

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors

**King Maker Marketing, Inc. Paramus, New Jersey**

We have audited the accompanying balance sheets of King Maker Marketing, Inc. as of March 31, 2009 and 2008, and the related statements of income and retained earnings and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Albany, New York  
April 14, 2009

Bollam, Sheddy, Torani & Co. LLP

## BALANCE SHEETS

	March 31, 2009 \$	March 31, 2009 (Rs.)	March 31, 2008 \$	March 31, 2008 (Rs.)
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	15,666,089	794,584,034	11,322,720	454,267,526
Accounts receivable	653,976	33,169,663	733,677	29,435,121
Accounts receivable, other	210,029	10,652,671	42,969	1,723,916
Inventories	4,247,918	215,454,401	5,240,561	210,251,307
Due from related parties, net	56,424	2,861,825	17,871	716,985
Prepaid expenses	304,857	15,462,347	240,385	9,644,246
Income tax receivable	121,881	6,181,804	1,261,984	50,630,798
Deferred income taxes	84,173	4,269,255	83,526	3,351,063
	<u>21,345,347</u>	<u>1,082,636,000</u>	<u>18,943,693</u>	<u>760,020,963</u>
<b>PROPERTY AND EQUIPMENT, net</b>	55,168	4,249,266	56,585	2,270,190
<b>OTHER ASSETS</b>	25,065	1,271,297	14,040	563,285
	<u>21,425,580</u>	<u>1,088,156,563</u>	<u>19,014,318</u>	<u>762,854,438</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	708,931	35,956,980	1,003,611	40,264,873
Accrued settlement charges	15,483,833	785,340,010	12,555,284	503,717,994
Accrued expenses and other	239,779	12,161,591	205,000	8,224,600
	<u>16,432,543</u>	<u>833,458,581</u>	<u>13,763,895</u>	<u>552,207,467</u>
<b>LONG-TERM LIABILITIES</b>				
Deferred income taxes	23,489	1,191,362	18,877	757,345
<b>STOCKHOLDERS' EQUITY</b>				
Common stock	4,080	206,938	4,080	163,690
Retained earnings	4,965,468	253,299,682	5,227,466	209,725,936
	<u>4,969,548</u>	<u>253,506,620</u>	<u>5,231,546</u>	<u>209,889,626</u>
	<u>21,425,580</u>	<u>1,088,156,563</u>	<u>19,014,318</u>	<u>762,854,438</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, 2009	For the year ended 31st March, 2009	For the year ended 31st March, 2008	For the year ended 31st March, 2008
	\$	(Rs.)	\$	(Rs.)
<b>SALES</b>				
Revenues, net customer returns	52,893,257	2,408,553,490	43,272,082	1,810,073,822
Less quick pay discounts	(1,949,943)	(88,566,411)	(1,650,214)	(68,978,945)
Net sales	50,943,314	2,319,987,079	41,621,868	1,741,094,877
<b>COST OF SALES</b>	30,987,398	1,357,158,678	26,760,699	1,136,288,972
	19,955,916	962,828,400	14,861,169	604,805,905
<b>MSA SETTLEMENT CHARGES, NET</b>	13,936,972	633,017,268	10,055,284	420,310,871
<b>Gross profit</b>	6,018,944	329,811,132	4,805,885	184,495,034
<b>OPERATING EXPENSES</b>	5,544,001	251,808,525	4,155,192	173,687,026
<b>Income from operations</b>	474,943	78,002,606	650,693	10,808,008
<b>OTHER INCOME (EXPENSE)</b>				
Market research income	280,000	12,717,600	119,972	5,014,830
Interest income	176,077	7,997,417	249,836	10,443,145
Other income	305,923	13,895,023	119,133	4,979,759
	762,000	34,610,040	488,941	20,437,734
<b>Income before provision for income taxes</b>	1,236,943	112,612,646	1,139,634	31,245,742
<b>PROVISION FOR INCOME TAXES</b>	(498,941)	(22,661,900)	(468,346)	(19,576,863)
<b>Net income</b>	738,002	89,950,745	671,288	11,668,879
<b>RETAINED EARNINGS, beginning of year</b>	5,227,466	209,725,937	4,556,178	198,057,058
Dividends	(1,000,000)	(46,377,000)	-	-
<b>RETAINED EARNINGS, end of year</b>	4,965,466	253,299,682	5,227,466	209,725,937

