

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

King Maker Marketing, Inc.

Paramus, New Jersey

We have audited the accompanying Balance Sheet of King Maker Marketing, Inc. as of March 31, 2007, and the related statements of income and retained earnings 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 financial statements of King Maker Marketing, Inc. for the year ended March 31, 2006, were audited by other auditors whose report, dated April 21, 2006, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of King Maker Marketing, Inc. as of March 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Albany, New York

April 20, 2007

Bollam, Sheedy, Torani &amp; Co. LLP

## BALANCE SHEETS

	March 31, 2007 \$	March 31, 2007 Rs.	March 31, 2006 \$	March 31, 2006 Rs.
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	5,660,317	246,053,980	1,665,363	74,300,170
Short-term investments	—	—	3,043,714	135,795,300
Accounts receivable	633,948	27,557,720	413,044	18,427,958
Inventories	5,321,923	231,343,993	2,426,352	108,251,695
Accounts receivable, other	11,833	514,383	3,415	152,360
Due from related parties	1,244,749	54,109,239	1,809,448	80,728,521
Income taxes receivable	—	—	429,548	19,164,284
Prepaid expenses	42,096	1,829,913	30,556	1,363,256
Deferred income taxes	510,508	22,191,783	501,381	22,369,114
	<u>13,425,374</u>	<u>583,601,011</u>	<u>10,322,821</u>	<u>460,552,658</u>
<b>PROPERTY AND EQUIPMENT, net</b>	77,081	3,350,711	84,247	3,758,680
<b>OTHER ASSETS</b>	8,810	382,971	8,810	393,058
	<u>13,511,265</u>	<u>587,334,693</u>	<u>10,415,878</u>	<u>464,704,396</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	661,435	28,752,579	615,668	27,468,028
Due to related party	6,591	286,511	44,965	2,006,113
Income tax payable	723,019	31,429,639	—	—
Accrued settlement charges	7,235,713	314,536,444	6,087,397	271,589,217
Accrued expenses and other	270,843	11,773,545	201,108	8,972,433
	<u>8,897,601</u>	<u>386,778,718</u>	<u>6,949,138</u>	<u>310,035,791</u>
<b>LONG-TERM LIABILITIES</b>				
Deferred income taxes	53,406	2,321,559	41,626	1,857,144
<b>STOCKHOLDERS' EQUITY</b>				
Preferred stock	2,000	86,940	2,000	89,230
Common stock	2,080	90,418	2,000	89,230
Retained earnings	4,556,178	198,057,058	3,421,114	152,633,001
	<u>4,560,258</u>	<u>198,234,416</u>	<u>3,425,114</u>	<u>152,811,461</u>
	<u>13,511,265</u>	<u>587,334,693</u>	<u>10,415,878</u>	<u>464,704,396</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

