



November 28, 2017

To,

Certificate No. 1120/2017/DeDo

The Board of Directors
Future Retail Limited
Knowledge House, Shyam Nagar,
Off Jogeshwari-Vikhroli Link Road,
Jogeshwari (E), Mumbai - 400 060

Dear Sirs,

Sub: Cost of acquisition of shares of Praxis Home Retail Limited ('PHRL') in the hands of shareholders of Future Retail Limited ('FRL')

1. In a Composite Scheme of Arrangement ('the Scheme') approved by the National Company Law Tribunal, Mumbai Bench, as per order dated November 10, 2017, inter-alia, between Future Retail Limited ('FRL') and Praxis Home Retail Limited ('PHRL') and their respective shareholders, inter-alia the Home Retail Business Undertaking of FRL was transferred to and vested in PHRL, with effect from the Appointed Date, being August 1, 2017 ('Appointed Date') as a going concern in accordance with Section 2(19AA) of the Income Tax Act, 1961 ('the Act').
2. In terms of the said Scheme, PHRL is required to issue and allot to every member of FRL, holding fully paid up equity shares in FRL and whose names appear in the Register of Members of FRL as on the Record Date i.e. November 30, 2017, in the ratio of 1 (One) fully paid up equity share of Rs. 5/- each of PHRL for every 20 (twenty) fully paid up equity shares of Rs. 2/- each of FRL to the equity shareholders of FRL as on the Record Date.
3. We have been approached to submit a report on the cost of acquisition of equity shares in PHRL upon demerger, in the hands of the equity shareholders of FRL, for the purposes of the under stated provisions of the Act.
4. Cost of acquisition of shares in PHRL upon demerger is required to be worked out for the purposes of the Act in accordance with the provisions of sub-section (2C) of Section 49 of the Act, which provides as under:





"49(2C) The cost of acquisition of the shares in the resulting company shall be the amount which bears to the cost of acquisition of shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger."

The cost of acquisition of the original shares in the demerged company, is worked out in accordance with the provisions of sub-section (2D) of Section 49 of the Act, which provides as under:

"49(2D) The cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount as so arrived at under sub-section (2C)."

Explanation to Section 49 reads as under:

"Explanation – For the purposes of this section, "net worth" shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of account of the demerged company immediately before the demerger.

NB: The term 'general reserves' here is understood to mean any reserve(s) which is not earmarked or set aside for any specific purpose or use.

5. We have performed verification procedure in accordance with the Guidance Note on Audit Reports and Certificates (Revised 2016) for Special Purposes issued by the Institute of Chartered Accountants of India (ICAI), which requires that we comply with the ethical requirements of the Code of ethics issued by the ICAI. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Performs Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
6. Obtaining the representations from the Management of FRL on following matters:
 - a. That the unaudited Management certified numbers as on the Appointed Date to arrive at Net book value of the Net Assets transferred to PHRL from FRL, are correct to the best of Management's information and belief.
 - b. That the unaudited Management certified numbers as on the Appointed Date to arrive at net worth of FRL immediately prior to its demerger, are correct to the best of Management's information and belief.





- c. That the conditions prescribed in section 2(19AA) of the Act, being the responsibility of the Management of FRL, has been duly complied with.
 - d. Verifying the Calculations of proportionate costs in accordance with aforesaid provisions of the Act
7. Based on the procedures mentioned in para 4 to para 6 above and according to the information and explanation provided to us and to the best of our knowledge, we certify that as on August 1, 2017:

The cost of acquisition of equity shares in PHRL received by the equity shareholders of FRL, under the afore referred Scheme, for the purpose of sub-section (2C) of Section 49 of the Income Tax Act, 1961 shall be 3.37% of the original cost of acquisition of shares in FRL as shown in the table below:

Name of the Company	% of cost of acquisition of FRL's equity shares
PHRL	3.37%
FRL	96.63%
Total	100%

8. No assurance is given that the revenue authorities / the courts will concur with the views expressed herein. Our views are based solely on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume the responsibility to update the views consequent to such changes. We will not be liable to any other person in respect of this statement. Shareholders are advised to consult their own consultants to understand specific tax implications, in their respective cases.



Khimji Kunverji & Co

Chartered Accountants

(Registered)



9. In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of the FRL or PHRL, their directors, employees or agents.

For Khimji Kunverji & Co

Chartered Accountants

Firm Regn No. 105146W

A handwritten signature in black ink, appearing to read 'Hasmukh B. Dedhia'.

Hasmukh B. Dedhia

Membership No: F-33494

Place: Mumbai

