DIRECTORS' REPORT

King Maker Marketing Inc. (KMM) is a wholly owned subsidiary of your Company registered in the State of New Jersey, USA. It is engaged in the distribution of your Company's cigarette products in the US market.

The US Cigarette market continued on a declining trend with consumption degrowing by nearly 4% in 2013 as compared to the previous year. This de-growth is largely attributable to steep hikes in State Excise Taxes and the continued growth in the Other Tobacco Products (OTP) category, which remains largely unregulated by the US Food and Drug Administration (US FDA).

The continued push by major cigarette manufacturers into the value segment and growth in illicit sales driven by tax differentials between the various States in USA have limited the company's ability to adjust pricing and grow volumes.

The company recorded Net Sales of US $ 26.85 million (previous year US $26.37 million) and earned a Net Income of US$ 0.07 million (previous year US$ 1.2 million) during the financial year ended 31st March 2014. Financials for the previous year ended 31st March 2013 included US $ 1.76 million received as a result of a favourable arbitral award, memorializing a partial settlement between certain states and the Participating Manufacturers to the MSA, on payments disputed in previous years. During the year, KMM paid a dividend of US $ 2.0 million to your Company.

Government regulations pertaining to the US tobacco sector continue to be in a state of evolution. The industry, including Other Tobacco Product categories like Electronic Vaping Devices, Pipe Tobaccos and Cigars, is expected to consolidate further as US FDA regulations evolve. The company will continuously adapt its strategies based on emerging regulations in the US tobacco market.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of King Maker Marketing, Inc., which comprise the balance sheet as of March 31, 2014, and the related statements of operations and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Prior Year Financial Statements

The financial statements of King Maker Marketing, Inc., as of and for the year ended March 31, 2013, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated April 12, 2013, expressed an unmodified opinion on those statements.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information presented on page 213 is for purposes of additional analysis and is not a required part of the financial statements. Such information for 2014 and 2013 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 2013 supplementary information was subject to audit procedures applied in the audit of the basic financial statements by Bollam, Sheedy, Torani & Co. LLP, and their report dated April 12, 2013, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

New York, New York
April14, 2014

SaxBST LLP

BALANCE SHEET

	March 31, 2014 $	March 31, 2014 ₹	March 31, 2013 $	March 31, 2013 ₹
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5,036,576	301,791,634	5,648,193	306,640,398
Accounts receivable	192,475	11,533,102	271,792	14,755,588
Accounts receivable, other	219,155	13,131,768	228,850	12,424,267
Inventory	1,271,401	76,182,348	1,111,769	60,357,939
Due from related parties, net	1,262	75,619	8,730	473,952
Prepaid expenses	339,581	20,347,694	316,891	17,204,012
Accured settlement charges	—	—	1,197	64,985
Income tax receivable	238,030	14,262,758	—	—
Deferred income taxes	19,983	1,197,381	19,813	1,075,648
	7,318,463	438,522,304	7,607,235	412,996,789
PROPERTY AND EQUIPMENT, net	40,407	2,421,187	18,675	1,013,866
OTHER ASSETS	10,390	622,569	13,532	734,652
	7,369,260	441,566,060	7,639,442	414,745,307
LIABILITIES AND STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES				
Accounts payable	722,334	43,282,253	616,776	33,484,769
Income tax payable	—	—	475,111	25,793,776
Accrued settlement charges	2,082,749	124,798,320	—	—
Accrued expenses and other	188,500	11,294,920	224,579	12,192,393
	2,993,583	179,375,493	1,316,466	71,470,938
LONG-TERM LIABILITIES				
Deferred income taxes	77,036	4,615,997	90,731	4,925,786
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDER'S EQUITY				
Common stock, voting, no par value, 1,000 shares authorized; 204 shares issued and outstanding	4,080	181,948	4,080	181,948
Retained earnings	4,294,561	192,349,388	6,228,165	296,069,687
Foreign Exchange Translation Reserve	—	65,043,234	—	42,096,948
	4,298,641	257,574,570	6,232,245	338,348,583
	7,369,260	441,566,060	7,639,442	414,745,307