STATEMENTS OF INCOME AND  
RETAINED EARNINGS

	For the year ended 31st March, 2007 \$	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 \$	For the year ended 31st March, 2006 Rs.
<b>SALES</b>				
Revenues	32,503,659	1,431,461,142	26,575,041	1,177,540,067
Less quick pay discounts	(1,263,098)	(55,626,836)	(1,019,334)	(45,166,690)
Net sales	<u>31,240,561</u>	<u>1,375,834,306</u>	<u>25,555,707</u>	<u>1,132,373,377</u>
<b>COST OF SALES</b>	<u>20,242,632</u>	<u>895,926,293</u>	<u>17,583,431</u>	<u>776,150,521</u>
	<u>10,997,929</u>	<u>479,908,013</u>	<u>7,972,276</u>	<u>356,222,856</u>
<b>MSA SETTLEMENT CHARGES, NET</b>	<u>5,029,685</u>	<u>221,507,327</u>	<u>3,286,706</u>	<u>145,633,943</u>
<b>Gross profit</b>	<u>5,968,244</u>	<u>258,400,686</u>	<u>4,685,570</u>	<u>210,588,913</u>
<b>OPERATING EXPENSES</b>	<u>4,208,110</u>	<u>185,325,164</u>	<u>3,577,534</u>	<u>158,520,532</u>
<b>Income from operations</b>	<u>1,760,134</u>	<u>73,075,522</u>	<u>1,108,036</u>	<u>52,068,381</u>
<b>OTHER INCOME (EXPENSE)</b>				
Market research income	120,000	5,284,800	120,000	5,317,200
Interest income	242,164	10,541,521	196,887	8,698,167
Other income	5,100	224,604	4,860	215,347
Loss on sale of fixed assets	(2,494)	(109,836)	(2,090)	(92,608)
Interest Expense	—	—	(244,220)	(10,821,388)
	<u>364,770</u>	<u>15,941,089</u>	<u>75,437</u>	<u>3,316,718</u>
<b>Income before provision for income taxes</b>	<u>2,124,904</u>	<u>89,016,611</u>	<u>1,183,473</u>	<u>55,385,099</u>
<b>PROVISION FOR INCOME TAXES</b>	<u>(989,840)</u>	<u>(43,592,554)</u>	<u>(472,437)</u>	<u>(20,933,683)</u>
<b>Net income</b>	<u>1,135,064</u>	<u>45,424,057</u>	<u>711,036</u>	<u>34,451,416</u>
<b>Retained Earnings, beginning of year</b>	3,421,114	152,633,001	3,210,078	140,336,585
Dividends	—	—	(500,000)	(22,155,000)
<b>Retained Earnings, end of year</b>	<u>4,556,178</u>	<u>198,057,058</u>	<u>3,421,114</u>	<u>152,633,001</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31,

	2007 \$	2007 Rs.	2006 \$	2006 Rs.
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net income	1,135,064	45,424,057	711,036	34,451,416
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Depreciation	33,299	1,466,488	30,306	1,342,859
Deferred income taxes	2,653	116,882	(9,077)	(402,202)
Loss on disposal of assets	2,494	109,836	2,090	92,608
(Increase) decrease in				
Accounts receivable	(220,904)	(9,006,381)	(142,785)	(6,329,463)
Accounts receivable, other	(8,418)	(362,021)	4,975	221,437
Inventories	(2,895,571)	(123,092,298)	1,319,027	58,709,892
Due from related parties	71,706	3,380,141	(271,850)	(12,100,044)
Income taxes receivable	429,548	19,164,284	(217,912)	(9,699,263)
Prepaid expense	(11,540)	(466,657)	15,617	695,113
Other assets	—	—	(600)	(26,707)
Increase (decrease) in				
Accounts payable	45,767	1,284,551	(298,314)	(13,277,956)
Due to related party	(38,374)	(1,719,602)	(30,868)	(1,373,935)
Income tax payable	723,019	31,429,639	—	—
Accrued settlement charges	1,148,316	42,947,227	(3,292,472)	(146,636,976)
Accrued tobacco buyout	—	—	(671,569)	(29,891,536)
Accrued expenses and other	69,735	2,801,112	27,579	1,227,541
	<u>486,794</u>	<u>13,477,258</u>	<u>(2,824,817)</u>	<u>(122,997,216)</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>				
Purchase of short-term investments	—	—	(3,043,714)	(135,795,300)
Proceeds from maturity of short-term investments	3,043,714	135,795,300	—	—
Payments for the purchase of property	(28,627)	(759,079)	(9,895)	(430,630)
Proceeds from sale of equipment	—	—	741	32,248
Repayment of (loan to) related parties	492,993	23,239,143	(1,500,000)	(61,947,133)
	<u>3,508,080</u>	<u>158,275,364</u>	<u>(4,552,868)</u>	<u>(198,140,815)</u>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>				
Proceeds from issuance of common stock	80	1,188	—	—
Distributions to stockholders	—	—	(500,000)	(21,760,000)
	<u>80</u>	<u>1,188</u>	<u>(500,000)</u>	<u>(21,760,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,994,954</b>	<b>171,753,810</b>	<b>(7,877,685)</b>	<b>(342,898,031)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,665,363</b>	<b>74,300,170</b>	<b>9,543,048</b>	<b>417,198,201</b>
<b>Cash and cash equivalents, end of year</b>	<b>5,660,317</b>	<b>246,053,980</b>	<b>1,665,363</b>	<b>74,300,170</b>