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

## STATEMENTS OF CASH FLOWS

	For the year ended 31st March, 2009	For the year ended 31st March, 2009	For the year ended 31st March, 2008	For the year ended 31st March, 2008
	\$	(Rs.)	\$	(Rs.)
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net income	738,002	89,950,745	671,288	11,668,879
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Depreciation	21,819	991,019	30,338	1,268,128
Deferred income taxes	3,965	180,090	392,453	15,745,214
(Increase) decrease in				
Accounts receivable	79,701	3,620,019	(99,729)	(4,168,672)
Accounts receivable, other	(167,060)	(7,587,865)	(31,136)	(1,301,485)
Inventories	992,643	50,346,853	81,362	3,264,243
Due from related parties	(38,553)	(1,955,408)	226,878	9,102,345
Prepaid expenses	(64,472)	(2,928,318)	(198,289)	(8,288,480)
Income taxes receivable	1,140,103	120,208,394	(1,261,984)	(54,276,446)
Other assets	(11,025)	(559,188)	(5,230)	(209,828)
Increase (decrease) in				
Accounts payable	(294,680)	(14,946,171)	342,176	13,728,100
Due to related party	-	-	(6,591)	(264,431)
Income tax payable	-	-	(723,019)	(30,222,194)
Accrued settlement charges	2,928,549	148,536,005	5,319,571	213,421,189
Accrued expenses and other	34,779	1,763,991	(65,843)	(2,641,621)
	<b>5,363,771</b>	<b>387,620,167</b>	<b>4,672,245</b>	<b>166,824,941</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>				
Payments for the purchase of property	(20,402)	(926,659)	(9,842)	(411,396)
Dividend to Stockholder	(1,000,000)	(46,377,000)	-	-
Repayment from related parties	-	-	1,000,000	41,800,000
	<b>(1,020,402)</b>	<b>(47,303,659)</b>	<b>990,158</b>	<b>41,388,604</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,343,369</b>	<b>340,316,508</b>	<b>5,662,403</b>	<b>208,213,546</b>
<b>CASH &amp; CASH EQUIVALENTS, beginning of year</b>	<b>11,322,720</b>	<b>454,267,526</b>	<b>5,660,317</b>	<b>246,053,980</b>
<b>CASH &amp; CASH EQUIVALENTS, end of year</b>	<b>15,666,089</b>	<b>794,584,034</b>	<b>11,322,720</b>	<b>454,267,526</b>

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

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2009 and 2008

**NOTE A - ORGANIZATION**

King Maker Marketing, Inc. ("Company"), organized and headquartered in New Jersey, was incorporated on August 17, 1994, in New York State and became a New Jersey Corporation during June 2007. 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 Maryland and Illinois. The Company has significant transactions with ITC Limited (ITC), which is organized under the laws of the Republic of India and was the majority stockholder until May 2007 and sole stockholder since. The Company is subject to the inherent risks associated with the industry, such as new or increased taxes when federal and state administrations change, as well as litigation.

**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. These refunds are recorded in other income when received.

**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 to 5 years, and leasehold improvements over 7 to 40 years.

**7. Fair Value Measurement**

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fairvalue Measurement, effective January 1, 2009. The Company adopted Statement of Financial Accounting Standard for measuring fair value, and expands disclosure of fair value measurements. SFAS No. 157 applies to all assets and liabilities that are measured and reported on a fair value basis. The adoption of SFAS No. 157 did not have a material impact on the financial statements or results of operations of the Company.

**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.

Revenues are reflected net of customer returns. Total customer returns were \$458,836 and \$132,684 for the years ended March 31, 2009 and 2008, respectively.