STATEMENT OF INCOME AND RETAINED EARNINGS

	For the year ended 31st March, 2014 $	For the year ended 31st March, 2014 ₹	For the year ended 31st March, 2013 $	For the year ended 31st March, 2013 ₹
SALES				
Revenues, net of customer returns	27,464,214	1,568,481,262	27,310,745	1,435,998,972
Less quick pay discounts	(612,948)	(35,005,460)	(944,933)	(49,684,577)
Net sales	26,851,266	1,533,475,801	26,365,812	1,386,314,395
COST OF SALES	20,572,238	1,168,172,687	20,465,415	1,071,797,593
	6,279,028	365,303,114	5,900,397	314,516,802
MSA SETTLEMENT CHARGES, NET	2,392,063	136,610,718	1,072,427	56,388,212
Gross profit	3,886,965	228,692,396	4,827,970	258,128,590
OPERATING EXPENSES	4,011,666	229,106,245	4,715,306	247,930,789
Income from operations	(124,701)	(413,849)	112,664	10,197,801
OTHER				
MSA NPM adjustment credits	163,877	9,359,015	1,760,385	92,561,043
Interest income	22,369	1,277,494	25,304	1,330,484
Other income	2,160	123,358	2,997	157,582
Bad debt expense	(5,695)	(325,241)	—	—
	182,711	10,434,625	1,788,686	94,049,109
Income before provision for income taxes	58,010	10,020,776	1,901,350	104,246,910
PROVISION FOR INCOME TAXES	(8,386)	(478,924)	696,743	36,634,746
Net income	66,396	10,499,701	1,204,607	67,612,164
RETAINED EARNINGS, beginning of year	6,228,165	296,069,687	6,023,558	281,037,523
Dividends	(2,000,000)	(114,220,000)	(1,000,000)	(52,580,000)
RETAINED EARNINGS, end of year	4,294,561	192,349,388	6,228,165	296,069,687

STATEMENT OF CASH FLOWS

	For the year ended 31st March, 2014 $	For the year ended 31st March, 2014 ₹	For the year ended 31st March, 2013 $	For the year ended 31st March, 2013 ₹
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Net income	66,396	10,499,701	1,204,607	67,612,164
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Depreciation	15,494	884,862	6,706	352,601
Deferred income taxes	(13,865)	(830,791)	(18,336)	(995,461)
(Increase) decrease in				
Accounts receivable	79,317	3,222,486	41,777	1,197,235
Accounts receivable, other	9,695	(707,501)	71,809	2,871,760
Inventory	(159,632)	(15,824,409)	279,904	10,443,425
Due from related parties	7,468	398,333	(6,948)	(377,207)
Prepaid expenses	(22,690)	(3,143,681)	93,842	3,692,029
Accrued settlement charges	1,197	64,985	(1,197)	(64,985)
Income taxes receivable	(238,030)	(14,262,758)	—	—
Other assets	3,142	112,084	(3,142)	(206,061)
Increase (decrease) in				
Accounts payable	105,558	9,797,484	(97,202)	(2,838,862)
Accrued settlement charges	2,082,749	124,798,320	(2,830,593)	(144,006,419)
Accrued expenses and other	(36,079)	(897,473)	87,058	5,196,012
Income tax payable	(475,111)	(25,793,776)	214,399	12,530,053
	1,425,609	88,317,866	(957,316)	(44,593,715)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Payments for the purchase of property and equipment	(37,226)	2,850,135	—	—
CASH FLOWS USED BY FINANCING ACTIVITIES				
Distributions to stockholders	(2,000,000)	(114,220,000)	(1,000,000)	(52,580,000)
Net decrease in cash and cash equivalents	(611,617)	(23,051,999)	(1,957,316)	(97,173,715)
CASH AND CASH EQUIVALENTS, beginning of year	5,648,193	306,640,398	7,605,509	386,930,270
Foreign Exchange Translation (Gains)/ Losses	—	(18,203,235)	—	(16,883,843)
CASH AND CASH EQUIVALENTS, end of year	5,036,576	301,791,634	5,648,193	306,640,398
SUPPLEMENTARY CASH FLOW INFORMATION				
Cash paid during the year for				
Income taxes	719,467	41,088,760	504,083	26,504,684

