REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2007.

Principal Activities

The Company is engaged in providing IT services, software development and support services.

Business Review

During the year under review, the US outsourcing market continued to grow with a significant increase in the outsourcing spend by US companies. The year also witnessed US companies consolidating their IT spends with a few strategic and scalable partners who can provide end-to-end services across business lines. Your Company focused its offerings in identified core verticals and invested in a sales force in defined markets. These initiatives started paying dividends in terms of client acquisitions and a healthier funnel of prospects. Your Company was successful in acquiring several new marquee customers.

Your Company recorded total revenues of US$ 9.31 million (previous year US$ 6.51 million). Correspondingly, gross profits grew to US$ 2.90 million (previous year US$ 2.31 million). Despite increase in general and administrative expenses due to investments in strengthening the marketing team and distribution width, your Company has been successful in recording a net profit of US $ 0.18 million (previous year net profit US $ 0.16 million).

Your Company is pleased to report that several clients acquired in 2006-07 are likely to scale substantially and a stronger funnel portends to a favourable 2007-08. The rising demand for IT services has also led to intense competition for acquisition of clients and for skilled resources. Consequently, growth and market penetration will see pressure on pricing and a higher cost of servicing. With the sales funnel getting stronger, your Company is focussing on improving its demand planning processes to enable superior resource planning and deployment, rotation of resources to ensure optimal deployment and leveraging a higher offshore component in the service mix. The roll out of these actions is well underway and the Company is in the process of significantly expanding its presence in the US market through own resources as well as key alliances and partnerships and inorganic growth options. Your Company therefore looks forward to an exciting and successful year ahead.

Directors

Mr. S. Puri was appointed as Director of the Company at the last Annual Meeting held on 13th May, 2006.

ITC Infotech India Limited has nominated Ms. Bhavani Parameswar for appointment as Director of the Company. Your approval for appointment of Ms. Parameswar as a Director of the Company is being sought at the forthcoming Annual Meeting of the Company for the financial year ended 31st March, 2007.

Auditors

M/s. Amper, Politziner & Mattia, P.C., Certified Public Accountants and Auditors of the Company, offer themselves for reappointment.

On behalf of the Board

S. Puri
Director

11th May, 2007

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

ITC Infotech (USA), Inc.

We have audited the accompanying Balance Sheets of ITC Infotech (USA), Inc. as of March 31, 2007 and 2006, and the related Statements of Operations and Accumulated Deficit, and Cash Flows for the years then ended. These financial statements are the responsibility of the management of ITC Infotech (USA), Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. 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 audits provide a reasonable basis for our opinion.

The Indian Rupee equivalent figures have been included in the financial statements as required by the parent company.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the financial position of ITC Infotech (USA), Inc. as of March 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles applicable in the United States of America.

Edison, New Jersey
May 11, 2007

Amper, Politziner & Mattia, P.C.

BALANCE SHEETS

	March 31, 2007 $	March 31, 2007 Rs.	March 31, 2006 $	March 31, 2006 Rs.
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	619,882	26,946,252	691,171	30,836,594
Accounts receivable, net of allowance for doubtful accounts of $128,770 (Rs. 5,597,632) and $113,259 (Rs. 5,053,050) for 2007 and 2006, respectively	2,706,958	117,671,450	1,175,891	52,462,377
Advances to employees	54,785	2,381,538	66,582	2,970,556
Total current assets	3,381,625	146,999,240	1,933,644	86,269,527
EQUIPMENT AND LEASEHOLD IMPROVEMENTS				
Computer equipment	160,514	6,977,577	138,340	6,172,039
Office equipment	40,187	1,746,915	40,187	1,792,943
Leasehold Improvements	8,185	355,802	8,185	365,174
	208,886	9,080,294	186,712	8,330,156
Less accumulated depreciation and amortization	150,752	6,553,196	131,971	5,887,886
	58,134	2,527,098	54,741	2,442,270
Computer software	18,329	796,740	17,030	759,778
Less accumulated amortization	16,755	728,326	16,371	730,392
	1,574	68,414	659	29,386
Capitalized software net	9,061	393,863	13,590	606,318
Other assets, principally Security Deposits	25,804	1,121,715	34,383	1,533,998
	3,476,198	151,110,330	2,037,017	90,881,498
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	416,523	18,106,255	344,345	15,362,952
Accrued expenses and other current liabilities	355,800	15,466,625	349,568	15,595,960
Accrued payroll and payroll taxes	243,226	10,573,034	283,232	12,636,396
Due to ITC Infotech Ltd, (UK)	247,030	10,738,402	139,929	6,242,932
Due to ITC Infotech India Ltd.	1,436,093	62,426,959	325,443	14,519,640
Total current liabilities	2,698,672	117,311,275	1,442,517	64,357,880
STOCKHOLDER'S EQUITY				
Capital stock, no par value; 50,000 shares authorized; 47,000 shares issued and outstanding at March 31, 2007 and 2006, respectively	200,000	8,694,000	200,000	8,923,000
Additional paid-in capital	4,500,000	195,615,000	4,500,000	200,767,500
Accumulated deficit	(3,922,474)	(170,509,945)	(4,105,500)	(183,166,882)
	777,526	33,799,055	594,500	26,523,618
	3,476,198	151,110,330	2,037,017	90,881,498

