

S. No.	Auditor's Report	Replies of the Board
	<p>We have audited the attached Financial Statements of India Trade Promotion Organisation (ITPO), New Delhi, which comprises of Balance Sheet as at 31st March 2012, the Statement of Income & Expenditure Account and Cash Flow Statement for the year and notes to the financial Statements on that date incorporating the accounts of 4 (Four) Regional Offices. 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.</p> <p>We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. 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 accounting estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis of our opinion and report that :</p>	

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1.	Our comments on matters as required by the Companies (Auditor's Report) Order 2003, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, are not given, as the Companies (Auditor's Report) Order 2003, provides that it shall not apply to companies licensed to operate under Section 25 of the Companies Act, 1956.	
2.	The Balance Sheet, Statement of Income & Expenditure and Cash Flow Statement of the Company dealt by this report are in agreement with the books of accounts and returns.	
3.	In our opinion, the Balance Sheet, Statement of Income & Expenditure and the Cash Flow Statements dealt with by this report comply with the mandatory Accounting Standards (AS) referred to in Section 211 (3C) of the Companies Act, 1956.	
	As per Circular No. 2/5/2001 – CLV-General Circular No. 8/2002 dated 22.03.2002 issued by the Department of Company Affairs under Ministry of Law, Justice and Company Affairs, the provisions of section 274(1)(g) of the Companies Act, 1956, relating to disqualification of Directors are not applicable to the company, being a Government Company.	Factual Statement. No comments.
5.	We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.	
6.	In our opinion, proper books of accounts, as required by law have been kept by the Company so far as it appears from the examination of the books of accounts and returns received from the regional offices not visited by us and considered adequate for the purpose of our audit.	

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7.	<i>We further report that :</i>	
a)	Certain items of income and expenditure continue to be accounted for not on accrual basis of accounting-amount indeterminate [Refer Note No. 2.1(b)-Significant Accounting Policy];	Factual Statement. Note No. 2.1(b) of Notes to Financial Statements refers.
b)	Making provision of Rs. 9.50 crore for the year (cumulative upto 31.3.2012- Rs 19.90 crore) under Performance Related Pay Scheme (PRP) for employees without the scheme's approval by the Company and releasing Rs. 7.75 crore up to 31.03.2012 [Refer Note no. 9(a)];	Footnote to Note No. 9 of Notes to Financial Statements refers.
c)	Pending carrying out of the reconciliation of discrepancies of fixed assets as per physical verification report as on 31.03.2011-impact, if any, remains indeterminate [Note no. 10(c) fixed assets];	Note No. 10 (c) of Notes to Financial Statements refers.
d)	Non-confirmation of the balances to the extent of Rs. 4,82,715/- with foreign banks [Refer Note No. 16(ii) Cash & Bank Balance];	Factual Statement. Note No. 16(ii) of Notes to Financial Statements refers.
e)	No provision made for the income-tax demand of Rs. 86.06 crore for the assessment year 2009-10 and for amounts payable on similar lines for the subsequent assessment years 2010-11 to 2012-13, consequent upon the withdrawal of exemption available to the Company u/s 10(23c)(iv) of the I.T. Act, 1961 by the DG of Income tax (Exemption), New Delhi, vide his order dated 23 rd February 2012 from the assessment year 2009-10 and onwards and the writ filed there against with Hon'ble High Court of Delhi [Refer Note no. 29 Income tax matters];	Factual Statement. Note No. 29 of Notes to Financial Statements refers.

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f)	<p>Service-tax with interest amounting to Rs. 1,14,92,208 relating to prior period 2006-07 to 2009-10 paid during the period arising due to audit carried out by the Service-tax Department and charged as expense for the year instead of Prior Period Expenses and further with no provision made for Service-tax demand of Rs. 10.87 crore including interest Rs. 23,67,843/- to the extent determined and penalty amount not quantified.</p> <p>[Refer Note no. 30 Service-tax matters];</p>	<p>The fact regarding deposit of Rs. 1,14,92,208 in Treasury consequent to the Service Tax Audit conducted during the year under review has been suitably disclosed in Note No. 30 of Notes to the Financial Statements.</p> <p>Further, as per para 16 of Accounting Standard 5 issued by the Institute of Chartered Accountants of India, Prior Period items "does not include other adjustments necessitated by circumstances, which though relating to prior periods are determined in current period." Since the amount of Rs. 1,14,92,208 was determined during the period under review, the same was correctly charged off as revenue expenditure.</p> <p>As regards demand of Rs. 10.87 crore, the position has been suitably disclosed in Note No. 30 of Notes to the Financial Statements.</p>
g)	<p>Non-confirmation reconciliation of amounts due to/from various parties and their consequential adjustment effect, if any, remains unidentified;</p> <p>[Refer Note no. 31 Confirmation of Balances];</p>	<p>Factual Statement. Note No. 31 of Notes to Financial Statements refers.</p>
h)	<p>Defaults committed due to non-compliance of the statutory requirement for filing the Service-tax Returns for the year ended 31st March 2012 consisting of two half-yearly returns for the period April to September 2011 and October 2011 to March 2012 – amount not yet quantified</p>	<p>It is clarified that monthly Service Tax payments were deposited in the treasury account by due dates. Hence, no penalty devolves on the company in remission of the government dues. However, filing of the Service Tax returns has been delayed as the manual reconciliation of voluminous data is required to be carried out for complying with the provisions of the Service Tax Act.</p>

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		<p>The reconciliation for the half year ended Sept., 2011 has since been completed and action is in hand to file the return. Compilation of Service Tax return for half year ended 31st March, 2012 is also in progress.</p> <p>Efforts are being made to overcome the shortcomings including amendment in accounting software.</p>
8.	<p>In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Notes thereon and subject to our observations in para 7 (e) for non-provision of quantified Income-tax liability of Rs. 86.06 crore relating to the assessment year 2009-10 & non-quantified liabilities on similar lines for assessment years 2010-11 to 2012-13, para 7(f) for non-provision of quantified demand for Service-tax Rs. 10.87 crore for 2006-07 to 2009-10 and further amounts of interest and penalties not yet quantified, 7(h) for levy of mandatory penalties for non-compliance of filing the Service-tax returns for the two half-years of 2011-12 – amount not quantified, and para 7(b) for making provision of Rs. 9.50 crore for Performance Related Pay (PRP) without approval of the Scheme by the Board, resulting in overstating of the net income for the year by Rs. 87.43 crore to the extent of quantified amounts and understating the current liabilities and provision as on 31.03.2012 by the same amount and indeterminate consequential impact of paras 7(a) for non-accounting of expenses on accrual basis, 7(c) for non-reconciliation and adjustment, if any, of discrepancies on physical verification of fixed assets, 7(g) due to adjustments, if any, for want of confirmation of amounts due to/from parties, and</p>	

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	<p>7(d) for non-confirmation of amounts shown with foreign bank Rs. 4,82,715/-, and further presentation of payment of Service tax Rs. 1.15 crore as current year expenses para 7(f) above, give a true and fair view in conformity with the accounting principles generally accepted in India :</p> <p>i) in the case of Balance-sheet of the State of affairs of the Company as at 31st March 2012 ;</p> <p>ii) in the case of Statement of Income and Expenditure of the net Income of the Company for the year ended on 31st March 2012; and</p> <p>iii) in the case of Cash Flow Statement of the cash flow for the year ended on 31st March 2012 .</p> <p style="text-align: right;">For Kishore & Kishore Chartered Accountants</p> <p style="text-align: right;">(Anshu Gupta) Partner M.No. 077891 FRN 000291N</p> <p>Place : New Delhi Date : 27.08.2012</p>	