REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2011.

The Corporation is a wholly owned subsidiary of ITC Infotech India Limited (I3L), which is incorporated in India.

Principal Activities

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

Financial Results (US$ million)

	ITC Infotech (USA), Inc. Consolidated(*)	
Year Ended March 31,	**2011**	2010
Total Revenue	**38.43**	30.99
Operating Income before Amortization	**0.82**	0.73
Net Cash Flow provided by Operating activities	**1.25**	0.66

(*)including Pyxis Solutions, LLC, a wholly owned subsidiary of the Corporation.

Business Review

The Corporation is pleased to report another year of strong growth even as the US economy gradually began emerging from the historic recessionary crisis. Recent analyst estimates for 2010 based on data from the US Department of Commerce indicates growth in IT consulting services and IT outsourcing at 2.8% and 5.7% respectively, reversing the de-growth in IT purchases during 2009. Driven by aggressive growth in new client acquisition and focused account management, the Corporation's Total Revenue increased by 24% over that of the previous year.

The smart upturn in the Corporation's financial performance validates the robustness of its strategy of investing proactively to create unique domain-led solutions towards enhancing the competitiveness of clients across identified industry verticals. In particular, these solutions enabled demonstrable value to clients in addressing some of their critical business challenges such as effective client relationship management, collaborative product development to shrink time to market, and lowering cost of operations.

Although the recessionary conditions eased towards the latter part of the financial year, client budgets continue to be tightly monitored. Several CIO surveys by leading analysts indicate that (a) new project funding was largely sourced from savings in cost of operations and (b) the focus was on quickening ROI on projects. These trends reflect the continuing uncertainty during the economic recovery. Consequently, the Corporation's margins remained under pressure, despite the gradual renegotiation of prices upwards for some customers. The margins during the financial year 2010-11 reflect the impact of (a) cost management initiatives (b) partnered approach to co-innovation where feasible and (c) growing share of higher order consulting services.

The partnered co-innovation strategy has yielded encouraging results in terms of acquisitions of several marquee, high potential clients and a growing funnel of prospects. The Corporation has begun implementing some business transformation projects for clients, with salutary impact on margins, and more importantly in building market standing for the future. The high scores in the customer satisfaction survey, independently conducted by a reputed firm, serves to validate the Corporation's worth as a value-adding business partner.

The expanded customer base, the strong sales funnel and the bank of market-relevant capabilities, augur well for the year 2011-12.

Wholly Owned Subsidiary – Pyxis Solutions, LLC

As stated in the Report of the Directors last year, the Corporation acquired 100% Membership Interest in Pyxis Solutions, LLC (Pyxis) with effect from 11th August, 2008. Pyxis provides high end, domain-based quality consulting to marquee clients in the financial services industry. In line with the Corporation's approach towards capability building, new niche capabilities were added to Pyxis' range. Delayed recovery in IT spending in the capital markets sector adversely impacted Pyxis' revenues and margins for 2010-11. It is a testimony to Pyxis' capabilities that all major clients were retained during the financial year, besides acquiring new clients and projects. Towards the end of the financial year, Pyxis was chosen to provide quality assurance services in a new business-critical area by their largest client. A healthy funnel of projects based on the combined capabilities of Pyxis and the Corporation provides a sound foundation for growth in the next financial year.

During the year under review, Pyxis declared and paid US$ 750,000 (previous year-Nil) as dividend for the financial year 2010-11 by way of distribution to the Corporation, the Sole Member of Pyxis.

Directors

Consequent to his retirement from the services of ITC Limited, the ultimate holding company, Mr. K. Vaidyanath ceased to be a Director of the Corporation with effect from close of business on 2nd January, 2011. Your Board of Directors places on record its appreciation of the contribution made by Mr. Vaidyanath during his tenure as Chairman and Director of the Corporation.

In terms of Article III Clause 4(a) of the By Laws of the Corporation and as nominated by I3L, the Board of Directors of your Corporation at its meeting held on 21st December, 2010 appointed Mr. Y. C. Deveshwar and Mr. S. Sivakumar as Directors of the Corporation to hold office until the next succeeding Annual Meeting of the Shareholders of the Corporation. Your approval for appointment of Mr. Y. C. Deveshwar and Mr. S. Sivakumar as Directors of the Corporation is being sought at the Annual Meeting of the Corporation for the financial year ended 31st March, 2011.