The accompanying Notes to Financial Statements are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

### March 31, 2007 and 2006

#### NOTE A – ORGANIZATION

King Maker Marketing, Inc. ("Company"), organized in New York State and headquartered in New Jersey, was incorporated on August 17, 1994. Its business is to import and distribute tobacco products to licensed wholesale distributors and retailers throughout the United States. The Company employs two independent warehouses located in New Jersey and Illinois. The Company has significant transactions with ITC Limited (ITC), which is organized under the laws of the Republic of India and is a major stockholder of the Company. The Company is subject to the inherent risks associated with the industry.

#### NOTE B – SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Basis

The Company uses the accrual basis for financial and income tax reporting.

##### 2. Federal Excise Tax Refunds and Customs Duty Drawbacks

The Company records Federal Excise Tax Refunds and Customs Duty Drawbacks when settled due to the uncertainty of the final settlement of these claims.

##### 3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions relevant to the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results may differ from estimates.

##### 4. Cash and Cash Equivalents

The Company's cash and cash equivalents are defined as cash and short-term highly liquid investments with an original maturity of three or fewer months.

##### 5. Inventories

Inventories consist of cigarettes and other tobacco-related products. The lower of cost (first-in, first-out) or market method has been used in

determining the inventory value and includes applicable freight-in, storage, duty, federal excise taxes, tobacco buyout costs, and settlement costs.

##### 6. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Major additions and improvements are capitalized and replacements, maintenance and repairs that do not improve or extend the useful life of an asset are expensed as incurred. The Company uses the straight-line method of depreciation and depreciates equipment and fixtures over 5 to 7 years; software over 3 years and leasehold improvements over 39 years.

##### 7. Fair Value of Financial Instruments

The fair value of cash and cash equivalents and short-term investments, accounts receivable, and accounts payable approximates their carrying value due to their short maturities.

##### 8. Revenue Recognition/Accounts Receivable

The Company recognizes revenue when title is transferred as the product is shipped. Trade discounts are offered to customers on invoiced prices, which are reflected in net sales. Accounts receivable are charged to bad debt expense as they are deemed uncollectible based upon management's periodic review of the accounts.

##### 9. Shipping and Handling Expenses

Shipping and handling expenses are classified under operating expenses. A portion of the expenses relating to inbound receipt of materials is classified under cost of goods sold.

##### 10. Marketing and Promotion Costs

The Company's policy is to expense marketing and promotion costs as incurred. Total marketing and promotion costs, which are included in operating expenses, were \$ 1,079,931 and \$ 848,000 for the years ended March 31, 2007 and 2006, respectively.

##### 11. Income Tax

The Company follows the asset and liability approach to account for income taxes. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

**NOTE C – STOCKHOLDERS' EQUITY AND STOCK WARRANTS**

The Company's Certificate of Incorporation provides for the capital structure to include common stock and three additional classes of preferred stock. Common stock and Class B preferred stock are voting, while Class A and Class C preferred stock are nonvoting. In the event of liquidation, the priority of proceeds is Class A preferred stock, Class B preferred stock, Class C preferred stock, and then common stock. Further, the Company may redeem the Class A and Class C preferred stock at \$ 500 per share plus accrued dividends.

	March 31,	
	2007	2006
<b>Capital structure :</b>		
Common Stock, no par value, authorized, 1,000 issued and outstanding	104	100
Preferred Stock		
Class A, \$ 500 par value, authorized, 3,000 issued and outstanding	—	—
Class B, convertible, no par value, authorized, 1,000 issued and outstanding	100	100
Class C, \$ 500 par value, 10,000 authorized issued and outstanding	—	—

The voting stock of the Company is owned as follows: ITC Limited 51%; Mark Finkle 24.5%, and Dan Finkle 24.5%. Mark Finkle was an officer of the Company until March 31, 2007.

