

REPORT OF THE CHIEF EXECUTIVE OFFICER TO THE SOLE MEMBER, ITC INFOTECH (USA), INC.

I take pleasure in presenting my Report together with the Audited Financial Statements of the Company for the fifteen month period ended 31st March, 2009.

Principal Activities

Your Company is engaged in providing Software Testing and Quality Assurance services primarily for the Banking, Financial Services & Insurance business segments.

Change in Membership Interest

Consequent to acquisition of 100% Membership Interest, your Company became a Sole Member company and a wholly owned subsidiary of ITC Infotech (USA), Inc. and therefore of ITC Infotech India Limited with effect from 11th August, 2008.

Capital Contribution from ITC Infotech (USA) Inc

ITC Infotech (USA), Inc., the Sole Member of the Company, made a capital contribution of US\$ 2.5 million into the Company in August, 2008 in terms of the Membership Interest Purchase Agreement dated 1st August, 2008 entered into between the erstwhile owners of the Company, ITC Infotech (USA), Inc., and the Company.

Extension of financial year

Your Company's financial year was synergised with the calendar year (January-December). To coincide the close of the financial year with that of the holding company, your Company extended its financial year to 31st March, 2009.

Business Review

Despite the worst recession since the Great Depression in the US, your Company is pleased to report for the 15 month period ended 31st March, 2009, Total Revenues of \$14.17 million (previous year- 12 months- 14.46 million) and a Net Profit \$0.19 million (previous year- 12 months- 2.51 million).

Your Company is also pleased to report that it has been retained by its clients on most projects that were in hand at the time of the sudden collapse of the financial markets in the United States and thereafter globally.

As the domestic and global economies improve, your Company is poised for an expansion of its testing services business in the Capital Markets and other Verticals. With the US government providing support to the US financial institutions, the Capital Markets Vertical is likely to be the first one to emerge from the economic resetting and provide growth opportunities for IT needs of other sectors.

Your Company is accordingly increasing its visibility among existing clients and new prospects, keeping itself abreast with the new financial regulations for banks and hedge funds, the enforcement of which will translate into revenue for the Company and its holding company for testing, development and support services. Your Company is confident of leveraging the opportunities that will arise in this area.

Your Company is also confident that this preparedness, together with the synergies developed in collaboration with ITC Infotech, including the potential for increased cross-selling to existing customers of the larger Group, will enable sustained growth in the future.

Israel Branch

The Company has filed an application for closure of its Israel Branch and is awaiting confirmation of the same from the concerned statutory authorities in Israel.

Auditors

M/s. Amper, Politziner & Mattia, LLP, Certified Public Accountants and Auditors of the Company, offer themselves for reappointment as Auditors of the Company to audit the Financial Statements of the Company for the financial year ending 31st March, 2010.

11th May, 2009

**Amar Singh Duggal
Chief Executive Officer**

Report of Independent Certified Public Accountants

ITC Infotech (USA), Inc., Sole Member of Pyxis Solutions, LLC.

We have audited the accompanying balance sheet of Pyxis Solutions, LLC as of March 31, 2009, and the related statement of operations and members' equity, and statement of cash flows for the fifteen-month period from January 1, 2008 to March 31, 2009. 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 the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Pyxis Solutions, LLC became a wholly owned subsidiary of ITC Infotech (USA), Inc., (the "Parent Company") on August 11, 2008 as a result of the acquisition of 100% of the Membership Interest by ITC Infotech (USA), Inc.

The Indian Rupee equivalent figures have been included in the financial statements as required by ITC Infotech (India) Limited, the parent's parent company.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pyxis Solutions, LLC as of March 31, 2009, and the results of its operations and its cash flows for the fifteen-month period then ended in conformity with accounting principles generally accepted in the United States of America.

The amounts presented as of December 31, 2007 and the year then ended have not been audited or reviewed, and are presented as unaudited comparative information only.

May 11, 2009

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Edison, New Jersey

BALANCE SHEET AS AT 31ST MARCH 2009				
	March 31, 2009 (\$)	Rs	December 31, 2007 (Unaudited) (\$)	Rs
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	1,300,209	65,946,599	1,138,252	44,864,203
Accounts and unbilled receivable, net of allowance for doubtful accounts of \$ 8,391 (Rs. 425,592) for 2008 and \$0 (Rs. 0) for 2007, respectively	1,676,564	85,035,372	2,110,993	83,204,826
Trade advance to related party	48,500	2,459,920	48,500	1,911,628
Prepaid expenses	6,011	304,878	-	-
Total Current Assets	3,031,284	153,746,769	3,297,745	129,980,657
Computer Equipment, net of accumulated depreciation of \$203 (Rs. 10,296)	1,017	51,559	-	-
	3,032,301	153,798,328	3,297,745	129,980,657
<u>Liabilities and members' equity</u>				
Current liabilities				
Accounts payable	35,476	1,799,321	-	-
Accrued expenses and other current	298,824	15,156,352	549,894	21,674,086
Accrued payroll and payroll taxes	312,736	15,861,989	145,293	5,726,731
Total Current Liabilities	647,036	32,817,662	695,187	27,400,817
Long term debt	-	-	2,500,000	98,537,500
Commitments and contingencies				
Members' equity	2,385,265	120,980,666	102,558	4,042,340
	3,032,301	153,798,328	3,297,745	129,980,657
On behalf of Pyxis Solutions, LLC				
Date: May 11, 2009	G.Satish Financial Controller	Greg Zvi Brener Chief Operating Officer	A. Duggal Chief Executive Officer	