NOTES TO FINANCIAL STATEMENTS
March 31, 2014 and 2013

Note 1 - Organization

King Maker Marketing, Inc. (Company) is organized and headquartered in New Jersey. Its business is to import and distribute tobacco products to licensed wholesale distributors and retailers throughout the United States. The Company employs an independent warehouse located in Illinois. The Company has significant transactions with ITC Limited (ITC), its sole stockholder, which is organized under the laws of the Republic of India. The Company is subject to the inherent risks associated with the industry, such as new or increased taxes/assessments, as well as litigation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Financial Statement Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

b. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

c. Fair Value Measurement

The Company reports certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants on the measurement date.

d. 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. During the year ended March 31, 2013, the Company had a restricted cash deposit balance, as collateral for a letter of credit issued in order to securitize a U.S. Customs Bond posted for $2.1 million. Effective March 15, 2013, the Company was no longer required to maintain this letter of credit, and the restriction on the cash balance has been removed.

e. Inventory

Inventory consists mainly of cigarettes and includes bonded and available for sale inventory. The lower of cost (first manufactured, first out) or market method has been used in determining the inventory value. The available for sale inventory includes the cost of the cigarettes, plus applicable duty, federal excise taxes, tobacco buyout costs, FDA User Fee, MSA, freight-in, storage, and other direct costs. The available for sale inventory amounts to approximately $407,000 and $197,000 as of March 31, 2014 and 2013, respectively. The bonded inventory includes cost of the cigarettes, plus freight-in, storage, and other direct costs. The bonded inventory amounts to approximately $864,000 and $914,000 as of March 31, 2014 and 2013, respectively.

f. Property and Equipment, Net

Property and Equipment are carried at cost less accumulated depreciation. Major additions and improvements are capitalised, and replacements, maintenance and repairs that do not improve or extend the useful life of an asset are expensed as incurred. When equipment is retired or otherwise disposed off, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to operations. The Company uses the straight-line method of depreciation and depreciates equipments and fixtures over 5 to 7 years, and leasehold improvements over 7 to 40 years.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognised based on the excess of the asset's carrying amount over the fair value of the assets. There were no impairment losses deemed necessary for the years ended March 31, 2014 and 2013.

g. Revenue Recognition/Accounts Receiveable

The Company recognizes revenue when title is transfered 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. Management considers accounts receivable to be fully collectible, and, therefore, no allowance is considered necessary as of March 31, 2014 and 2013.

Revenues are reflected net of customer returns. Total customer returns were $423,258 and $380,046 for the years ended March 31, 2014 and 2013, respectively.

h. Shipping and Handling Expenses

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

i. 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 $ 866,214 and $ 1,223,196 for the years ended March 31, 2014 and 2013, respectively.

j. Income Tax

The Company records income taxes using the asset and liability method whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

When income tax returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or the amount of the position's tax benefit that would be ultimately sustained. The portion of the benefitsassociated with tax positions taken that exceeds the amount measured as previously described is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets and includes, where applicable, accrued interest and/or penalties attributable to the unrecognized tax benefits.

The Company presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Company has taken no material tax position that requires an adjustment in the financial statements as of March 31, 2014.

The Company's tax returns are subject to examination by the respective taxing authorities. The Company is no longer subject to tax examination for the years ended March 31, 2010, and prior.

k. Subsequent Events

The Company has evaluated subsequent events for potential recognition or disclosure through April 14, 2014, the date the financial statements were available to be issued.

Note 3 - Stockholders' Equity

ITC Limited is the sole owner of the Company. The Company's 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 204 shares of voting common stock representing the capital on the books of $4,080.