The Company and its two owner groups have set forth voting rights, indemnification clauses, and rights of first refusal to repurchase shares if a party desires to sell. The right of first refusal includes a mechanism, for the valuation of such transactions and restrictive covenants/ noncompete terms. Pursuant to these agreements and due to the fact that the Company previously declared, issued, and paid the preferential dividends to Class B preferred stockholders, the holders of the Class B preferred stock will be on par with common stockholders.

There were no dividends paid or declared during the year ended March 31, 2007. During the year ended March 31, 2006, dividends in the amount of \$ 500,000 were paid pro rata to all Common and Class B preferred stockholders.

On October 25, 2006, ITC exercised its warrant to purchase four shares of common stock at \$ 20 per share.

**NOTE D – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following :

	March 31,			
	2007	2007	2006	2006
	\$	Rs.	\$	Rs.
Equipment and fixtures	85,346	3,709,991	84,104	3,752,300
Leasehold improvements	13,306	578,412	13,306	593,647
Computer software	74,082	3,220,345	58,482	2,609,174
	<u>172,734</u>	<u>7,508,748</u>	155,892	6,955,121
Less accumulated depreciation	95,653	4,158,037	71,645	3,196,441
	<u>77,081</u>	<u>3,350,711</u>	84,247	3,758,680

Depreciation expense for property and equipment amounted to \$ 33,299 and \$ 30,306 for the years ended March 31, 2007 and 2006, respectively.

**NOTE E – COMMITMENTS****1. Leases**

The Company leases office space in Paramus, New Jersey under a lease agreement that expires in October 2009. Rent expense for this lease for both years ended March 31, 2007 and 2006, was approximately \$ 74,000.

The Company also leases six automobiles under noncancellable operating leases. The lease terms range from 36 to 42 months. Vehicle lease expense for the years ended March 31, 2007 and 2006, was \$ 36,545 and \$ 44,003, respectively.

The Company leases office equipment with a term of 39 months under a noncancellable operating lease. Monthly rental payments are included in operating expense.

Future minimum lease payments at March 31, 2007, are :

2008	\$ 93,933
2009	72,047
2010	38,189
	<u>\$ 204,169</u>

**2. Employment Agreement**

The Company has an employment contract with one of its key executives that provides for a minimum annual salary. This contract expired on October 31, 2005, but automatically renewed annually. Pursuant to a Separation Agreement dated March 2, 2007, the employment agreement with this stockholder was terminated as of March 31, 2007. Payments on the contract will cease on April 30, 2007.

**3. Legal Matters**

In the ordinary course of business, the Company may be a defendant in legal matters. Management does not believe the impact of such matters will have a material effect on the financial position or results of operations of the Company.

**NOTE F – RELATED PARTY TRANSACTIONS**

The Company has in place an Exclusive Distribution Agreement with ITC that states that the Company is ITC's exclusive distributor of ITC manufactured tobacco products in the territories of the United States, Canada, and Mexico. Purchases for the years ended March 31, 2007 and 2006, from ITC were \$ 8,261,008 and \$ 4,838,074, respectively. ITC charges the Company for certain air freight expenses incurred to ship inventory. At March 31, 2007 and 2006, the Company owed ITC approximately \$ 7,000 and \$ 42,000, respectively, for air freight expenses.

The Company has in place a Private Label Supply Agreement and a Controlled Label Distribution Agreement with ITC. The agreements designate ITC as the sole supplier to the Company, and the Company is the exclusive importer and distributor for all ITC manufactured tobacco products in the United States, Canada, and Mexico. Furthermore, the Company billed approximately \$ 120,000 to ITC for expenses related to market research for the years ended March 31, 2007 and 2006. At March 31, 2007 and 2006, \$ 237,425 and \$ 297,000, respectively, is due from ITC relating to market research invoices and other costs reimbursable by ITC Limited.