STATEMENT OF OPERATIONS AND MEMBERS' EQUITY				
	15 Months Ended		Year ended 2007	
	March 2009 (\$)	Rs	(Unaudited) (\$)	Rs
Revenue				
Service Fees	14,018,785	711,032,762	14,456,394	569,798,770
Project Fee	155,000	7,861,600	-	-
Total Revenue	14,173,785	718,894,362	14,456,394	569,798,770
Cost of revenue, principally employment cost and subcontractor fees	11,300,409	573,156,747	10,641,318	419,427,549
Gross profit	2,873,376	145,737,615	3,815,076	150,371,221
General and administrative expenses	2,709,957	137,448,983	1,255,849	49,499,288
Operating income	163,419	8,288,632	2,559,227	100,871,933
Interest income	27,345	1,386,947	61,039	2,405,852
Income before Income tax expense	190,764	9,675,579	2,620,266	103,277,785
Income tax expense	-	-	109,000	4,296,235
Net income	190,764	9,675,579	2,511,266	98,981,550
Members' equity at the beginning of period	102,558	5,201,738	1,076,604	42,434,361
Members distribution	(408,057)	(20,696,651)	(3,485,312)	(137,373,571)
Capital contribution from ITC Infotech (USA), Inc	2,500,000	126,800,000	-	-
Members' equity at the end of period	2,385,265	120,980,666	102,558	4,042,340
On behalf of Pyxis Solutions, LLC				
Date: May 11, 2009		G. Satish Financial Contro	Greg Zvi Brenner Chief Operating Officer	A. Duggal Chief Executive Officer

PYXIS SOLUTIONS, LLC.

STATEMENT OF CASH FLOW				
	15 Months Ended March 2009 (\$)	Rs	Year ended 2007 (Unaudited) (\$)	Rs
Cash Flow From Operating Activities				
Net income	190,764	9,675,579	2,511,266	98,981,550
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	203	10,296	-	-
Bad debt expense	13,279	673,511	-	-
(Increase) decrease in assets				
Accounts receivable	421,150	21,360,702	240,171	9,466,340
Prepaid expenses	(6,011)	(304,878)	(36,976)	(1,457,409)
Increase (decrease) in liabilities				
Accounts payable	35,476	1,799,321	-	-
Accrued expenses and other current liabilities	(251,070)	(12,734,289)	133,278	5,253,152
Accrued payroll and payroll taxes	167,443	8,492,720	-	-
Net cash provided by operating activities	571,234	28,972,962	2,847,739	112,243,632
Cash flows from investing activities				
Purchases of computer equipment	(1,220)	(61,853)	-	-
Net cash used in investing activities	(1,220)	(61,853)	-	-
Cash flows from financing activities				
Proceeds from long term debt	-	-	500,000	19,707,500
Members distribution	(408,057)	(20,696,651)	(3,485,312)	(137,373,571)
Repayment of long term debt	(2,500,000)	(126,800,000)	-	-
Capital contribution from ITC Infotech (USA) Inc.	2,500,000	126,800,000	-	-
Net cash used in financing activities	(408,057)	(20,696,651)	(2,985,312)	(117,666,071)
Net increase (decrease) in cash and cash equivalents	161,957	8,214,458	(137,573)	(5,422,439)
Cash and cash equivalents at beginning of period	1,138,252	57,732,141	1,275,825	50,286,642
Cash and cash equivalents at end of period	1,300,209	65,946,599	1,138,252	44,864,203
			On behalf of Pyxis Solutions, LLC	
Date: May 11, 2009		G.Satish Financial Controller	Greg Zvi Brener Chief Operating Officer	A. Duggal Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTSNote 1 – Business Background and Principal Transactions with Affiliates

Pyxis Solutions, LLC (the “Company”) is principally engaged in the information technology services business offering Quality Assurance (QA) solutions and testing services. Its customers are commercial entities 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 consultant staffed at the customer’s location) and which vary in length, but are typically more than one year in duration. The Company was formed as a New York State limited liability company in 2000.