In terms of Article III Clause 6A of the By Laws of the Corporation, Mr. Y. C. Deveshwar and Mr. S. Sivakumar were appointed Chairman and Vice Chairman respectively of the Board of Directors of the Corporation with effect from 3rd January, 2011.

In terms of Article III Clause 4(c) of the By Laws of the Corporation and as nominated by I3L, Mr. R. Tandon was appointed as a Director of the Corporation at a Special Meeting of the Shareholders of the Corporation held on 21st December, 2010.

M/s. B. B. Chatterjee, (Ms) B. Parameswar, S. Puri, B. Sumant and R. Tandon, Directors of the Corporation, will retire at the Annual Meeting, and, being eligible, offer themselves for re-appointment.

Auditors

M/s. EisnerAmper LLP, Accountants and Advisors, Auditors of the Corporation, offer themselves for reappointment as Auditors of the Corporation to audit the Financial Statements of the Corporation for the financial year ending 31st March, 2012.

On behalf of the Board

B. Sumant *Director*

May 9, 2011 S. Sivakumar *Vice Chairman*

AMPER, POLITZINER & MATTIA, LLP

Report of the Independent Auditors' to the members of ITC Infotech (USA), Inc. and its group Companies

Board of Directors

ITC Infotech (USA), Inc.

We have audited the accompanying special-purpose balance sheet of ITC Infotech (USA), Inc. as of March 31, 2011, and the related special-purpose statements of operations and accumulated deficit, and cash flows for the year then ended. 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. The special-purpose financial statements as of and for the year ended March 31, 2010 were audited by Amper, Politziner & Mattia, LLP, whose practice was combined with the practice of Eisner LLP to form EisnerAmper LLP as of August 16, 2010 and whose report dated May 10, 2010, expressed an unqualified opinion on those statements.

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 consideration of internal control 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 audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of reporting to the members' of ITC Infotech (USA), Inc., and its Companies and is not intended to be a presentation in conformity with generally accepted accounting principles.

The Company does not include the financial position of Pyxis Solutions, LLC, a 100% owned subsidiary, as required under accounting principles generally accepted in the United States ("US GAAP"). Accordingly, this does not purport to be presented under US GAAP.

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 representation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of ITC Infotech (USA), Inc. as of March 31, 2011 and the results of its operations and its cash flows for the year then ended, in accordance with the Basis of Presentation as described in Note B.

This report intended solely for the information and use of the board of directors and management of ITC Infotech (USA), Inc. and its group Companies and is not intended to be and should not be used by anyone other than these specified parties.

Edison, New Jersey *EisnerAmper LLP*
May 9, 2011

BALANCE SHEETS

	March 31, 2011 $	March 31,2011 ₹	March 31, 2010 $	March 31, 2010 ₹
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	2,286,054	101,958,008	1,556,813	69,900,904
Accounts receivable, net of allowance for doubtful accounts of $396,427 (₹ 17,680,644) and $396,427 (₹ 17,799,573) for 2011 and 2010, respectively	9,390,245	418,804,927	6,787,545	304,760,771
Advances to employees	103,964	4,636,795	56,936	2,556,426
Deferred income taxes	948,901	42,320,985	911,097	40,908,255
Total current assets	12,729,164	567,720,715	9,312,391	418,126,356
EQUIPMENT, SOFTWARE, FURNITURE AND FIXTURES AND LEASEHOLD IMPROVEMENTS	660,722	29,468,201	608,086	27,303,061
Less: Accumulated depreciation and amortization	533,432	23,791,067	421,660	18,932,534
	127,290	5,677,134	186,426	8,370,527
INTANGIBLE ASSETS	14,184,523	632,629,726	13,585,782	610,001,612
Less: Accumulated amortization	2,024,938	90,312,235	1,257,438	56,458,966
	12,159,585	542,317,491	12,328,344	553,542,646
Other assets, principally unsecured advances	463,291	20,662,778	341,678	15,341,342
	25,479,330	1,136,378,118	22,168,839	995,380,871
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	1,171,826	52,263,440	1,294,666	58,130,503
Accrued expenses and other current liabilities	1,274,087	56,824,280	1,116,162	50,115,674
Accrued payroll and payroll taxes	491,350	21,914,210	311,799	13,999,775
Due to ITC Infotech Ltd. (UK), net	165	7,359	78,969	3,545,708
Due to Pyxis Solutions, LLC., net	75,797	3,380,546	–	–
Due to ITC Infotech India Ltd., net	6,359,410	283,629,686	4,045,127	181,626,202
Total current liabilities	9,372,635	418,019,521	6,846,723	307,417,862
Non current liabilities				
Deferred income taxes	158,227	7,056,924	106,215	4,769,054
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDER'S EQUITY				
Capital stock, no par value; 185,000 shares authorized; 182,000 shares issued and outstanding at March 31, 2011 and 2010	200,000	8,920,000	200,000	8,980,000
Additional paid-in capital	18,000,000	802,800,000	18,000,000	808,200,000
Accumulated deficit	(2,251,532)	(100,418,327)	(2,984,099)	(133,986,045)
Total stockholder's equity	15,948,468	711,301,673	15,215,901	683,193,955
	25,479,330	1,136,378,118	22,168,839	995,380,871