The Company sold products to Finkle Distributors, Inc. (a company wholly-owned by two stockholders of the Company) amounting to \$ 984,264 and \$ 897,922 during the years ended March 31, 2007 and 2006, respectively. At March 31, 2007 and 2006, Finkle Distributors, Inc. owed the Company \$ 11,065 and \$ 2,983, respectively. At March 31, 2007 and 2006, the Company owed Finkle Distributors, Inc. \$ 1,190 and \$ 2,055, respectively, for promotional costs.

Additionally, the Company had, as of March 31, 2007, a receivable for a loan made to Finkle Distributors, Inc. in the amount of \$ 1.0 million, plus approximately \$ 7,000 in interest thereon. The Company, Mark & Dan Finkle, and ITC anticipate concluding a Share Purchase Agreement which provides for the sale of 100 shares of the Company's common stock by Mark and Dan Finkle to ITC on such time and date set forth in the Share Purchase Agreement. The term of repayment of the full principal of the loan has been extended to until the closing date of the said Share Purchase Agreement. Interest on the loan is calculated at the prevailing Wall Street Journal prime rate at each month-end. Interest accrued in the current fiscal year on this loan was \$ 93,385, of which \$ 86,378 was received.

Salary paid to a director and officer of the Company (who is also a major stockholder) amounted to \$ 150,000 and \$ 160,051 for the years ended March 31, 2007 and 2006, respectively.

**NOTE G – SETTLEMENT CHARGES**

On February 11, 1999, the Company signed a Master Settlement Agreement ("MSA") as a Subsequent Participating Manufacturer as stated in Amendment No. 11 to the MSA. The Company was then granted immunity from any future tobacco health-related lawsuits in those 46 states where final approval has been obtained from the Courts.

The MSA is similar to the Agreement reached by the major cigarette manufacturers. However, it provides small cigarette manufacturers, such as the Company, exemption from liability for any market share in 1998 (base year). These companies are defined in the MSA as Subsequent Participating Manufacturers. Under the MSA, the Company is required to pay a proportionate share of the ultimate liability as stipulated in the MSA based on the additional market share gained by the Company over and above the base year, as measured by the Federal excise tax paid units of the Company and as calculated by an independent auditor. All settlement costs are measured on a calendar year basis and are due by the following April 15. This calculation is performed annually for each of the next 26 years, at which point it becomes fixed. The Company estimates its relative market share gain as defined in the MSA and the resultant settlement contribution required. The Company prorates such calendar year calculation to conform to its fiscal year. However, the ultimate amount of MSA contributions for the period for which the Company may be liable will not be known until the calculations are completed by the independent auditor. In addition, the calculations performed by the independent auditor are subject to retroactive changes and adjustments.

The Company's settlement contribution for calendar year 2006 (payable in April 2007) and 2005 (paid in April 2006) is \$ 4,735,713 and \$ 3,887,000, respectively. A contingency reserve had been provided for estimated retroactive adjustments and other variances for previous calendar year assessments and is included in the Accrued Settlement Charges totaling \$ 7,235,713 and \$ 6,087,397 as of March 31, 2007 and 2006, respectively.

MSA settlement charges are as follows :

	March 31,			
	2007	2007	2006	2006
	\$	Rs.	\$	Rs.
Estimated cost based on current activity, net of credits	5,051,785	222,480,611	3,943,708	174,745,701
change in estimate of MSA settlement costs based on actual results for calendar year end	(22,100)	(973,284)	(657,002)	(29,111,758)
	<u>5,029,685</u>	<u>221,507,327</u>	<u>3,286,706</u>	<u>145,633,943</u>

**NOTE G – SETTLEMENT CHARGES (Contd.)**

The Company occasionally protests a portion of the calculated settlement amount. Under the agreement, the Company has four years to formally protest.

**NOTE H – TOBACCO BUYOUT**

As required by Title VI of the American Jobs Creation Act of October 2004, and related regulations thereof, the Company is required to pay its share of the "Tobacco Buyout" assessment issued by the Commodity Credit Corporation, USDA. This assessment is for a ten-year period commencing January 2005, and is payable quarterly. Each quarterly payment is based on the Company's market share as determined by the Federal Excise Tax paid units during the previous quarter as per the rules and regulations notified. Total payments for the periods ended March 31, 2007 and 2006, were \$ 1,300,967 and \$ 2,150,781, respectively. There is no liability accrued for this purpose in the books as of March 31, 2007 and 2006.