The accompanying notes are an integral part of these statements

On behalf of the Board

S. Puri
Director

L. N. Balaji
President

11th May, 2007

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

	For the year ended 31st March, 2007 $	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 $	For the year ended 31st March, 2006 Rs.
Revenues				
Service Fees	8,143,569	354,000,944	4,965,521	221,536,719
Account Management Fee-affiliates	948,996	41,252,856	1,110,206	49,531,841
Project Fees	213,000	9,259,110	435,814	19,443,842
Total Revenues	9,305,565	404,512,910	6,511,541	290,512,402
Cost of revenues, principally employment costs and fees charged by affiliates	6,409,477	278,619,965	4,184,775	186,703,737
Gross profit	2,896,088	125,892,945	2,326,766	103,808,665
General and administrative expenses	2,721,388	118,298,736	2,197,336	98,034,146
Operating income	174,700	7,594,209	129,430	5,774,519
Other income, net	24,503	1,065,145	45,615	2,035,113
Income before income tax expense	199,203	8,659,354	175,045	7,809,633
Income tax expense	16,177	703,214	12,044	537,343
Net income	183,026	7,956,140	163,001	7,272,290
Accumulated deficit at beginning of year	(4,105,500)	(178,466,085)	(4,268,501)	(190,439,172)
Accumulated deficit at end of year	(3,922,474)	(170,509,945)	(4,105,500)	(183,166,883)

The accompanying notes are an integral part of these statements

On behalf of the Board

S. Puri — *Director*

L. N. Balaji — *President*

11th May, 2007

STATEMENTS OF CASH FLOWS

	2007 $	2007 Rs.	2006 $	2006 Rs.
Cash flows from operating activities				
Net income	183,026	7,956,140	163,001	7,272,290
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	23,695	1,030,018	19,526	871,152
Bad debt expense	15,511	674,263	10,759	480,013
(Increase) decrease in assets				
Accounts receivable	(1,546,578)	(67,229,733)	(461,507)	(20,590,135)
Advances to employees	11,796	512,782	55,529	2,477,426
Other assets/ security deposits	8,579	372,908	18,019	803,918
Increase (decrease) in liabilities				
Accounts payable	72,178	3,137,576	46,838	2,089,677
Accrued expenses and other liabilities	6,232	270,905	169,169	7,547,476
Accrued payroll and payroll taxes	(40,006)	(1,739,080)	74,002	3,301,599
Due to ITC Infotech India Ltd. and ITC Infotech Ltd. (UK), net	1,217,751	52,935,640	229,057	10,219,378
Net cash provided by (used in) operating activities	(47,816)	(2,078,581)	324,393	14,472,794
Cash flows from investing activities				
Capital expenditures	(23,473)	(1,020,370)	(35,020)	(1,562,417)
Net (decrease) increase in cash and cash equivalents	(71,289)	(3,098,951)	289,373	12,910,376
Cash and cash equivalents at beginning of year	691,171	30,045,203	401,798	17,926,218
Cash and cash equivalents at end of year	619,882	26,946,252	691,171	30,836,594

Supplemental disclosures of cash flow information:

Income taxes paid were $13,177 (Rs. 572,804) and $12,044 (Rs. 537,388) during 2007 and 2006, respectively.

The accompanying notes are an integral part of these statements

On behalf of the Board

S. Puri — *Director*

L. N. Balaji — *President*

11th May, 2007

NOTES TO FINANCIAL STATEMENTS
March 31, 2007 and 2006

NOTE 1 – BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the "Company") is principally engaged in the information technology services business. Its customers are commercial entities and software developers throughout the United States of America. The work is usually performed under contracts which specify fixed hourly rates (which depend upon the skill level of the employee staffed at the customer's location) and which vary in length, but are typically less than one year in duration. The Company generates revenue through specific projects, whereby the Company and its overseas affiliates undertake the responsibility to deliver specific software solutions ("Project Business") on a contractual basis. Substantially all of these contracts for Project Business were co-sourced, in terms of the marketing agreement with its affiliates (see Note 3), or fulfilled with resources drawn from affiliates, on a contractual basis, to supplement the Cpmpany's resources. The Company either receives fees from affiliates for client account management in respect of work contracted between ITC Infotech India with clients in the United States, or incurs subcontract costs for technical services provided by affiliates to support customer contracts entered into by the Company. The Company continues to be dependent on such support from its affiliates.