	March 31, 2014 $	March 31, 2013 $
Capital structure		
Common stock, no par value, 1,000 shares authorized, 204 shares issued and outstanding	4,080	4,080

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	March 31, 2014		March 31, 2013	
	$	₹	$	₹
Equipment and fixtures	147,271	8,824,478	110,045	5,974,343
Leasehold improvements	2,000	119,840	13,306	722,383
Computer software	58,482	3,504,241	74,082	4,021,912
	207,753	12,448,559	197,433	10,718,638
Less accumulated depreciation	167,346	10,027,372	178,758	9,704,772
	40,407	2,421,187	18,675	1,013,866

Depreciation expense for property and equipment was $15,494 and $6,706 for the years ended March 31, 2014 and 2013, respectively.

Note 5 - Commitments and Contingencies

a. Leases

The Company's main office is located in Paramus, New Jersey. Rent expense for the years ended March 31, 2014 and 2013, was approximately $85,000 and $88,000, 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 $116,000 and $110,000 for the years ended March 31, 2014 and 2013, 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, 2014 and 2013.

The Company leases accommodations for its managers seconded from ITC Ltd. India to ease their transition to the United States. These amounts were approximately $14,200 and $18,200 for the years ended March 31, 2014 and 2013, respectively.

The Company leases automobiles under noncancelable operating leases with 36-month terms. Vehicle lease expense was $16,514 and $13,668 for the years ended March 31, 2014 and 2013, respectively. Quarterly rental payments for the leasing of office equipment (postage meter) are included in operating expenses.

Future minimum lease payments are as follows:

For the year ending March 31,	
2015	$ 91,689
2016	90,886
2017	84,228
2018	19,977
Total minimum payments required	$ 286,780

Total expenses under all operating leases, less sublease rentals recovered, are as follows:

	March 31, 2014		March 31, 2013	
	$	₹	$	₹
Minimum rentals	232,914	13,301,719	228,725	12,026,361
Less sublease rentals	116,380	6,646,462	109,581	5,761,769
	116,534	6,655,257	119,144	6,264,592

b. 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 6 - Related Party Transactions

The Company has in place an Exclusive Distribution, Private Label Supply, and a Controlled Label Distribution Agreement with ITC. These agreements designate ITC as the sole supplier to the Company, and the Company as the exclusive importer and distributor for all ITC manufactured tobacco products in the United States, Canada, and Mexico.

Purchases for the years ended March 31, 2014 and 2013, from ITC were $3,575,550 and $3,423,536, respectively. At March 31, 2014 and 2013, respectively, $1,262 and $8,730 is due from ITC.

Note 7 - Settlement Charges, Net

The Company is a signatory to the Master Settlement Agreement ("MSA") as a Subsequent Participating Manufacturer ("SPM") as stated in Amendment No. 11 to the MSA, dated February 11, 1999.

The MSA is similar to the Agreement reached by the major cigarette manufacturers. However, it provides small cigarette manufacturers (known as Subsequent Participating Manufacturers or SPMs), such as the Company, exemption from liability for any market share in 1998 (base year). Under the MSA, the Company is required to pay annually, 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.

MSA settlement charges are as follows:

	March 31, 2014		March 31, 2013	
	$	₹	$	₹
Estimated cost based on current activity, net of credits	2,406,616	137,441,840	1,669,588	87,786,937
Adjustment to prior period MSA settlement costs based on actual results for calendar year end	(14,553)	(831,122)	(597,161)	(31,398,725)
	2,392,063	136,610,718	1,072,427	56,388,212

The MSA allows the Company, following payment of assessed settlement charges, to separately challenge or dispute certain amounts. The trials for the arbitration of the 2003 NPM Adjustment Dispute began in April 2012. The first trial was a "common hearing" on issues general to all states. The Participating Manufacturers (PMs) had contested the diligent enforcement of MSA statutes with regard to 35 of the settling states. Individual trials for these 35 states began in May 2012 and were completed in May 2013, by the Arbitration Panel.

Commencing December 2012, the PMs reached a settlement with 22 states, comprising approximately 46% of the state MSA share. The Arbitration Panel entered an Order on March 12, 2013, memorializing this Partial Settlement of the NPM adjustment dispute between the PMs and the states. The Panel further directed the Independent Auditor to the MSA, PricewaterhouseCoopers LLP (PwC), to effectuate this settlement order. The Company received approximately $1.76 million as the Partial Settlement amount as of March 31, 2013.