**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 \$1,480,090 and \$1,083,016 for the years ended March 31, 2009 and 2008, 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.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain non-public enterprises. The Company has elected this deferral, and accordingly, will be required to adopt FIN 48 in its 2009 annual financial

**NOTE C - STOCKHOLDERS' EQUITY**

ITC Limited became the sole owner in the Company as of May 9, 2007. Thereafter, the Company became a New Jersey Corporation.. The Company's new Certificate of Incorporation provides for the capital structure to consist of one thousand (1,000) shares of voting common stock, all of which are without par value, and all of which are of the same class. ITC Limited was issued 100 shares of voting

	March 31, 2009	March 31, 2008
	\$	\$
Capital structure		
Common stock, no par value, 1,000 shares authorized,		
204 shares issued and outstanding	4,080	4,080

**NOTE D - NEW BUSINESS**

During the current fiscal year, the Company made a foray into the apparel business. The Company has leased office space in New York City and hired personnel to develop business opportunities. The results of its apparel division will be reported separately next

**NOTE E - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following:

	March 31, 2009		March 31, 2008	
	\$	(Rs.)	\$	(Rs.)
Equipment and fixture	109,049	5,530,965	95,188	3,818,943
Leasehold improvements	19,847	1,006,640	13,306	533,837
Computer software	74,082	3,757,439	74,082	2,972,170
	<u>202,978</u>	<u>10,295,044</u>	<u>182,576</u>	<u>7,324,949</u>
Less accumulated depreciation	147,810	6,045,778	125,991	5,054,759
	<u>55,168</u>	<u>4,249,266</u>	<u>56,585</u>	<u>2,270,190</u>

Depreciation expense for property and equipment amounted to \$21,819 and \$30,338 for the years ended March 31, 2009 and 2008, respectively.

**NOTE F - COMMITMENTS****1. Leases**

The Company's main office is located in Paramus, New Jersey. It has also an apparel division in the garment district in New York City since April 2008. Rent expense for the years ended March 31, 2009 and 2008, was approximately \$118,000 and \$75,000, respectively.

The Company leases two additional offices in Paramus, New Jersey, which are across the hall from the main office, with the same terms and an annual rent of approximately \$78,000 and \$75,000 for the years ended March 31, 2009 and 2008, respectively. These offices are sublet to ITC Infotech, Inc. (an ITC Group Company) for the full term of the lease. ITC Infotech, Inc. has fully reimbursed the Company for the rent expense under the lease for the years ended March 31, 2009 and 2008.

The Company leases accommodations for its managers seconded from ITC Ltd. India to ease their transition to the United States. The Company pays monthly rent, which is included in the employees' payroll for tax purposes. These amounts were approximately \$32,400 and \$26,400 for the years ended March 31, 2009 and 2008, respectively.

The Company leases automobiles under non-cancelable operating leases with 36-month terms. Two such leases are pending as of March 31, 2009. Vehicle lease expense was \$22,414 and \$39,209 for the years ended March 31, 2009 and 2008, respectively. Quarterly rental payments for the leasing of office equipment (postage meter) are included in operating expense.

Future minimum lease payments at March 31, 2009, are:

	\$
2010	219,407
2011	209,868
2012	50,071
Total minimum payments required	<u>479,346</u>

Total rental expense for all operating leases, less sublease rentals anticipated are as follows:

	March 31, 2009		March 31, 2008	
	\$	Rs.	\$	Rs.
Minimum rentals	195,775	8,892,101	151,335	6,325,803
Less sublease rentals	77,613	3,525,182	75,081	3,138,386
	<u>118,162</u>	<u>5,366,918</u>	<u>76,254</u>	<u>3,187,417</u>

**2. 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 G - 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, 2009 and 2008, from ITC were \$10,190,796 and \$8,615,711, respectively. At March 31, 2009 and 2008, the Company owed ITC \$4,494 and \$22,271, respectively, for air freight/other expenses which is offset against due from related parties on the balance sheets.

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 \$280,000 and \$120,000 to ITC for expenses related to market research for the years ended March 31, 2009 and 2008. At March 31, 2009 and 2008, \$60,918 and \$40,142, respectively, is due from ITC relating to costs reimbursable by ITC Limited. On May 9, 2007, a \$1 million loan was repaid to the Company by a customer and now-former stockholder of the Company.