One of the founders of the Company also owns a majority interest in an entity performing similar services in India. Similarly, both the founder members of the Company equally own the entire interest in an entity performing similar services in the United Kingdom. See Note 4 for transactions with these related parties.

On August 11, 2008, the membership interests held by the founders were acquired by ITC Infotech (USA), Inc. (“ITC”). There were no significant changes to the operations of the Company or the basis of accounting as a result of this transaction through March 31, 2009. Transactions as such are described in Note 3.

Note 2 – Summary of Significant Accounting PoliciesBasis of Presentation

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America, the country of formation. The amounts are represented in U.S. dollars. As required by the parent company, the Indian Rupee equivalent figures, arrived at by applying the period end interbank exchange rate of US\$1 = Rs. 50.72 as of March 31, 2009 (December 31, 2007: US\$ 1= Rs. 39.42) as provided by the parent company, have been included.

The Company had a year-end for financial reporting and tax return purposes of December 31, prior to the acquisition by ITC. The amounts presented as of December 31, 2007 and the year then ended have not been audited or reviewed, and are presented as unaudited comparative information only.

Recognition of RevenueService Revenue

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

Project Revenue

Revenue on the project business is recognized as earned, typically in the month the service is performed. Costs associated with the use of consultants to fulfill such project business are recognized in the same period.

Note 2 – Summary of Significant Accounting Policies (continued)

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 and Allowance for Doubtful Accounts

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 to 60 days and are stated at amounts due from customers net of any allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past dues. Bad debts are provided on the method based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible.

Computer Equipment

Computer equipment is stated at cost. Depreciation is provided under straight-line method based upon the estimated useful lives of the assets, with such lives ranging up to four years.

Income Taxes

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which requires the establishment of a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carry forwards. Valuation reserves are used to offset deferred tax assets due to the uncertainty of the realization of those tax assets. Deferred tax expense or benefit is recognized as a result of the changes in the assets and liabilities during the year.

The Company operates as a Limited Liability Company (LLC) for federal and state income tax purposes whereby the members are taxed individually on their proportionate share of the Company's income. The City of New York, however, levies an unincorporated business tax (UBT) on the income of the company. A provision for these taxes is stated in the accompanying 2007 financial statements. There was no such income subject to UBT tax in fiscal 2009.

As a result of the Company electing to be a disregarded entity, it is not liable for any federal or state income taxes and is not entitled to any tax benefits resulting from operating losses. ITC does not allocate any of its tax liabilities or benefits to the Company.

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 amount of assets and liabilities and disclosure of contingent assets

Note 2 – Summary of Significant Accounting Policies (continued)

and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Although actual results could differ from those estimates, in the opinion of the management such estimates would not materially affect the financial statements.

Fair value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate fair value because of the relatively short-term nature of these instruments

Foreign Currency Translation

The Company had a customer in the United Kingdom, which was invoiced in local currency. All accounts receivable at the balance sheet date denominated in foreign currency have been translated using the exchange rates in effect at the balance sheet date, with the resultant gain or loss recorded in the results of operations. Foreign currency transaction losses resulting from exchange rate fluctuations on transactions denominated in foreign currencies totaled \$28,765 (Rs.1,458,961) as of March 31 2009, and are included in general and administrative expenses in the accompanying statements of operations.

New Accounting Pronouncements

Except as discussed below, the Company does not expect the impact of the future adoption of recently issued accounting pronouncements to have a material impact on the Company's financial statements.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," which is effective for calendar year companies on January 1, 2008. The Statement defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. The Statement codifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"), which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until the Company's 2010 fiscal year end. Since SFAS 157 is not applicable to the Company for the fifteen-month ended March 31, 2009, the Company has not evaluated the impact of the required adoption of SFAS 157

On July 1, 2007, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS 109" (FIN 48). FIN 48 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 requires that a position taken or expected to be taken in a tax

Note 2 – Summary of Significant Accounting Policies (continued)

return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. Applicability of FIN 48 to non-public entity has been deferred to such entity's first fiscal year that begins after December 15, 2008. As a result FIN 48 is not applicable to the Company for the fiscal year ended March 31, 2009. The Company has not evaluated the impact of the required 2010 of FIN 48.

Note 3 - Acquisition of Membership Interests

On August 11, 2008, the membership interests of the founders were acquired by ITC for \$12,434,878. (Rs. 630,697,012), of which \$2,500,000 (Rs. 126,800,000) was paid by ITC on behalf of the Company towards repayment of long term debt. (see Note 8). Thereafter, the Company became a wholly-owned subsidiary of ITC. As permitted by accounting principles generally accepted in the United States, the impact of the purchase was not "pushed-down" to the Company. Accordingly, the financial statements presented do not reflect the adjustment of any asset or liability accounts to fair value on such date, and the amounts presented do reflect a continuity of operations and basis of presentation. For tax return purposes, the Company will prepare a final return for the period January 1, 2008 through August 11, 2008, and the resultant gain or loss will flow through to its founding members. For the period August 12, 2008 through March 31, 2009, the resultant income or loss will be included in the income tax returns of ITC, as the Company is a disregarded entity for income tax purposes.