In September 2013, the arbitration panel issued its decisions as to the states that did not settle the 2003 NPM Adjustment Dispute, finding that six of them were not diligent, and awarded the PMs the remaining amount of the NPM adjustment after application of the settlement as above. Since the allocable share of these six states exceeded 9.77%, this award meant that the PMs should recover the entire remaining 54% of the NPM adjustment available after the settlement as above, from these six states. All six of these "non-diligent" states, have filed motions to vacate the arbitration awards and find them diligent and to vacate the settlement award's "pro-rata" judgment reduction and instead calculate their potential NPM liability as if all the 22 states that settled were not diligent. On April10, 2014, the Pennsylvania (one of the six non-diligent states) MSA Court has vacated the "pro-rata" judgment reduction. It has further ordered PwC, on April 14, 2014, to reduce Pennsylvania's share of the liability, by treating the 22 settling states as non-diligent. The other non-diligent states' motions are currently being heard, which has the potential of putting a part of the 2003 arbitration award in jeopardy which would create a liability for the Company.

From the arbitration award in September 2013, noted above, the Company would have received approx. $1.2 Million as of March 31, 2014. The net receivable due the Company, net of the agreed upon 20% reimbursement to the states under the "Agreement Regarding Arbitration", would have been approx. $900,000. However, given the above challenges and the potential liability in relation to the 2003 arbitration, the Company will not to recognize this award despite being shown as credits by PwC in the final calculations for 2014. The Company will wait to recognize these credits until the appellate review of the non-diligent states challenges are completed.

Further, an amount of approximately $4 million remains as the maximum recoverable amount in NPM Adjustment Disputes, with the balance non-settling states, for the years 2004 onwards, subject to arbitration, as of March 31, 2014. In addition, the Company also has unapplied recalculation credits due, in the amount of $ 443,253.

Note 8- 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 ending December 31, 2014, 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, 2014 and 2013, were $946,056 and $870,400, respectively.

Note 9 - Profit-Sharing Pension Plan

The Company offers a profit-sharing pension plan (Plan) for all eligible employees. Employees become eligible as long as they are twenty-one years of age and have twelve months of credited service. To continue in the plan, employees must have a minimum of 1,000 hours of employment annually and be on the payroll at the end of each plan year, with some exceptions. 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, 2014 and 2013, were $108,500 and $129,535, respectively.

For the year ended March 31, 2013, the Company utilized $6,145 of its forfeiture account balance in the Plan to reduce the required cash contribution made.

Note 10 - Concentration of Credit Risk

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

The Company deposits its cash at four 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 which accounted for approximately 13% and 11% of total sales for the years ended March 31, 2014 and 2013, respectively. As of March 31, 2014 and 2013, respectively, the Company had one customer which accounted for approximately 20% and 31% of total accounts receivable, which had been recovered before the date of this report.

NOTE 11 - INCOME TAXES

Income taxes consists of the following components:

	Year ended 31st March, 2014 $	Year ended 31st March, 2014 ₹	Year ended 31st March, 2013 $	Year ended 31st March, 2013 ₹
Current income tax expense				
Federal	14,590	833,235	629,132	33,079,761
States	(9,111)	(520,329)	85,947	4,519,093
Total current	5,479	312,906	715,079	37,598,854
Deferred income tax expense				
Federal	(9,408)	(537,291)	(15,384)	(808,891)
States	(4,457)	(254,539)	(2,951)	(155,164)
Total deferred	(13,865)	(791,830)	(18,335)	(964,054)
Total income tax expense				
Federal	5,182	295,944	613,748	32,270,870
States	(13,568)	(774,868)	82,995	4,363,877
	(8,386)	(478,924)	696,743	36,634,747

The Company's effective income tax rate varies from the federal statutory rate primarily as the result of state taxes, net of federal effect.