The accompanying notes are an integral part of these financial statements

On behalf of the Board

	G Satish	L. N. Balaji	B. Sumant	S. Sivakumar
Date : May 9, 2011	*Financial Controller*	*President*	*Director*	*Vice Chairman*

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

	For the year ended March 31, 2011 $	For the year ended March 31, 2011 ₹	For the year ended March 31, 2010 $	For the year ended March 31, 2010 ₹
Revenues				
Service fees	24,966,387	1,113,500,860	18,245,280	819,213,072
Account management fees - affiliates	114,337	5,099,430	129,357	5,808,129
Project fees	7,252,758	323,473,007	4,419,365	198,429,489
Total revenues	32,333,482	1,442,073,297	22,794,002	1,023,450,690
Cost of revenues, principally employment costs and fees charged by affiliates	25,264,653	1,126,803,524	16,930,121	760,162,433
Gross profit	7,068,829	315,269,773	5,863,881	263,288,257
General and administrative expenses	6,273,750	279,809,250	5,749,625	258,158,163
Operating income before amortization	795,079	35,460,523	114,256	5,130,094
Amortization of intangible assets	767,500	34,230,500	767,500	34,460,750
Operating income (loss)	27,579	1,230,023	(653,244)	(29,330,656)
Other income	757,663	33,791,770	145,505	6,533,175
Income (loss) before income tax expense	785,242	35,021,793	(507,739)	(22,797,481)
Income tax expense (benefit)				
Current	38,467	1,715,628	(19,014)	(853,729)
Deferred	14,208	633,677	48,157	2,162,250
Total income tax expense (benefit)	52,675	2,349,305	29,143	1,308,521
Net income (loss)	732,567	32,672,488	(536,882)	(24,106,002)
Accumulated deficit at beginning of year	(2,984,099)	(133,090,815)	(2,447,217)	(109,880,043)
Accumulated deficit at end of year	(2,251,532)	(100,418,327)	(2,984,099)	(133,986,045)

The accompanying notes are an integral part of these statements

On behalf of the Board

	G Satish	L. N. Balaji	B. Sumant	S. Sivakumar
Date : May 9, 2011	*Financial Controller*	*President*	*Director*	*Vice Chairman*

STATEMENT OF CASH FLOWS

	March 31, 2011 $	March 31, 2011 ₹	March 31, 2010 $	March 31, 2010 ₹
Cash flows from operating activities				
Net income (loss)	732,567	32,672,488	(536,882)	(24,106,002)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	879,272	39,215,531	872,716	39,184,954
Deferred income taxes	14,208	633,677	48,157	2,162,249
Bad debt expense	—	—	180,800	8,117,920
(Increase) decrease in assets				
Accounts Receivable	(2,602,700)	(116,080,420)	(3,375,236)	(151,548,096)
Due from ITC Infotech Ltd. (UK), net	—	—	245,109	11,005,394
Advances to employees	(47,028)	(2,097,449)	(388)	(17,421)
Security deposits and other advances	(121,613)	(5,423,940)	(287,021)	(12,887,243)
Increase (decrease) in liabilities				
Accounts payable	(122,840)	(5,478,664)	443,372	19,907,403
Accrued expenses and other liabilities	157,925	7,043,455	51,929	2,331,612
Accrued payroll and payroll taxes	179,551	8,007,975	46,112	2,070,429
Due to ITC Infotech Ltd. (UK), net	(78,804)	(3,514,658)	78,969	3,545,708
Due to Pyxis Solutions, LLC.	75,797	3,380,546	—	—
Due to ITC Infotech India Ltd., net	2,314,283	103,217,022	2,268,706	101,864,899
Net cash provided by operating activities	1,380,618	61,575,563	36,343	1,631,806
Cash flows from investing activities				
Capital expenditures	(52,636)	(2,347,566)	(25,811)	(1,158,914)
Increase in goodwill acquired (see Note C)	(598,741)	(26,703,849)	(1,083,668)	(48,656,693)
Notes receivable	—	—	290,758	13,055,029
Net cash used in investing activities	(651,377)	(29,051,415)	(818,721)	(36,760,578)
Cash flows from financing activities	—	—	—	—
Net cash provided by financing activities	—	—	—	—
Net increase (decrease) in cash and cash equivalents	729,241	32,524,148	(782,378)	(35,128,772)
Cash and cash equivalents at beginning of year	1,556,813	69,433,860	2,339,191	105,029,676
Cash and cash equivalents at end of year	2,286,054	101,958,008	1,556,813	69,900,904

