologies Sales (Inc.), however the reporting of the same was not done by the statutory auditors of En Pointe Global Services, LLC as the same is not mandatory under the US GAAP.

(iv) Remuneration to Key Management Personnel

| | (₹ In Lacs) | |
|---------------------------|--------------------------------------------|--------------------------------------------|
| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
| Mr. Nitin Shah | 34.38 | 20.00 |
| Mr. Prakash Shah | 19.69 | 10.00 |
| Mr. Manoj Shah | 14.00 | 14.00 |
| Mr. Bimal Raj | 20.42 | Nil |
| Mr. Suresh K. S. | 4.80 | 3.53 |
| Mr. Pradeep P. | 4.80 | 3.69 |
| Total Remuneration | 98.08 | 51.22 |

14) Auditors' Remuneration

| | (₹ In Lacs) | |
|------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
| For services as Auditors, including quarterly audits | 18.24* | 23.13 |
| For Tax Audit | 0.75* | 0.75 |
| Others | 22.62* | Nil |
| | 41.61 | 23.88 |

* excluding service tax

15) Lease Income

In accordance with the Accounting Standard 19, "Leases" issued by the Institute of Chartered Accountants of India, the Company has given Assets on Operational Lease on or after 1st April 2001. These assets have been capitalised and consequently depreciation has also been provided on these assets. The minimum lease rent receivable as at 31st March, 2010 are as follows:

| | (₹ In Lacs) | |
|---------------------------------------------------|--------------------------------------------|--------------------------------------------|
| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
| <u>Lease Rent Receivable</u> | | |
| Not Later than One Year | 14.82 | 19.57 |
| Later than One Year but Not Later than Five Years | 107.65 | 38.21 |

16) Segment Reporting

During the year under review, the Company's business consisted of two reportable business segments i.e. Solutions and Infrastructure Management Services. The details pertaining to attributable Revenues, Profits and Capital employed are given hereunder.

(₹ In Lacs)

| | Year Ended 31 st March, 2010 | Year Ended 31 st March, 2009 |
|-----------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| 1 Segment Revenue | | |
| Solutions | 30,530 | 27,672 |
| Infrastructure Management Services | 36,702 | 27,539 |
| Unallocated | 502 | 587 |
| Net Segment Revenue | 67,734 | 55,798 |
| 2 Profit before Interest, unallocable expenses & Tax | | |
| Solutions | 8,186 | 8,440 |
| Infrastructure Management Services | 12,313 | 19,265 |
| | 20,499 | 27,705 |
| Less : i) Interest | 616 | 562 |
| ii) Un-allocable Expenses (net of un-allocable income) | 7,902 | 17,747 |
| Total Profit Before Tax | 11,981 | 9,396 |
| 3 Capital Employed | | |
| Unallocable | 35,582 | 25,637 |
| Total Capital Employed | 35,582 | 25,637 |

17) Previous year's figures have been recast / restated wherever necessary.

18) Previous year's figures are in italics.

As per our report of even date

For Allied Digital Services Ltd.

For K. M. Kapadia & Associates
Chartered Accountants

sd/-
Nitin Shah
Chairman & Managing Director

sd/-
Prakash Shah
Executive Director & CFO

sd/-
Kamlesh Kapadia
Membership No.039707

sd/-
Ravindra Joshi
Company Secretary

Place : Mumbai
Dated : 3rd September, 2010

Summarized statement of financials of subsidiary companies pursuant to approval under Section 212(8) of the Companies Act,1956

(₹ in lacs)

| Sr. No. | Particulars | En Pointe Global Services, LLC. | Allied Digital Inc. | Digicomp Complete Solutions Ltd. | En Pointe Technologies India Pvt. Ltd. |
|---------|------------------------------------------------|---------------------------------|---------------------|----------------------------------|----------------------------------------|
| | Reporting Currency | USD | USD | INR | INR |
| | | 2009-10 | 2009-10 | 2009-10 | 2009-10 |
| 1 | Capital | 2,708.40 | - | 37.80 | 1.00 |
| 2 | Reserves | (38.25) | (391.04) | 680.92 | 54.41 |
| 3 | Loans | - | 2,697.07 | 173.82 | 70.36 |
| 4 | Total Assets | 6,554.29 | 5.43 | 1,395.10 | 132.59 |
| 5 | Total Liabilities | 3,884.14 | 5,536.25 | 709.40 | 6.81 |
| 6 | Investment Other than Investment in subsidiary | - | 5,139.78 | 33.02 | - |
| 7 | Turnover | 18,562.69 | 26.68 | 2,252.41 | 122.38 |
| 8 | Profit before tax | 90.44 | -154 | 217.96 | 22.18 |
| 9 | Provision for tax | - | - | 86.27 | 1.77 |
| 10 | Profit after tax | 90.44 | -154 | 131.69 | 20.41 |
| 11 | Proposed dividend | - | - | - | - |
| | Country | USA | USA | India | India |

Note : The annual accounts of the above Subsidiary Companies are open for inspection by any investor at the Registered Office of the Company.

ALLIED DIGITAL SERVICES LIMITED

Registered Office : 2nd Floor, Kimmatrai Building, 77/79, Maharshi Karve Marg, Marine Lines, Mumbai - 400 002

ATTENDANCE SLIP

16th Annual General Meeting, Wednesday, September 29, 2010

I hereby record my presence at the 16th Annual General Meeting of the Company (including adjournment thereof) at Walchand Hirachand Hall, 4th Floor, LNM IMC Building Trust, IMC Building, IMC Marg, Churchgate, Mumbai - 400020, on Wednesday, September 29, 2010 at 03.30 p.m.

Folio No. : _____ No. of shares held : _____

DP ID : _____ Client ID : _____

Name of Member's/Proxy's

Member's/Proxy's Signature

Note: Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand over at the entrance of the hall.

----- Tear Here -----

ALLIED DIGITAL SERVICES LIMITED

Registered Office : 2nd Floor, Kimmatrai Building, 77/79, Maharshi Karve Marg, Marine Lines, Mumbai - 400 002

PROXY FORM

Folio No. : _____ No. of shares held : _____

DP ID : _____ Client ID : _____

I/We _____ of _____

In the district of _____ being a member(s) of the above named Company, hereby appoint _____ of _____

in the district of _____ or failing him _____ of _____

_____ in the district of _____ as my/our proxy to vote for me/us on my/our behalf at the 16th Annual General Meeting of the Company (including adjournment thereof) to be held at Walchand Hirachand Hall, 4th Floor, LNM IMC Building Trust, IMC Building, IMC Marg, Churchgate, Mumbai - 400020, on Wednesday, September 29, 2010 at 03.30 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010

Affix
₹ 0.15/-
Revenue
Stamp

Note : 1. The proxy need not be a member
2. The Proxy Form duly completed should be deposited at the Registered Office of the Company at Mumbai not later than 48 hours before the time of the meeting.

* applicable for investor holding shares in electronic form.

Signature[s] of the
Shareholder[s]