Significant components of the Company's deferred tax assets and deferred tax liabilities are as follows:

	Year ended 31st March, 2014 $	Year ended 31st March, 2014 ₹	Year ended 31st March, 2013 $	Year ended 31st March, 2013 ₹
Deferred tax assets				
Inventory	19,983	1,197,381	19,813	1,075,648
Deferred tax liabilities				
Property and Equipment	(13,897)	(832,708)	(5,940)	(322,483)
Account receivable, other	(19,831)	(1,188,274)	(41,648)	(2,261,070)
Prepaid expense	(43,308)	(2,595,015)	(43,143)	(2,342,233)
	(77,036)	(4,615,997)	(90,731)	(4,925,786)

SUPPLEMENTARY INFORMATION – COST OF SALES

	Year ended 31st March, 2014 $	Year ended 31st March, 2014 ₹	Net Sales %	Year ended 31st March, 2013 $	Year ended 31st March, 2013 ₹	Net Sales %
Beginning inventory, net of reserve for write-off	1,111,769	60,357,939	4.1	1,391,673	70,801,364	5.3
Cigarette tax, duty, and harbor processing fees	15,503,225	885,389,180	57.7	15,249,254	801,805,775	57.8
Cigarette purchases	3,575,550	204,199,661	13.3	3,423,536	180,009,523	13.0
Tobacco buyout expense	946,056	54,029,258	3.5	870,400	45,765,632	3.3
FDA	576,014	32,896,160	2.1	505,847	26,597,435	1.9
Other expenses/purchases	—	—	—	1,259	66,198	0.0
Storage	115,229	6,580,728	0.4	115,074	6,050,591	0.4
Freight-in	—	—	—	1,507	79,238	0.0
Customs brokerage	14,433	824,269	0.1	16,775	882,030	0.1
Destruction charges	1,363	77,841	0.0	1,859	97,746	0.0
	21,843,639	1,244,355,035	81.3	21,577,184	1,132,155,532	81.8
Ending inventory prior to reserve	(1,271,401)	(76,182,348)	(4.7)	(1,111,769)	(60,357,939)	(4.2)
	20,572,238	1,168,172,687	76.6	20,465,415	1,071,797,593	77.6

SUPPLEMENTARY INFORMATION – OPERATING EXPENSES

	Year ended 31st March, 2014 $	Year ended 31st March, 2014 ₹	Net Sales %	Year ended 31st March, 2013 $	Year ended 31st March, 2013 ₹	Net Sales %
Marketing and promotion	866,214	49,469,482	3.2	1,223,196	64,315,646	4.6
Salaries	985,930	56,306,462	3.7	1,189,173	62,526,716	4.5
Shipping and handling	594,179	33,933,563	2.2	606,740	31,902,389	2.3
Professional fees	414,841	23,691,570	1.5	415,557	21,849,987	1.6
Travel	217,683	12,431,876	0.8	270,034	14,198,388	1.0
Fees and licenses	150,949	8,620,697	0.6	153,527	8,072,450	0.6
Group insurance	126,690	7,235,266	0.5	136,780	7,191,892	0.5
Pension	108,500	6,196,435	0.4	129,535	6,810,950	0.5
Payroll tax	89,306	5,100,266	0.3	107,142	5,633,526	0.4
Rent	84,937	4,850,752	0.3	88,216	4,638,397	0.3
General insurance	85,737	4,896,440	0.3	88,977	4,678,411	0.3
Office supplies and expense	81,639	4,662,403	0.3	79,779	4,194,780	0.3
Dues and subscriptions	73,763	4,212,605	0.3	71,680	3,768,934	0.3
Auto	44,334	2,531,915	0.2	63,308	3,328,735	0.2
Miscellaneous/other expenses	30,728	1,754,876	0.1	46,283	2,433,560	0.2
Telephone/communication	25,142	1,435,860	0.1	29,923	1,573,351	0.1
Training and placement fees	15,600	890,916	0.1	8,750	460,075	0.0
Depreciation	15,494	884,862	0.1	6,706	352,601	0.0
	4,011,666	229,106,245	14.9	4,715,306	247,930,789	17.9