Supplemental disclosures of cash flow information:

Income taxes paid were $44,865 (₹ 2,000,979) and $260,384 (₹ 11,691,242) during 2011 and 2010, respectively.

The accompanying notes are an integral part of these statements

On behalf of the Board

	G Satish	L. N. Balaji	B. Sumant	S. Sivakumar
Date : May 9, 2011	*Financial Controller*	*President*	*Director*	*Vice Chairman*

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the "Company") a New Jersey corporation, is principally engaged in the information technology services business. Majority of 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 two years 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 D), 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 Ltd. or ITC Infotech Ltd. (UK) 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 is a wholly-owned subsidiary of ITC Infotech India Ltd. ("Infotech India"), an Indian company. There are 185,000 common shares authorized of which 182,000 have been issued, and are outstanding, to Infotech India. ITC Infotech Ltd. ("Infotech UK") is also a wholly-owned subsidiary of ITC Infotech India Ltd.

The Company owns 100% of the membership interests of Pyxis Solutions, LLC ("Pyxis"). Pyxis was formed as a New York State limited liability company in 2000. One of the founder members of Pyxis also owns a majority interest in an entity performing similar services in Singapore ("Pyxis Singapore"). Pyxis 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Presentation

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States, 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 = ₹ 44.60 (2010: US$1 = ₹ 44.90) as provided by the parent company, have been included. As required by the parent company, this presentation does not consolidate the results of its wholly-owned subsidiary Pyxis. Accounting principles generally accepted in the United States would require consolidation of a wholly-owned subsidiary. So accordingly, these financial statements do not purport to follow US GAAP. Futhermore, as permitted by accounting principles generally accepted in the United States, the impact of the acquisition of Pyxis was not pushed-down to Pyxis. Accordingly, the intangible assets presented herein relate to the excess purchase price over the fair value of current assets and liabilities.

2) 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 invoiced 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 fulfill such project business are recognized in the same period.

In accordance with Accounting Standards Codification Topic ("ASC") 605, "Revenue Recognition", the Company recognizes 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.

3) Account Management Fees

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

4) 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.

5) 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 to 60 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 based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible.

6) Equipment, Software, Furniture and Fixtures and Leasehold Improvements

Equipment, purchased or internally developed software, furniture and fixtures and leasehold improvements are stated at cost. Depreciation is provided under the straight line method based upon the estimated useful lives of the assets, with such lives ranging up to five years.

7) Income Taxes

The Company accounts for income taxes pursuant to ASC 740, "Income Taxes" ("ASC 740"). ASC 740 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.

On July 1, 2007, the Financial Accounting Standards Board ("FASB") issued ASC 740-10, "Income Taxes" ("ASC 740-10"). ASC 740-10 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that a position taken or expected to be taken in a tax 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. The Company adopted the provisions of FASB ASC 740-10 on April 1, 2009 and its adoption did not have a material impact on the financial statements. The income tax returns of the Company are subject to examination by the IRS and other taxing authorities, generally for three years after they are filed.

8) 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.

9) Reclassifications

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

10) Advertising Costs

Advertising costs are expensed as incurred.

11) Long-Lived Assets

The Company follows ASC 360, "Property, Plant and Equipment". 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 2011 or 2010.

12) Intangible Assets

Intangible assets are stated at fair value at the date of Pyxis acquisition and are amortized on the straight line method over their estimated useful life of 4 to 8 years. Goodwill is not amortized but is subjected to annual impairment testing.