**NOTE I – PROFIT-SHARING PENSION PLAN**

The Company offers a profit-sharing pension plan for all eligible employees. Employees become eligible as long as they are 21 years of age and have credited 12 months or 1,000 hours of employment. Employees become

fully vested with six or more years of service. Contributions to the Plan are discretionary, with a 3% minimum, under certain circumstances, on an employee's Social Security base income. Expenses for the years ended March 31, 2007 and 2006, are estimated to be approximately \$ 121,000 and \$ 115,000, respectively.

**NOTE J – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, and accounts receivable.

The Company deposits its cash and short-term investments at three major financial institutions in the United States. At times, the Company's cash balances exceed the current insured amount under the Federal Deposit Insurance Corporation.

With respect to accounts receivable, concentration of credit risk is limited due to the large number of customers and their dispersion across various geographic regions. Two of the Company's customers account for more than 10% of the Company's total sales for the year ended March 31, 2007. As of March 31, 2007, accounts receivable for these clients was \$ 294,862 and \$ 18,244.

**NOTE K – INCOME TAXES**

The income tax provision reflected in the statements of income and retained earnings consists of the following components:

	Year ended 31st March, 2007	Year ended 31st March, 2007	Year ended 31st March, 2006	Year ended 31st March, 2006
	\$	Rs.	\$	Rs.
Current income tax expense				
Federal	1,074,635	47,326,926	350,833	15,545,410
States	<u>(87,449)</u>	<u>(3,851,254)</u>	<u>130,681</u>	<u>5,790,475</u>
Total current	<u>987,186</u>	<u>43,475,672</u>	<u>481,514</u>	<u>21,335,885</u>
Deferred income tax expense				
Federal	(77,268)	(3,402,883)	64,393	2,853,254
States	<u>79,922</u>	<u>3,519,765</u>	<u>(73,470)</u>	<u>(3,255,456)</u>
Total deferred	<u>2,654</u>	<u>116,882</u>	<u>(9,077)</u>	<u>(402,202)</u>
Net income tax expense				
Federal	997,367	43,924,043	415,226	18,398,664
States	<u>(7,527)</u>	<u>(331,489)</u>	<u>57,211</u>	<u>2,535,019</u>
Total income tax expense charged to operations	<u>989,840</u>	<u>43,592,554</u>	<u>472,437</u>	<u>20,933,683</u>

The difference between the statutory rate and the rate reflected in the financial statements is due to state taxes.

The Internal Revenue Service has audited fiscal years through April 30, 2004; the amounts of the assessments and related financial impact have been properly reflected in the financial statements for the current year.

The Company's total deferred tax assets (liabilities) arise from basis differences summarized as follows :

	31st March, 2007	31st March, 2007	31st March, 2006	31st March, 2006
	\$	Rs.	\$	Rs.
Deferred tax assets				
Inventory	80,882	3,515,941	47,687	2,127,556
Accruals and reserves	<u>429,626</u>	<u>18,675,842</u>	<u>453,694</u>	<u>20,241,558</u>
Total deferred tax assets	<u>510,508</u>	<u>22,191,783</u>	<u>501,381</u>	<u>22,369,114</u>
Deferred tax liabilities	<u>(53,406)</u>	<u>(2,321,559)</u>	<u>(41,626)</u>	<u>(1,857,144)</u>

**NOTE L – SUPPLEMENTAL CASH FLOW INFORMATION**

The following supplemental disclosures are required regarding cash flow information :

Cash paid during the year for:

	Year ended 31st March, 2007	Year ended 31st March, 2007	Year ended 31st March, 2006	Year ended 31st March, 2006
	\$	Rs.	\$	Rs.
Income taxes	<u>—</u>	<u>—</u>	<u>1,126,785</u>	<u>49,927,843</u>

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION**

Board of Directors  
**King Maker Marketing, Inc.**  
Paramus, New Jersey

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended March 31, 2007, taken as a whole. The supplementary information described in the contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended March 31, 2007, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion,

is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information for the year ended March 31, 2006, was audited by other auditors whose report, dated April 21, 2006, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.

