REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2008.

Principal Activities

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

Business Review

Your Company is pleased to report a year of significant Revenue and Profit growth.

The continuing sharp focus in identified core verticals, proactive investments in domain-led service offerings and deployment of a trained sales force in defined markets have yielded encouraging results in terms of acquisitions of several marquee, high potential clients, significant scaling up of revenues on several current accounts and a growing funnel of prospects for your Company.

Revenues have doubled to US$ 18.09 million (previous year US$ 9.31 million). Gross profits grew by a substantial 77% to US$ 5.14 million (previous year US$ 2.90 million). Net profit was recorded at US $ 0.43 million (previous year US $ 0.18 million).

Your Company's performance is encouraging given the backdrop of the US market which has been buffeted by a host of economic and recessionary challenges including the sub-prime mortgage crisis, melt-down in the housing industry, write-downs by most financial institutions, inflationary pressures, and a general loss of consumer confidence.

Your Company seeks to significantly expand its presence in the US market primarily through organic growth, including key alliances with large software companies and partnerships that leverage complementarities. The pursuit of inorganic growth options will lend further fillip to your Company's growth strategy. Further, your Company seeks to build on the foundation of world-class client service capability towards creating a brand positioning as a trusted partner who is proactive, responsive and provides measurable delivery excellence.

Your Company is pleased to report that several marquee clients scaled smartly during the year, with the prospects of similar growth into the next year. An experienced sales team and a stronger funnel provide the confidence for a favorable 2008-09.

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

12th May, 2008

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying balance sheets of ITC Infotech (USA), Inc. (a wholly owned subsidiary of ITC Infotech India Ltd.) as of March 31, 2008 and 2007, 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 audit 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, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

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, 2008 and 2007, 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
12th May, 2008

AMPER, POLITZINER & MATTIA, P.C.

BALANCE SHEETS

	March 31, 2008 $	March 31,2008 Rs.	March 31, 2007 $	March 31, 2007 Rs.
ASSSETS				
CURRENT ASSETS				
Cash and cash equivalents	20,287	813,914	619,882	26,946,252
Accounts receivable, net of allowance for doubtful accounts of $ 157,804 (Rs. 6,331,080) and $ 128,770 (Rs. 5,597,632) for 2008 and 2007, respectively	6,316,937	253,435,499	2,706,958	117,671,450
Avances of employees	78,729	3,158,602	54,785	2,381,538
Total current assets	6,415,953	257,408,015	3,381,625	146,999,240
EQUIPMENT AND LEASEHOLD IMPROVEMENTS				
Computer equipments	283,515	11,374,622	160,514	6,977,577
Office equipments	166,716	66,88,636	40,187	1,746,915
Leasehold Improvements	28,833	1,156,770	8,185	355,802
	479,064	19,220,028	208,886	9,080,294
Less: Accumulated depreciation and amortization	199,865	8,018,598	150,752	6,553,196
	279,199	11,201,430	58,134	2,527,098
Computer software	21,097	846,415	18,329	796,740
Less : Accumulated amortization	17,528	703,212	16,755	728,326
	3,569	143,203	1,574	68,414
Capitalized software, net	4,530	181,766	9,061	393,863
Other assets, principally security deposits	85,039	3,411,746	25,804	1,121,715
	6,788,290	272,346,160	3,476,198	151,110,330
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	958,547	38,456,892	416,523	18,106,255
Accrued expenses and other current liabilities	989,667	39,705,422	355,800	15,466,625
Accrued payroll and payroll taxes	358,207	14,371,263	243,226	10,573,034
Due to ITC Infotech Ltd. (UK), net	11,207	449,626	247,030	10,738,402
Due to ITC Infotech India Ltd., net	3,265,371	131,006,691	1,436,093	62,426,959
Total current liabilities	5,582,999	223,989,894	2,698,672	117,311,275
Commitments and Contigencies				
STOCKHOLDER'S EQUITY				
Capital stock, no par value; 50,000 shares authorized; 47,000 shares issued and outstanding	200,000	8,024,000	200,000	8,694,000
Additional paid-in capital	4,500,000	180,540,000	4,500,000	195,615,000
Accumulated deficit	(3,494,709)	(140,207,734)	(3,922,474)	(170,509,945)
	1,205,291	48,356,266	777,526	33,799,055
	6,788,290	272,346,160	3,476,198	151,110,330