13) Impairment of Goodwill

The Company tests goodwill for impairment annually on March 31 at the reporting unit level using a fair value approach, in accordance with the provisions of ASC 350, "Intangibles - Goodwill and Other". Annual testing resulted in no impairments of goodwill in fiscal years ended March 31, 2011 and 2010. If an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value, goodwill will be evaluated for impairment between annual tests.

14) Fair Value Measurements

The Company's financial instruments include cash and cash equivalents, accounts receivable from customers, advances, other assets, accounts payable, and accruals which are short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximate their fair value.

ASC 820 "Fair Value Measurements"("ASC 820") defines fair value, establishes a common framework for measuring fair value under the U.S. GAAP, and expands disclosures about fair value measurements for assets and liabilities. ASC 820 does not require additional assets or liabilities to be accounted for at fair value beyond that is already required under other U.S. GAAP accounting standards. The effective date of ASC 820 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, is Company's 2011 fiscal year end.

15) 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 2011 or 2010.

16) Subsequent Events

The Company evaluated all events or transactions that occurred after March 31, 2011 up through May 9, 2011, when the financial statements were available to be issued.

NOTE C - ACQUISITION OF MEMBERSHIP INTERESTS

On August 11, 2008, the Company acquired the membership interests of Pyxis for $12,434,878 (₹ 554,595,559). Accordingly, Pyxis became a wholly owned subsidiary from that date. In connection with the Membership Interest Purchase Agreement ("MIPA"), each of the two founder members of Pyxis, receive certain allocable portion of Pyxis's earning as "contingent payments". The first of such contingent payment, "Contingent Anniversary Payment", was contingent on Pyxis's earning before interest, taxes, depreciation and amortization (EBITDA) as determined from the "First Anniversary Income Statement" in accordance with the terms of meeting or exceeding the target EBITDA. The second and last such payment, "Second Anniversary Payment", was computed on Pyxis's EBITDA as determined from the "Second Anniversary Income Statement".

The Company recorded this acquisition as a purchase, and the results of Pyxis's operations were included from the date of acquisition. The fair value of current assets and liabilities approximated their book value at the date of acquisition. The fair value of the intangible assets, as described in Note F, was determined by an independent outside appraiser. For income tax purposes, Pyxis is considered a disregarded entity, and accordingly, its results of operations are included in the income tax return of the Company from the date of acquisition and forward. For income tax purposes, the Company has recognized intangible assets on a stepped-up basis and such intangible assets are being amortized over 15 years.

In accordance with MIPA, based on Pyxis's EBITDA for the year ended August 31, 2009, the Company paid the founder members of Pyxis $1,083,668 (₹ 48,331,593) towards contingent anniversary payment, computed on the basis of the first anniversary income statement. This payment is reflected as an increase in goodwill in accordance with ASC 805. The Contingent Anniversary Payment was made from the Company's internal cash accruals.

In accordance with MIPA, based on Pyxis's EBITDA for the year ended August 31, 2010, the Company paid the founder members of Pyxis $598,741 (₹ 26,703,849). This payment is reflected as an increase in goodwill in accordance with ASC 805. The Second Anniversary Payment was made from the Company's internal cash accruals.

In accordance with MIPA, the Company had provided an irrevocable standby letter of credit, expiring on April 30, 2011 for $ 4,650,000 (₹207,390,000), to each of the two founder members of Pyxis as a security for full and timely discharge of payments. The Company received the funding for this acquisition from an additional contribution of capital from its parent company of $13,500,000 (₹ 602,100,000).

After paying the Second Anniversary Payment, as above, the irrevocable standby letterof credit, to each of the two founder members of Pyxis, was closed on December 6, 2010.

The total purchase price for the acquisition of membership interest and allocation thereof, is as follows:

Purchase price	$ 12,434,878	₹ 554,595,559
Transaction costs	493,755	22,021,473
Total purchase price at the time of acquisition	12,928,633	576,617,032
Contingent anniversary payment	1,083,668	48,331,593
Second anniversary payment	598,741	26,703,849
Total purchase price	14,611,042	651,652,474
Allocation of purchase price		
Current assets acquired	2,567,021	114,489,137
Less: Current liabilities assumed	957,064	42,685,055
Net assets acquired (working capital)	1,609,957	71,804,082
Identifiable intangible assets (see Note F)	5,390,000	240,394,000
Goodwill (see Note F)	5,502,156	245,396,158
Add: Deferred tax benefit adjusted	426,520	19,022,792
Goodwill (on acquisition before deferred tax adjustment)	5,928,676	264,418,950
Total purchase price at the time of acquisition	12,928,633	576,617,032
Add: Contingent anniversary payment added to goodwill (see Note C and Note F)	1,083,668	48,331,593
Add: Second anniversary payment added to goodwill (see Note C and Note F)	598,741	26,703,849
Total purchase price	$ 14,611,042	₹ 651,652,474

