

# Independent Auditors' Report

## to the Members of ITC Limited

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **ITC LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that:
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
- (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For Deloitte Haskins & Sells  
*Chartered Accountants*  
(Firm Registration No. 302009E)

Kolkata  
17th May, 2013

P. R. Ramesh  
*Partner*  
(Membership No. 70928)

## Annexure to the Independent Auditors' Report

(Referred to in paragraph 7 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during the year are such that clauses (v), (x), (xii), (xiii), (xv), (xviii), (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company. In respect of the other clauses, we report as under:

- (i) In respect of its fixed assets :
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) During the year, in our opinion, a substantial part of fixed assets has not been disposed off by the Company.
- (ii) In respect of its inventory :
  - (a) As explained to us, the inventories other than material lying with third parties (which have substantially been confirmed) were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
- (vi) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (vii) We have broadly reviewed the cost records maintained by the Company, as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed cost records have been maintained and are being made up. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (viii) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion:
  - (a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
  - (b) As at 31st March, 2013, the following are the particulars of dues on account of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess matters that have not been deposited on account of any dispute:

Name of the statute	Nature of the dues	Amount (₹ in Crores)	Period to which the amount relates	Forum where pending
			<b>Various years covering the period</b>	
<b>Sales Tax and VAT Laws</b>	<b>Sales tax and VAT</b>	104.02	1987-2013	Appellate Authority – upto Commissioners' / Revisional authorities level
		5.29	1994-2007	Appellate Authority – Tribunal level
		165.83	1994-2008	High Court
<b>Customs Act, 1962</b>	<b>Customs duty</b>	0.05	2008-2010	Appellate Authority – upto Commissioners' / Revisional authorities level
		1.50	2005-2007	Appellate Authority – Tribunal level
<b>Central Excise Act, 1944</b>	<b>Excise duty</b>	9.70	1996-2012	Appellate Authority – upto Commissioners' / Revisional authorities level
		86.00	1973-2012	Appellate Authority – Tribunal level
		1.43	2005-2010	High Court
		0.31	1991-1996	Supreme Court
<b>Finance Act, 1994</b>	<b>Service tax</b>	3.28	2004-2012	Appellate Authority – upto Commissioners' / Revisional authorities level
		24.54	2005-2011	Appellate Authority – Tribunal level
<b>Income Tax Act, 1961</b>	<b>Income tax</b>	1.34	1990-2006	Appellate Authority – upto Commissioners' / Revisional authorities level

Out of the total disputed dues aggregating ₹ 403.29 Crores as above, ₹ 306.82 Crores has been stayed for recovery by the relevant authorities.

- (ix) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or to debenture holders during the year.
- (x) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has maintained proper records of transactions and contracts in respect of shares, securities, debentures and other investments and timely entries have been made therein. All shares, securities, debentures and other investments have been held by the Company in its own name.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no significant fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm Registration No. 302009E)

P. R. Ramesh  
Partner  
(Membership No. 70928)

Kolkata  
17th May, 2013