The Company is a wholly-owned subsidiary of ITC Infotech India Ltd. ("Infotech India"), an Indian Company. ITC Infotech Ltd. ("Infotech UK"), is also a wholly-owned subsidiary of ITC Infotech India Ltd.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Financial Statements of the Company, are prepared in accordance with accounting principles generally accepted in the USA, the country of incorporation and are represented in U.S. dollars. As required by the parent company, the Indian Rupee equivalent figures, arrived at by applying the year end interbank exchange rate of US$ 1 = Rs. 43.47 (2006 : US$ 1 = Rs. 44.615) as provided by the parent company, have been included.

Recognition of Revenue

Service Revenue

Service revenues are based upon hours worked by Company employees on customer assignments and are recognized when the work is performed. Revenue is determined by multiplying the hours worked by the contractual billing rates. Substantially all customers are billed weekly, biweekly, or monthly.

Project Revenue

Revenues on the Project Business are recognized as earned, typically in the month the service is performed. Costs associated with the use of subcontractors to fulfil such Project Business are recognized in the same period.

In accordance with AICPA Statement of Position 97-2 ("SOP 97-2"), "Software Revenue Recognition," and AICPA Statement of Position 98-9 ("SOP 98-9"), the Company recognizes software revenues on delivery when a non-cancellable agreement has been executed, fees are fixed and determinable and collection is considered probable unless there is significant uncertainty about customer acceptance, in which case revenues are recognized upon such acceptance. Losses on contracts are recognized when determinable.

Account Management Fees

Fees for client account management in respect of work contracted by Infotech India with clients in the United States are billed monthly at a predetermined rate applied on the amount billed by Infotech India to its clients.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with maturities of ninety days or less, when purchased, to be cash or cash equivalents.

Accounts Receivable

Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company creates an allowance for accounts receivable when they become uncollectible, despite best efforts to collect.

Equipment, Leasehold Improvements and Software

Equipment, leasehold improvements and purchased software are stated at cost. Depreciation is provided under various methods based upon the estimated useful lives of the assets, with such lives ranging up to four years.

Income Taxes

The Company accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes." SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of these benefits is considered to be more likely than not. If the future realization of such benefits is uncertain, then a valuation allowance is provided.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although actual results could differ from those estimates, in the opinion of management such estimates would not materially affect the financial statements.

Prepaid Immigration Fees

Legal costs and other recruitment charges incurred to obtain visas and other required immigration papers for recruits, and for employees are included in prepaid expenses. These charges are amortized over the lesser of two years or the expected employment period of the employees.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Advertising Costs

Advertising costs are expensed as incurred.

Long-Lived Assets

The Company follows Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Accordingly, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable, the Company assesses the recoverability of the asset. No impairment charge has been recorded in 2007 or 2006.

Capitalized Software Costs

Costs incurred for development of computer software for internal use of the Company are capitalized. Any costs incurred in the preliminary stages of development and in the operating stages of the software are expensed immediately. Capitalized software costs are amortized over a period of five years or over the estimated useful lives, whichever is lower. There were no such costs capitalized in 2007 or 2006. Accumulated amortization of these costs is $13,590 (Rs. 590,773) and $9,060 (Rs. 404,223) at March 31, 2007 and 2006, respectively.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with its affiliates as follows :

	Year ended March 31			
	2007	**2007**	2006	2006
	$	**Rs.**	$	Rs.
Transactions with Infotech India				
Revenues for account management	**948,996**	**41,252,856**	1,095,957	48,896,122
Costs for project consultations, included in cost of revenues	**2,315,265**	**100,644,570**	957,807	42,732,559
Project/other expenses reimbursements	**2,527,258**	**109,859,905**	2,570,609	114,687,721
Transactions with Infotech UK				
Service Fees reognized as revenues	**1,906,485**	**82,874,903**	2,159,480	96,345,200
Project/other expenses reimbursements, included in cost of revenues	**135,519**	**5,891,011**	148,753	6,636,615

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of trade accounts receivable. Changes in the Company's allowance for doubtful accounts in 2007 and 2006 are as follows:

	2007 $	2007 Rs.	2006 $	2006 Rs.
Beginning balance	113,259	4,923,369	143,990	6,424,114
Increase to allowance	15,511	674,263	10,759	480,013
Accounts written off	—	—	(41,490)	(1,851,076)
Ending balance	128,770	5,597,632	113,259	5,053,050

Unbilled receivables were approximately $694,000 and nil as of March 31, 2007 and 2006, respectively.