The accompanying notes are an integral part of these statements

On behalf of the Board

A Sharma, *Financial Controller*
L. N. Balaji, *President*
S. Puri, *Director*

Date : 12th May, 2008

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

	For the year ended 31st March, 2008 $	For the year ended 31st March, 2008 Rs.	For the year ended 31st March, 2007 $	For the year ended 31st March, 2007 Rs.
Revenues				
Service fees	17,428,962	699,249,955	8,143,569	354,000,944
Account management fee-affiliates	—	—	948,996	41,252,856
Project fees	656,935	26,356,232	213,000	9,259,110
Total revenues	18,085,897	725,606,187	9,305,565	404,512,910
Cost of revenues, principally employment costs and fees charged by affiliates	13,397,473	537,506,639	6,409,477	278,619,965
Gross profit	4,688,424	188,099,548	2,896,088	125,892,945
General and administrative expenses	4,184,776	167,893,240	2,721,388	118,298,736
Operating income	503,648	20,206,308	174,700	7,594,209
Other income, net	26,040	1,044,747	24,503	1,065,145
Income before income tax expenses	529,688	21,251,055	199,203	8,659,354
Income tax expense	101,923	4,089,132	16,177	703,214
Net income	427,765	17,161,923	183,026	7,956,140
Accumulated deficit at beginning of year	(3,922,474)	(157,369,657)	(4,105,500)	(178,466,085)
Accumulated deficit at end of year	(3,494,709)	(140,207,734)	(3,922,474)	(170,509,945)

The accompanying notes are an integral part of these statements

On behalf of the Board

A Sharma
Financial Controller

L. N. Balaji
President

S. Puri
Director

Date : 12th May, 2008

STATEMENT OF CASH FLOWS MARCH 31, 2008

	2008 $	2008 Rs.	2007 $	2007 Rs.
Cash flows from operating activities				
Net income	427,765	17,161,923	183,026	7,956,140
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	54,416	2,183,169	23,695	1,030,018
Bad debt expense	29,034	1,164,834	15,511	674,263
(Increase) decrease in assets				
Accounts receivable	(3,639,013)	(145,997,157)	(1,546,578)	(67,229,733)
Advances to employees	(23,944)	(960,637)	11,796	512,782
Other assets / security deposits	(59,234)	(2,376,470)	8,579	372,908
Increase (decrease) in liabilities				
Accounts payable	542,024	21,746,000	72,178	3,137,576
Accrued expenses and other liabilities	633,867	25,430,709	6,232	270,905
Accrued payroll and payroll taxes	114,981	4,613,053	(40,006)	(1,739,080)
Due to ITC Infotech India Ltd. and ITC Infotech Ltd. (UK), net	1,593,455	63,929,419	1,217,751	52,935,640
Net cash provided by (used in) operating activities	(326,649)	(13,105,157)	(47,816)	(2,078,581)
Cash flows from investing activities				
Capital expenditures	(272,946)	(10,950,578)	(23,473)	(1,020,370)
Net (decrease) increase in cash and cash equivalents	(599,595)	(24,055,735)	(71,289)	(3,098,951)
Cash and cash equivalents at beginning of year	619,882	24,869,649	691,171	30,045,203
Cash and cash equivalents at end of year	20,287	813,914	619,882	26,946,252

Supplemental disclosures of cash flow information :

Income taxes paid were $22,991 (Rs. 922,391) and $13,177 (Rs. 572,804) during 2008 and 2007, respectively.

The accompanying notes are an integral part of these statements

On behalf of the Board

A Sharma
Financial Controller

L. N. Balaji
President

S. Puri
Director

Date : 12th May, 2008

NOTES TO THE FINANCIAL STATEMENTS

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 Company'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$1 = Rs. 40.12 (2007: US$ 1= Rs. 43.47) 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.

Peoject 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 fulfill 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-cancelable 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 and amortisation 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 carry forwards, 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.

Reclassificiations

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 2008 or 2007.

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 2008 or 2007. Accumulated amortization of these costs is $ 18,120 (Rs. 726,974) and $ 13,590 (Rs. 590,773) at March 31, 2008 and 2007, respectively.