Albany, New York  
April 20, 2007

Bollam, Sheedy, Torani & Co. LLP

## COST OF SALES

	Year ended 31st March, 2007			Year ended 31st March, 2006		
	\$	Rs.	%	\$	Rs.	%
Beginning inventory	2,426,352	108,263,826	7.8	3,745,379	163,738,606	14.7
Cigarette tax, duty, and harbor process fees	12,912,514	568,667,117	41.3	9,588,168	424,851,724	37.5
Cigarette purchases	8,261,008	363,814,792	26.4	4,838,074	214,375,059	18.9
Tobacco buyout expense	1,300,967	57,294,587	4.2	1,479,212	65,543,884	5.8
Freight-in	300,730	13,244,149	1.0	112,247	4,973,665	0.4
Storage	306,918	13,516,669	1.0	217,732	9,647,705	0.9
Customs brokerage	54,821	2,414,317	0.2	26,320	1,166,239	0.1
Brokerage commissions	89	3,919	0.0	2,651	117,465	0.0
Destruction charges	1,156	50,910	0.0	—	—	—
	<u>25,564,555</u>	<u>1,127,270,286</u>	<u>81.9</u>	<u>20,009,783</u>	<u>884,414,347</u>	<u>78.3</u>
Less ending inventory	<u>(5,321,923)</u>	<u>(231,343,993)</u>	<u>(17.0)</u>	<u>(2,426,352)</u>	<u>(108,263,826)</u>	<u>(9.5)</u>
	<u>20,242,632</u>	<u>895,926,293</u>	<u>64.9</u>	<u>17,583,431</u>	<u>776,150,521</u>	<u>68.8</u>

## OPERATING EXPENSES

	Year ended 31st March, 2007			Year ended 31st March, 2006		
	\$	Rs.	%	\$	Rs.	%
Marketing and promotion	1,079,931	47,560,161	3.5	848,435	37,594,155	3.3
Professional fees	351,845	15,495,254	1.1	272,072	12,055,510	1.1
Shipping and handling	812,548	35,784,614	2.6	668,653	29,628,014	2.6
Salaries - officers	294,502	12,969,868	2.7	292,307	12,952,123	3.7
Salaries - office	217,448	9,576,410	2.0	248,826	11,025,480	3.1
Salaries - sales	356,787	15,712,899	1.1	285,020	12,629,236	1.1
Travel expense	239,796	10,560,616	0.8	258,827	11,468,624	1.0
Pension expense	120,319	5,298,849	0.6	115,008	5,096,004	0.7
General insurance	97,233	4,282,141	0.3	89,163	3,950,813	0.3
Rent expense	100,129	4,409,681	0.3	73,840	3,271,850	0.3
Payroll tax expense	77,732	3,423,317	0.2	67,856	3,006,699	0.3
Group insurance	102,114	4,497,100	0.3	71,997	3,190,188	0.3
Auto expense	62,670	2,759,987	0.2	52,840	2,341,340	0.2
Office supplies and expense	71,949	3,168,634	0.2	48,635	2,155,017	0.2
Training and placement fees	42,550	1,873,902	0.1	39,050	1,730,306	0.2
Telephone/communication	25,901	1,140,680	0.1	24,592	1,089,672	0.1
Dues and subscriptions	30,963	1,363,611	0.1	36,892	1,634,685	0.1
Depreciation expense	33,299	1,466,488	0.1	30,306	1,342,859	0.1
Miscellaneous/other expenses	90,394	3,980,952	0.3	53,215	2,357,957	0.2
	<u>4,208,110</u>	<u>185,325,164</u>	<u>16.6</u>	<u>3,577,534</u>	<u>158,520,532</u>	<u>18.9</u>