NOTE 5 – COMMITMENTS AND CONTINGENT LIABILITIES

Leases

The Company has leased office space and an apartment under non-cancellable operating leases expiring through fiscal 2008. Total rent expense under these leases was approximately $169,000 (Rs. 7,346,430) and $142,000 (Rs. 6,316,681) for the years ended March 31, 2007 and 2006, respectively.

In addition, the Company has entered into various non-cancellable operating leases for the rental of equipment.

The future minimum annual lease payments at March 31, 2007 are as follows:

	Offices		Equipment		Total	
	$	Rs.	$	Rs.	$	Rs.
2008	33,815	1,469,949	5,200	226,044	39,015	1,695,993
2009	—	—	5,200	226,044	5,200	226,044
2010	—	—	5,200	226,044	5,200	226,044
2011	—	—	5,200	226,044	5,200	226,044
Total minimum lease payments	33,815	1,469,949	20,800	904,176	54,615	2,374,125

NOTE 6 – INCOME TAXES

The Provision for income taxes consists of a current tax provision as follows:

	Years ended March 31			
	2007	2007	2006	2006
	$	Rs.	$	Rs.
State and local taxes	16,177	703,214	12,044	537,343

The Company's current expected Federal income tax provision has been offset by the utilization of net operating loss carry forwards. The Company's current expected state income tax provision has been offset in part by the utilization of state net operating loss carry forwards.

Deferred tax assets and liabilities consisted of the following:

	Year ended March 31			
	2007	2007	2006	2006
	$	Rs.	$	Rs.
Net operating loss Carry forwards	1,347,600	58,580,172	1,705,600	76,095,344
Other temporary differences	32,000	1,391,040	54,000	2,409,210
Valuation allowance	(1,379,600)	(59,971,212)	(1,759,600)	(78,504,554)
Net Deferred tax asset	—	—	—	—

Although, the Company has made profits during the fiscal year ended March 31, 2007, the Company has not yet recognized any deferred tax assets and has recorded a full valuation allowance at the balance sheet date.

At March 31, 2007, the Company has net operating loss carry forwards ("NOLs"), for Federal income tax purposes, of approximately $3,811,000 (Rs. 165,664,170) available to offset future taxable income, as summarised below. At March 31, 2007, the Company had net operating loss carry forwards for state income tax purposes of approximately $575,000 (Rs. 24,995,250) available to offset future taxable income, which expire in 2025. Limitation of the utilization of NOL's to offset future taxable income could occur following a corporate "Ownership Change" as defined in the Internal Revenue Code.

Operating loss carry forwards ("NOL's") for Federal Income Tax purposes will expire as follows :

	$	Rs.
2020	217,000	9,432,990
2021	648,000	28,168,560
2022	1,895,000	82,375,650
2023	245,000	10,650,150
2024	360,000	15,649,200
2025	435,000	18,909,450
2026	11,000	478,170
	3,811,000	165,664,170

NOTE 7 – CONCENTRATION OF CUSTOMER SALES

A significant portion of the Company's sales are to several key customers, some of which are also agencies providing software consulting services to commercial entities and software developers. Three such key customers accounted for approximately 58% (27%, 20% and 11%) and approximately 65% (33%, 22% and 10%) of the Company's net revenues for the years ended March 31, 2007 and 2006, respectively. Accounts receivable from these customers approximated 53% (45%, 0%, and 8%) of total accounts receivable at March 31, 2007.

NOTE 8 – ACCOUNTING PRONOUNCEMENT – MULTIPLE-DELIVERABLE REVENUE ARRANGEMENTS

The Company follows Emerging Issues Task Force Issue No. 00-21 ("EITF 00-21"), "Multiple-Deliverable Revenue Arrangements." EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The consensus mandates how to identify whether goods or services or both to be delivered separately in a bundled sales arrangement should be accounted for separately because they are separate units of accounting. The guidance can affect the timing of revenue recognition for such arrangements, even though it does not change rules governing the timing or pattern of revenue recognition of individual items accounted for separately.

The adoption of EITF 00-21 had no material impact on its financial position, cash flows or results of operations.

On behalf of the Board

S. Puri *Director*
L. N. Balaji *President*
11th May, 2007