The total revenue and loss before income tax expense for the period January 1, 2008 through August 11, 2008 was \$7,295,465 (Rs. 370,025,985) and \$584,545 (Rs. 29,648,122), respectively. The total revenue and income before income tax expense for the period August 12, 2008 through March 31, 2009 was \$6,878,320 (Rs. 348,868,390) and \$775,308 (Rs. 39,323,622), respectively. The parent company does not allocate any portion of the income tax expense of the consolidated group to the Company. The consolidated income tax expenses have been recognized by ITC from August 12, 2008 through March 31, 2009.

In connection with Membership Interest Purchase Agreement ("Purchase Agreement"), each seller receives certain allocable portion of the Company's earning as "contingent anniversary payments". Such contingent anniversary payments are contingent on the Company's EBITDA as determined from the first anniversary income statement and the second anniversary income statement in accordance with the terms of meeting or exceeding the Target EBITDA. No such amounts have been recognized through March 31, 2009.

In connection with this transaction, the loan from Zenda (see Note 8) was repaid and the line of credit (see Note 7) was cancelled. Furthermore, in connection with this transaction, the Company entered into employment agreements with two of the founders and officers (see Note 9).

Note 4 – Related Party Transactions

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

	15 Months Ended March 2009 (\$)	Rs	2007 (\$)	Rs
<u>Transactions with ITC Infotech USA Inc</u>				
Project /other expenses reimbursements incurred by ITC	39,189	1,987,680	-	-
Project /other expenses reimbursements incurred by Pyxis	22,017	1,116,711	-	-
<u>Transaction with Pyxis India</u>				
Costs for project consultations / other expenses, included in cost of revenue	751,483	38,115,218	448,066	17,660,521
<u>Transaction with Pyxis UK</u>				
Costs for project consultations / other expenses, included in cost of revenue	304,586	15,448,621	262,165	10,333,233

Included in accrued expenses at March 31, 2009, are approximately \$113,000 (Rs. 5,731,360) due to related parties.

Trade advance represents a sum of \$ 48,500 (Rs. 2,459,920) receivable from Pyxis Singapore.

Note 5 - Accounts Receivable

Accounts receivable consist of trade accounts receivable and unbilled accounts receivable (representing services performed prior to the balance sheet dates, but not invoiced to the customer until thereafter). Unbilled receivables were approximately \$775,000 as of March 31, 2009. Changes in the Company's allowance for doubtful accounts in fiscal 2009 are as follows:

	15 Months Ended March 2009 (\$)	Rs	2007 (\$)	Rs
Beginning balance	-	-	-	-
Increase to allowance	13,279.00	673,510.88	-	-
Accounts written off	4,888.00	247,919.36	-	-
Ending balance	8,391.00	425,591.52	-	-

Note 6 – Commitment and Contingent Liabilities

Leases

The Company has leased office space under non-cancelable operating lease expiring November 30, 2009. Total rent expense under this lease for the 15 month ending 31st March, 2009 was \$90,382 (Rs.4,584,190)

Note 6 – Commitment and Contingent Liabilities (continued)

The future minimum annual lease payments at March 31, 2009 are as follows:

Year	Office Rent	
	\$	Rs
2009-10	42,174	2,139,065

Note 7 - Line of Credit

In July 2007, the Company entered into a revolving line of credit agreement with a bank for a maximum borrowing of \$1,500,000. (Rs. 76,080,000) Interest on this line of credit was chargeable at London Interbank Offered Rate plus 2.5%. In connection with the Purchase Agreement, this line of credit was terminated on July 31, 2008. There were no amounts outstanding as at December 31, 2007 on account of this credit facility.

Note 8 - Long-term Debt

On January 1, 2008 the Company had an outstanding non-interest bearing loan of \$2,500,000 (Rs. 126,800,000) from Zenda Investments Holding Limited (“Zenda”). In connection with the Purchase Agreement, ITC paid Zenda, on behalf of the Company, an amount equivalent to the loan. This payment, on the date of acquisition, constituted a capital contribution to the Company by ITC.

Note 9 - Employment Agreement

In connection with employment agreements (“Agreements”), the Company’s Chief Executive Officer and the Chief Operating Officer agree that the term of these Agreements are for a period of two years (expiring August 2010).

These Agreements provide for certain minimum level of base salary and other amounts of contingent compensation to be earned, all of which are defined in the Agreements.

Note 10 - Concentration of credit risk and significant customers

As of March 31, 2009, two customers accounted for approximately 65% of the Company’s total revenue. These two customers accounted approximately 41% of total accounts receivable at March 31, 2009.