

Independent Auditor's Certificate on the accounting treatment in the proposed scheme of arrangement under Sections 230 to 232 of the Companies Act, 2013 and relevant rules thereunder

To,
The Board of Directors
ITC Hotels Limited
37, J.L. Nehru Road,
Kolkata – 700 071, India

1. This Certificate is issued in accordance with the terms of our service scope letter dated August 14, 2023 and master engagement agreement dated August 14, 2023 with ITC Hotels Limited (hereinafter the "Company" or "Resulting Company") for submission to the National Company Law Tribunal (NCLT) and other regulatory authorities in connection with the scheme of arrangement as mentioned in paragraph 2 below.
2. We, S.R. Batliboi & CO LLP, Chartered Accountants, are the Statutory Auditors of the Company and have been requested by the management of the Company, to examine the proposed accounting treatment given in para 19.2 of the proposed scheme of arrangement between the Company and ITC Limited and their respective shareholders and creditors (hereinafter the "Scheme"), in terms of the provisions of sections 230 to 232 and all other applicable provisions of the Companies Act, 2013 ("the Act"), for compliance with the applicable accounting standards prescribed under section 133 of the Companies Act, 2013 read together with Rule 3 of the Companies (Indian Accounting Standards) Amendment Rules, 2015, as amended and other generally accepted accounting principles in India (collectively referred to as 'applicable accounting standards'). The accounting treatment as prescribed in the Scheme has been included in Annexure A which has been initialed by us for identification purposes only.

Management's Responsibility

3. The preparation of the Scheme is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Scheme and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Scheme has been approved by the Board of Directors.
4. The management of the Company is also responsible for ensuring that the Company complies with the relevant laws and regulations, including the applicable accounting standards as aforesaid and also provide relevant information to the NCLT and any other regulatory authority in connection with the Scheme.

Auditors Responsibility

5. Our responsibility is to provide reasonable assurance in the form of an opinion [pursuant to the requirements of Section 230 of the Companies Act, 2013 and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016] on whether the accounting treatment as contained in the Annexure A is in compliance with the applicable accounting standards prescribed under Section 133 of the Act read together with Rule 3 of the Companies (Indian Accounting Standards) Amendment Rules, 2015, as amended and Other Generally Accepted Accounting Principles in India.
6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Our examination did not extend to any aspects of legal or propriety nature of the Scheme and other compliances thereof. Nothing contained in this Certificate, nor anything said or done in the course of, or



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in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company.

9. A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence on the applicable criteria, mentioned in paragraph 5 above. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the applicable criteria. Accordingly, our procedures included the following:
- Obtained and read the Scheme and the proposed accounting treatment specified therein.
 - Obtained copy of resolution passed by the Board of Directors of the Company dated August 14, 2023 approving the Scheme.
 - Examined whether the proposed accounting treatment as per clause 19.2 of the Scheme is in compliance with the applicable accounting standards prescribed under Section 133 of the Act read together with Rule 3 of the Companies (Indian Accounting Standards) Amendment Rules, 2015, as amended and Other Generally Accepted Accounting Principles in India.
 - Performed necessary inquiries with the management and obtained necessary representations from the management.

Opinion

10. Based on our examination and according to the information and explanations given to us, read with paragraph 9 above, in our opinion, the proposed accounting as contained in the Annexure A, is in compliance with the applicable accounting standards prescribed under Section 133 of the Act read together with Rule 3 of the Companies (Indian Accounting Standards) Amendment Rules, 2015, as amended and Other Generally Accepted Accounting Principles in India.

Restriction on Use

11. This Certificate has been issued at the request of the Company and is addressed to and provided to the Board of Directors for submission to the Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited, National Company Law Tribunal, Regional Director, Registrar of Companies and any other regulatory authority in connection with the Scheme, and should not be used for any other person or purpose or distributed to anyone or referred to in any document without our prior written consent. Our examination relates to the matters specified in this Certificate, and does not extend to the Company as a whole. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come. We have no responsibility to update this Certificate for events and circumstances occurring after the date of this Certificate.

For **S.R. Batliboi & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Sanjay Vij**

Partner

Membership Number: 095169



UDIN: 23095169BGYAAM3614

Place of Signature: Delhi

Date: August 14, 2023

ITC HOTELS LIMITED

Registered Office: Virginia House, 37, J. L. Nehru Road, Kolkata – 700 071
Phone: 033-22889371 • CIN: U55101WB2023PLC263914 • e-mail: itchotelslimited@yahoo.com

ANNEXURE A: EXTRACT OF ACCOUNTING TREATMENT FROM DRAFT SCHEME OF ARRANGEMENT BETWEEN ITC LIMITED (“DEMERGED COMPANY”) AND ITC HOTELS LIMITED (“RESULTING COMPANY” OR “ITC HOTELS”) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS (UNDER SECTION 230 – 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013)

19. ACCOUNTING TREATMENT IN THE BOOKS OF THE COMPANIES

19.2 IN THE BOOKS OF THE RESULTING COMPANY:

19.2.1 Notwithstanding anything else contained in the Scheme, upon the Scheme being effective, the Resulting Company shall account for the Scheme in its books of accounts in accordance with Ind AS and generally accepted accounting principles in India.

19.2.2 The Resulting Company shall provide the following accounting treatment in its books of accounts.

- (i) Record the assets and liabilities of the Demerged Undertaking of the Demerged Company, vested in it pursuant to this Scheme at their respective carrying values as appearing in the books of the Demerged Company.
- (ii) The Resulting Company shall credit to its equity share capital, the aggregate of the face value of equity shares issued and allotted by it pursuant to the Scheme and excess, if any, of the fair value of the equity shares issued over the face value of the equity shares issued shall be classified as securities premium under the head "Other Equity".
- (iii) The difference between the fair value of the equity shares issued by the Resulting Company to the shareholders of the Demerged Company as consideration as per Clause 18 and the book value of the assets and liabilities of the Demerged Undertaking received from the Demerged Company will be debited or credited, as the case may be, to equity and classified as "Capital Reserve" under the head "Other Equity".
- (iv) In case of any differences in accounting policies between the Demerged Undertaking of the Demerged Company and the Resulting Company, the accounting policies followed by the Resulting Company shall prevail to ensure that the financial statements reflect the financial position based on consistent accounting policies.
- (v) The Resulting Company shall restate comparative information from the beginning of the comparative period presented or date of incorporation of Resulting Company, whichever is later.
- (vi) Any matter not dealt with in clauses hereinabove shall be dealt with in accordance with the Ind AS applicable to the Resulting Company.



S.R. Ballbol & Co. LLP, New Delhi
for Identification

(WHOLLY OWNED SUBSIDIARY OF ITC LTD.)

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19.2.3 Post giving effect to the Demerger as per Clause 19.2.1 and 19.2.2 above, the debit balance of Capital Reserve, if any, under the head “Other Equity” arising in terms of Clause 19.2.2(iii), shall be adjusted against the corresponding credit balance of Securities Premium Account arising in terms of Clause 19.2.2(ii), in the books of Resulting Company.

19.2.4 The Resulting Company will pass appropriate adjustment entries in a prudent and commercially acceptable manner.

For ITC Hotels Limited


Authorised Signatory

S.R. Batlibol & Co. LLP, New Delhi
for Identification 

Date: 14th August, 2023



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