

FUTURE RETAIL

AUDIT COMMITTEE REPORT DATED AUGUST 29, 2020 OF FUTURE RETAIL LIMITED ON SCHEME OF ARRANGEMENT UNDER SECTION 230 to 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013

Present – Directors / Members

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|--------------------------|---|--------------------------------|
| 1. Ms. Gagan Singh | - | Chairperson of Audit Committee |
| 2. Mr. Ravindra Dhariwal | - | Member of Audit Committee |
| 3. Ms. Sridevi Badiga | - | Member of Audit Committee |
| 4. Mr. Rakesh Biyani | - | Member of Audit Committee |

Other invitees and advisors / consultants were present at the meeting along with Company Secretary at the meeting.

1. Background

1.1. A meeting of the Audit Committee of Future Retail Limited (“**the Company**”) was held on Saturday, August 29, 2020 *inter-alia* to consider and recommend to the Board of Directors the proposed Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013 (the ‘**Act**’) and other applicable provisions of the Act, between Future Consumer Limited (“Transferor Company 1”), Future Lifestyle Fashions Limited (“Transferor Company 2”), Future Market Networks Limited (“Transferor Company 3”), Future Retail Limited (“Transferor Company 4”), Future Supply Chain Solutions Limited (“Transferor Company 5”), FutureBazaar India Limited (“Transferor Company 6”), Acute Retail Infra Private Limited (“Transferor Company 7”), Basuti Sales and Trading Private Limited (“Transferor Company 8”), Brattle Foods Private Limited (“Transferor Company 9”), Chirag Operating Lease Co. Private Limited (“Transferor Company 10”), Hare Krishna Operating Lease Private Limited (“Transferor Company 11”), Nice Texcot Trading & Agency Private Limited (“Transferor Company 12”), Nishta Mall Management Company Private Limited (“Transferor Company 13”), Ojas Tradelease and Mall Management Private Limited (“Transferor Company 14”), Precision Realty Developers Private Limited (“Transferor Company 15”), Rivaaz Trade Ventures Private Limited (“Transferor Company 16”), Syntex Trading and Agency Private Limited (“Transferor Company 17”), Taquito Lease Operators Private Limited (“Transferor Company 18”) and Unique Malls Private Limited (“Transferor Company 19”), collectively referred to as “Transferor Companies”, with Future Enterprises Limited (“Transferee Company”) and their respective shareholders and creditors in **First Part**, between Future Enterprises Limited (“FEL”) and Reliance Retail Ventures Limited (“RRVL”) and their respective shareholders and creditors in **Second Part** and between Future Enterprises Limited (“FEL”) and Reliance Retail and Fashion Lifestyle Limited (“RRVL WOS”) and their respective shareholders and creditors in **Third Part** (the ‘**Scheme**’).

1.2. The Scheme *inter-alia* provides for:

- Merger / amalgamation of Future Retail limited along with other Transferor Companies with Future Enterprises Limited (“Transferee Company”);
- transfer and vesting of the Logistics and Warehousing Undertaking from the Transferee Company as a going concern on a slump sale basis to Reliance Retail Ventures Limited (“RRVL”);
- transfer and vesting of the Retail & Wholesale Undertaking from the Transferee Company as a going concern on a slump sale basis to a wholly owned subsidiary of RRVL viz, Reliance Retail and Fashion Lifestyle Limited (“RRVL WOS”);
- preferential allotment of equity shares and warrants of FEL to RRVL WOS.

- 1.3. The Equity Shares of the Company are listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE'). The Company will be filing the Scheme along with necessary information / documents with both the mentioned Stock Exchanges for their approval under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 1.4. The report of Audit Committee is made in order to comply with the requirements of the SEBI circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 as modified by Circular no. CFD/DIL3/CIR/2017/26 dated 23rd March, 2017 and as also modified by Circular no. CFD/DIL3/CIR/2018/2 dated 3 January, 2018 issued by SEBI and all other applicable circulars and regulations issued by SEBI in this respect; (hereinafter referred to as 'the SEBI Circular'), after considering the following:
 - a) Draft Scheme of Arrangement, duly initialled by the Chairman of the Company for the purpose of identification;
 - b) Equity Share Exchange Ratio as mentioned in valuation report dated 29th August, 2020 issued by B S R & Associates LLP - Chartered Accountants and BDO Valuation Advisory LLP – a registered valuer;
 - c) Fairness Opinion dated 29th August, 2020 issued by ICICI Securities Limited - a Category I Merchant Banker providing the fairness opinion on the afore-stated Equity Share Exchange Ratio.

2. Proposed Scheme

2.1. The salient features of the draft Scheme of Arrangement are as under:

- a) The Scheme *inter-alia* provides for the matters stated in para 1.2 above;
- b) The Audit Committee of Board of Directors the Company is of the opinion that proposed arrangements would *inter-alia* achieve the following objectives:
 - The Reliance group, in order to expand its retail and wholesale footprint, is desirous of acquiring the logistics & warehousing and retail & wholesale businesses and related assets housed in various Transferor Companies as a *going concern* on Slump Sale basis in the manner provided in this Scheme.
 - To facilitate the above acquisition by Reliance group, the Future group, as a first step, is desirous of consolidating the logistics & warehousing and retail & wholesale businesses and related assets housed in various Transferor Companies in the Transferee Company.
 - The Reliance group proposes to acquire a minority interest in the Remaining Business which will be carried on by the Transferee Company post the Scheme and accordingly, is desirous of subscribing to Preferential Equity Shares and Preferential Warrants to be issued by the Transferee Company.

The Scheme is in the best interests of the shareholders, employees and the creditors of each of the entities which are a party of the Scheme;

- 2.2. The Audit Committee reviewed and noted the Equity Share Exchange Ratio Report / Valuation Report and recommended the following:

Pursuant to the Scheme becoming effective, FEL will issue 101 (One Hundred One) fully paid up equity shares of Rs. 2/- each of FEL to the equity shareholders of FRL as on the Record Date (as may be determined in terms of the Scheme) for every 10 (Ten) fully paid up equity share of Rs. 2/- each of FRL.

- 2.3. Pursuant to the Scheme, the Transferee Company shall account for amalgamation of the Transferor Companies in its books of accounts in accordance with Indian Accounting Standard (Ind AS) 103-“Business Combination” issued by the Institute of Chartered Accountants of India and notified by Ministry of Corporate Affairs read together with the Companies (Indian Accounting Standards) Rules, 2015. Any inter-company balances between the Transferor Companies and Transferee Company, if any, shall stand cancelled in their respective books of accounts.
- 2.4. The Fairness Opinion confirmed that the Equity Share Exchange Ratio is fair to all the Transferor Companies and Transferee Company.
- 2.5. The Appointed Date being the Effective Date as stated in the Scheme.
- 2.6. Under Part III of the proposed Scheme and on the Scheme becoming effective, the Company will stand dissolved without winding up and the equity shareholders of the Company will get the shares of FEL based on the share exchange ratio as mentioned in para 2.2 above;

3. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Arrangement, Equity Share Exchange Ratio / Valuation Report, Fairness Opinion and the specific matters mentioned above, recommends the draft Scheme of Arrangement for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

**By Order of the Audit Committee of
Future Retail Limited**



**Gagan Singh
Chairperson of the Audit Committee**

Date: August 29, 2020
Place: Gurugram / Gurgaon