NOTE D - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties:

	Year ended March 31,			
	2011	2011	2010	2010
	$	(₹)	$	(₹)
Transactions with Infotech India				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	$12,424,265	554,122,219	$9,725,682	436,683,122
Project / other expenses reimbursements from Infotech India	562,030	25,066,538	176,037	7,904,061
Service / account management fees recognized as revenue	53,262	2,375,485	143,744	6,454,106
Transactions with Infotech UK				
Service / account management fees / others, recognized as revenue	61,075	2,723,945	110,671	4,969,128
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	366,423	16,342,466	185,210	8,315,929
Project / other expense reimbursements from Infotech UK	556	24,798	63,335	2,843,742
Transactions with Pyxis				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	241,176	10,756,450	58,192	2,612,821
Other expense reimbursements from Pyxis	233,665	10,421,459	83,224	3,736,758
Other expense reimbursements to Pyxis	29,149	1,300,045	—	—

Other assets include $0 (₹ 0) and $25,000 (₹ 1,122,500) advance to Pyxis Singapore as at March 31, 2011 and 2010 respectively.

Other assets include $0 (₹ 0) and $18,052 (₹ 810,535) notes receivable from officers of Pyxis as at March 31, 2011 and 2010 respectively.

Rent paid includes $95,048 (₹ 4,239,141) and $96,476 (₹ 4,331,772) towards rent paid to King Maker Marketing Inc. (see Note G) for the year ended March 31, 2011 and 2010 respectively.

Accounts receivable includes $38,277 (₹ 1,707,154) and $27,859 (₹ 1,250,869) receivable from Pyxis Solutions Pte. Ltd. for the year ended March 31, 2011 and 2010, respectively.

NOTE E - ACCOUNTS RECEIVABLE

Accounts receivable includes both billed and unbilled receivable. Changes in the allowance for doubtful accounts in 2011 and 2010 are as follows:

	2011	2011	2010	2010
	$	(₹)	$	(₹)
Beginning balance	396,427	17,680,644	433,390	19,459,211
Increase to allowance	—	—	180,800	8,117,920
Accounts written off	—	—	(105,147)	(4,721,100)
Provision written back	—	—	(112,616)	(5,056,458)
Ending balance	396,427	17,680,644	396,427	17,799,573

Unbilled receivables were approximately $ 818,623 (₹ 36,510,586) and $ 492,777 (₹ 22,125,687) as at March 31, 2011 and 2010 respectively.

NOTE F - INTANGIBLE ASSETS

The Company has fair valued assets arising on acquisition of membership interest in accordance with ASC 805, "Business Combinations" ("ASC 805"), through an independent outside appraiser. Accordingly, the components of intangible assets (including goodwill) as at March 31, 2011 and 2010, are as follows:

			2011			2010		
Identifiable intangible assets	Estimated useful life	Currency	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Trade name	8	$	300,000	98,938	201,062	300,000	61,438	238,562
		₹	13,380,000	4,412,635	8,967,365	13,470,000	2,758,566	10,711,434
Non-compete agreement	4	$	90,000	59,363	30,637	90,000	36,863	53,137
		₹	4,014,000	2,647,590	1,366,410	4,041,000	1,655,149	2,385,851
Customer relationship	8	$	3,900,000	1,286,199	2,613,801	3,900,000	798,699	3,101,301
		₹	173,940,000	57,364,475	116,575,525	175,110,000	35,861,585	139,248,415
Know how	5	$	1,100,000	580,438	519,562	1,100,000	360,438	739,562
		₹	49,060,000	25,887,535	23,172,465	49,390,000	16,183,666	33,206,334
Total		$	5,390,000	2,024,938	3,365,062	5,390,000	1,257,438	4,132,562
		₹	240,394,000	90,312,235	150,081,765	242,011,000	56,458,966	185,552,034
Goodwill (after deferred tax benefit adjustment) (see Note C)		$	7,184,566	—	7,184,566	6,585,824	—	6,585,824
		₹	320,431,644	—	320,431,644	295,703,498	—	295,703,498
Total intangible assets		$	12,574,566	2,024,938	10,549,628	11,975,824	1,257,438	10,718,386
		₹	560,825,644	90,312,235	470,513,409	537,714,498	56,458,966	481,255,532