**NOTE H - SETTLEMENT CHARGES, NET**

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. This calculation is performed annually, based on the previous calendar year's Federal Tax collected units, 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. 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 an independent auditor. In addition, the calculations performed by an independent auditor are su

MSA settlement charges are as follows:

	March 31, 2009		March 31, 2008	
	\$	(Rs.)	\$	(Rs.)
Estimated cost based on current activity, net of credits	13,303,514	604,245,606	10,066,463	420,778,153
Change in estimate of MSA settlement costs based on actual results for calendar year end	633,458	28,771,662	(11,179)	(467,282)
	<u>13,936,972</u>	<u>633,017,268</u>	<u>10,055,284</u>	<u>420,310,871</u>

The Company protests a portion of the calculated settlement amount. Under the agreement, the Company has four years to formally protest. There has been no resolution to these disputes or the related payments to date.

**NOTE I - 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 per the rules and regulations notified. Total payments for the years ended March 31, 2009 and 2008, were \$2,019,449 and \$1,820,704, respectively.

**NOTE J - PROFIT-SHARING PENSION PLAN**

The Company offers a profit-sharing pension plan for all eligible employees. Employees become eligible as long as they are twenty-one years of age and have credited twelve months of service. To continue in the plan, employees must have a minimum of 1,000 hours of employment annually. 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, 2009 and 2008, are estimated to be approximately \$150,220 and \$125,000, respectively.

**NOTE K - 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 two 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. The Company had one customer that exceeded 10% of total sales for the years ended March 31, 2009 and 2008, respectively. As of March 31, 2009 and 2008, accounts receivable for these customers was \$327,108 and \$313,106, respectively.

**NOTE L - INCOME TAXES**

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

	Year ended 31st March, 2009	Year ended 31st March, 2009	Year ended 31st March, 2008	Year ended 31st March, 2008
	\$	(Rs.)	\$	(Rs.)
Current income tax expense				
Federal	328,000	14,897,760	(1,392)	(58,186)
States	166,976	7,584,050	77,284	3,230,471
Total current	<u>494,976</u>	<u>22,481,810</u>	<u>75,892</u>	<u>3,172,286</u>
Deferred income tax expense				
Federal	5,625	255,488	321,678	13,446,140
States	(1,660)	(75,397)	70,775	295,839
Total deferred	<u>3,965</u>	<u>180,090</u>	<u>392,453</u>	<u>16,404,535</u>
Net income tax expense				
Federal	333,625	15,153,248	320,286	13,387,955
States	165,316	7,508,653	148,060	6,188,908
Total income tax expense charged	<u>498,941</u>	<u>22,661,900</u>	<u>468,346</u>	<u>19,576,863</u>

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

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

	Year ended 31st March, 2009	Year ended 31st March, 2009	Year ended 31st March, 2008	Year ended 31st March, 2008
	\$	(Rs.)	\$	(Rs.)
Deferred tax assets				
Inventory	<u>84,173</u>	<u>4,269,255</u>	<u>83,526</u>	<u>3,351,063</u>
Deferred tax liabilities	<u>23,489</u>	<u>1,191,362</u>	<u>18,877</u>	<u>757,345</u>

**NOTE M - SUPPLEMENTAL CASH FLOW INFORMATION**

The following supplemental disclosures are required regarding cash flow information:

Cash paid during the year for:

	Year ended 31st March, 2009	Year ended 31st March, 2009	Year ended 31st March, 2008	Year ended 31st March, 2008
	\$	(Rs.)	\$	(Rs.)
Income taxes	10,032	455,653	2,067,171	86,407,748

**NOTE N - SUBSEQUENT EVENT**

On February 4, 2009, President Obama signed into law the expansion of the State Children's Health Insurance Program (SCHIP). Tobacco taxes will be increased and used to fund SCHIP. The increase in taxes is to be paid on inventory on hand as of April 1, 2009, by July 31, 2009.

The tax increase, which will be approximately 160% on cigarettes and 2,160% on Roll-Your-Own(RYO) Tobacco, is likely to have a significant negative impact on the total cigarette industry's unit volume and will likely affect the Company's units and performance substantively in the upcoming fiscal year.

The unprecedented increase of the federal tax on RYO will sharply raise consumer expense in this category. Due to state tax differentials, the Company believes that the RYO category is still viable and offers significant price savings over cigarettes. The consumer outlay analysis for the category indicates that the 1 lb. bag of RYO is unlikely to find consumer demand due to the large outlay it requires, while the smaller packaging units are expected to see a better franchise. The Company plans to introduce smaller packaging in RYO in the first quarter of the upcoming fiscal year.