NOTE 3 - RELATED PARTY TRANSACTIONS

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

	Year ended March 31			
	2008 $	2008 Rs.	2007 $	2007 Rs.
Transactions with Infotech India				
Revenues for account management	—	—	948,996	41,252,856
Costs for project consultations/ other expenses, included in costs	4,904,433	196,765,852	2,315,265	100,644,570
Project/other expenses reimbursements	491,600	19,722,192	2,527,258	109,859,905
Transactions with Infotech UK				
Service Fees recognized as revenue	876,034	35,146,484	1,906,485	82,874,903
Costs for project consultations/ other expenses, included in costs	83,102	3,334,052	—	—
Project / other expenses reimbursements	256,486	10,290,218	135,519	5,891,011

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of trade accounts receivable. Changes in the Company's allowance for doubtful accounts in 2008 and 2007 are as follows:

	2008 $	2008 Rs.	2007 $	2007 Rs.
Beginning balance	128,770	5,166,252	113,259	4,923,369
Increase to allowance	29,034	1,164,844	15,511	674,263
Ending balance	157,804	6,331,096	128,770	5,597,632

Unbilled receivables were approximately $ 118,899 (Rs. 4,770,228) and $ 694,000 (Rs. 30,168,180) as of March 31, 2008 and 2007, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

Leases

The Company has leased office spaces, storage spaces, and an apartment under noncancelable operating leases expiring through fiscal 2012. One such office has been leased from King Maker Marketing Inc. whose parent Company (ITC Limited) is same as the Company's ultimate parent Company. Total rent expense under such leases was approximately $ 149,342 (Rs. 5,991,613) and $ 169,000 (Rs. 7,346,430) for the year ended March 31, 2008 and 2007, respectively. Total rent and other expenses paid to King Maker Marketing Inc. for the year ended March 31, 2008 was approximately $ 59,275 (Rs. 2,378,113).

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

The future minimum annual lease payments as at March 31, 2008 are as follows :

	Offices		Equipments		Total	
	$	Rs.	$	Rs.	$	Rs.
2008 - 2009	94,946	3,809,250	5,102	204,692	100,048	4,013,942
2009 - 2010	67,254	2,698,230	5,102	204,692	72,356	2,902,922
2010 - 2011	67,254	2,698,230	1,204	48,304	68,458	2,746,534
2011 - 2012	67,254	2,698,230	1,204	48,304	68,458	2,746,534
2012 - 2013	16,814	674,726	1,204	48,304	18,018	723,030
Total Minimum lease payments	313,522	12,578,666	13,816	554,296	327,338	13,132,962

NOTE 6 - INCOME TAXES

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

	Year ended March 31			
	2008	2008	2007	2007
	$	Rs.	$	Rs.
Federal Alternate Minimum Tax	14,404	577,888	—	—
State and Local Taxes	87,518	3,511,222	16,177	703,214
Total expense	101,922	4,089,132	16,177	703,214

The Company's current expected Federal income tax provision has been offset by the utilization of net operating loss carry forwards. The Company, however, is liable for Alternate Minimum Tax (AMT) and accordingly a provision of approximately USD 14,404 (Rs. 577,728) has been made for the year ended March 31, 2008. 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:

	For the Year ended March 31			
	2008 $	2008 Rs.	2007 $	2007 Rs.
Net Operating Loss Carry forwards	916,047	36,751,806	1,347,600	58,580,172
Other temporary differences	360,763	14,473,811	32,000	1,391,040
Valuation allowance	(1,276,810)	(51,225,617)	(1,379,600)	(59,971,212)
Net deferred tax asset	—	—	—	—

Although, the Company has made profits during the fiscal year ended March 31, 2008, 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, 2008, the Company has net operating loss carry forwards ("NOL's"), for Federal income tax purposes, of approximately $ 2,694,255 (Rs. 108,093,510) available to offset future taxable income, as summarized below. At March 31, 2008, the Company had utilized substantially all of its net operating loss carry forwards for state income tax purposes. Limitation of 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.
2023	1,870,709	75,052,845
2024	359,871	14,438,025
2025	435,527	17,473,343
2026	10,805	433,496
2027	17,343	695,801
	2,694,255	108,093,510

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 55% (27%, 21% and 7%) and approximately 58% (27%, 20% and 11%) of the Company's net revenues for the year ended March 31, 2008 and 2007, respectively. Accounts receivable from these customers approximated 51% (29%, 18%, and 5%) of total accounts receivable at March 31, 2008.

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 address 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

A Sharma	L. N. Balaji	S. Puri
Financial Controller	*President*	*Director*

Date : 12th May, 2008