Amortization of identifiable intangible assets for the year ended March 31, 2011 and 2010 was $767,500 (₹34,230,500) and $767,500 (₹34,460,750), respectively. At March 31, 2011 the expected amount of amortization of identifiable intangible assets, over the next five years are as follows:

2011-2012	$767,500	₹34,230,500
2012-2013	753,137	33,589,910
2013-2014	604,562	26,963,465
2014-2015	525,000	23,415,000
2015-2016	525,000	23,415,000
Total amortization expense	$3,175,199	₹141,613,875

NOTE G - COMMITMENTS AND CONTINGENCIES

LEASES

The Company has leased offices, storage spaces under non cancelable operating leases, some of these expiring through fiscal 2015. 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 and other reimbursements to King Maker Marketing Inc. was approximately $ 95,048 (₹ 4,239,141) and $ 96,476 (₹ 4,331,772) for the years ended March 31, 2011 and 2010, respectively. Total rent expense under all facilities leases was approximately $ 152,898 (₹ 6,819,251) and $ 142,313 (₹ 6,389,854) for the years ended March 31, 2011 and 2010, respectively.

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

The future minimum annual lease payments as at March 31, 2011 are as follows:

	Offices		Equipment		Total	
	$	₹	$	₹	$	₹
2011-2012	128,179	5,716,783	4,175	186,205	132,354	5,902,988
2012-2013	22,467	1,002,028	4,175	186,205	26,642	1,188,233
2013-2014	—	—	3,845	171,487	3,845	171,487
2014-2015	—	—	2,142	95,533	2,142	95,533
2015-2016	—	—	—	—	—	—
Total Minimum Lease Payments	150,646	6,718,811	14,337	639,430	164,983	7,358,241

NOTE H - INCOME TAXES

The provision for income taxes consists of the following:

	Year ended March 31,			
	$ 2011	2011(₹)	$ 2010	2010(₹)
Federal Taxes				
Current	—	—	(130,898)	(5,877,320)
Deferred	(155,075)	(6,916,345)	45,686	2,051,301
State and local taxes				
Current	38,467	1,715,628	111,884	5,023,592
Deferred	(1,178)	(52,539)	2,471	110,948
Foreign Taxes	170,461	7,602,561	—	—
Total current expense	$ 52,675	₹ 2,349,305	$ 29,143	₹ 1,308,521

As a result of the Pyxis acquisition, the Company's amortizable tax basis goodwill exceeds it financial reporting goodwill. Under ASC 740, this is known as Component II goodwill. No tax benefit is recorded for amortization of Component II goodwill until such deduction reduces taxes payable. As of March 31, 2011, no tax benefit related to the amortization of Component II goodwill has been recorded.

The Company's 2011 and 2010 expected Federal income tax provision was offset by the utilization of net operating loss carry forwards.

Deferred tax assets and liabilities consist of the following:

	$ 2011	2011(₹)	$ 2010	2010 (₹)
Net Operating Loss carry forwards	281,844	12,570,242	288,059	12,933,849
Other temporary differences (net)	483,892	21,581,583	491,885	22,085,637
Federal Alternate Minimum Tax carry over	24,938	1,112,235	24,938	1,119,716
Net deferred tax asset	$ 790,674	₹ 35,264,060	$ 804,882	₹ 36,139,202

As at March 31, 2011, the Company has NOL of approximately $ 800,517 (₹ 35,703,058) available to offset future taxable income, as summarized below.

Operating loss carry forwards for Federal income tax purposes will expire as follows:

Year	Expiring Amount ($)	Expiring Amount (₹)
March, 2024	314,278	14,016,799
March, 2025	435,527	19,424,504
March, 2026	10,805	481,903
March, 2027	17,343	773,498
March, 2028	22,564	1,006,354
	$ 800,517	₹ 35,703,058

NOTE I - 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 37% (18%, 11% and 8%) and approximately 36% (16%, 14% and 6%) of the Company's net revenues for the years ended March 31, 2011 and 2010, respectively. Accounts receivable from these customers approximated 32% (14%, 14% and 4%) and 35% (22%, 5% and 8%) of total accounts receivable as at March 31, 2011 and 2010, respectively.