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

Board of Directors

**King Maker Marketing, Inc. Paramus, New Jersey**

Our audits were made for the purpose of forming an opinion on the basic financial statements of King Maker Marketing, Inc. as of and for the years ended March 31, 2009 and 2008, taken as a whole. The supplemental information described in the contents of this report is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplemental information for the years ended March 31, 2009 and 2008, has been subjected to the auditing procedures applied in the audits 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.

Albany, New York  
April 14, 2009

Bollam, Shetty, Torani & Co. LLP

**COST OF SALES**

	Year ended 31st March, 2009	Year ended 31st March, 2009	%	Year ended 31st March, 2008	Year ended 31st March, 2008	%
	\$	(Rs.)		\$	(Rs.)	
Beginning inventory	5,240,561	210,251,307	10.30	5,321,923	231,343,993	12.8
Cigarette tax, duty, and harbor process fees	17,147,230	778,827,187	33.70	15,489,960	647,480,328	37.2
Cigarette purchases	10,190,796	462,865,954	20.00	8,615,711	360,136,720	20.7
Tobacco buyout expense	2,019,449	91,723,374	4.00	1,820,704	76,105,427	4.4
Freight-in	114,909	5,219,167	0.20	279,659	11,689,746	0.7
Storage	487,781	22,155,013	1.00	420,578	17,580,160	1.0
Customs brokerage	43,049	1,955,286	0.10	52,443	2,192,117	0.1
Brokerage commissions	(9,255)	(420,362)	(0.00)	-	-	-
Destruction charges	796	36,154	0.00	282	11,788	0.0
	<b>35,235,316</b>	<b>1,572,613,079</b>	<b>69.2</b>	<b>32,001,260</b>	<b>1,346,540,279</b>	<b>76.9</b>
Less ending inventory	<b>(4,247,918)</b>	<b>(215,454,401)</b>	<b>(8.30)</b>	<b>(5,240,561)</b>	<b>(210,251,307)</b>	<b>(12.6)</b>
	<b>30,987,398</b>	<b>1,357,158,678</b>	<b>60.8</b>	<b>26,760,699</b>	<b>1,136,288,972</b>	<b>64.3</b>

**OPERATING EXPENSES**

	Year ended 31st March, 2009	Year ended 31st March, 2009	%	Year ended 31st March, 2008	Year ended 31st March, 2008	%
	\$	(Rs.)		\$	(Rs.)	
Marketing and promotion	1,480,090	67,225,688	2.9	1,083,016	45,270,069	2.6
Professional fees	338,718	15,384,572	0.7	278,966	11,660,779	0.7
Shipping and handling	1,297,162	58,917,098	2.5	957,763	40,034,493	2.3
Salaries	1,085,953	49,323,985	2.1	802,101	33,527,822	1.9
Travel	255,735	11,615,484	0.5	243,328	10,171,110	0.6
Pension	150,220	6,822,992	0.3	125,000	5,225,000	0.3
General insurance	92,364	4,195,173	0.2	87,222	3,645,880	0.2
Rent	120,861	5,489,507	0.2	76,238	3,186,748	0.2
Payroll tax	93,653	4,253,719	0.2	67,858	2,836,464	0.2
Group insurance	141,226	6,414,485	0.3	114,926	4,803,907	0.3
Auto	38,371	1,742,811	0.1	55,576	2,323,077	0.1
Office supplies and expense	102,220	4,642,832	0.2	59,963	2,506,453	0.1
Training and placement fees	68,125	3,094,238	0.1	10,000	418,000	0.0
Telephone/communication	37,410	1,699,162	0.1	30,302	1,266,624	0.1
Dues and subscriptions	67,493	3,065,532	0.1	43,462	1,816,712	0.1
Depreciation	21,819	991,019	0.0	30,338	1,268,128	0.1
Miscellaneous/other expenses	152,581	6,930,229	0.3	89,133	3,725,759	0.2
	<b>5,544,001</b>	<b>251,808,525</b>	<b>10.9</b>	<b>4,155,192</b>	<b>173,687,026</b>	<b>10.0</b>