

FUTURE RETAIL

REPORT OF THE AUDIT COMMITTEE OF FUTURE REAIL LIMITED ('FRL' OR 'THE COMPANY') ON SCHEME OF ARRANGEMENT BETWEEN HYPERCITY RETAIL (INDIA) LIMITED ('HRIL' OR 'DEMERGED COMPANY') AND FUTURE RETAIL LIMITED ('FRL' OR 'RESULTING COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS

Present – Directors / Members

1. Ms. Gagan Singh : Chairperson / Independent Director / Member
2. Mr. Ravindra Dhariwal : Independent Director / Member
3. Ms. Sridevi Badiga : Independent Director / Member

In Attendance

1. Mr. Virendra Samani : Dy. Company Secretary

By Invitation

1. Mr. Kishore Biyani : Chairman & Managing Director
2. Mr. Shailendra Bhandari : Independent Director
3. Mr. C. P Toshniwal : Chief Financial Officer
4. Mr. Sanjay Rathi : Invitee

1. Background

1.1. A meeting of the Audit Committee of Future Retail Limited ('the Company') was held on Wednesday, 06th December, 2017 *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 Hypercity Retail (India) Limited ('HRIL' or '**Demerged Company**') and Future Retail Limited ('FRL' or '**Resulting Company**') and their respective Shareholders ('the Scheme').

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

- Demerger of Retail Business Undertaking of HRIL into FRL; and
- Reorganisation and reclassification of the balance lying in the Capital Reserve Account (as on 31st March, 2017) into Securities Premium Account.

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.

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 10th March, 2017 after considering the following:



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- a) Draft Scheme of Arrangement, duly initiated by Dy. Company Secretary of the Company for the purpose of identification;
- b) Share Allotment Ratio Report / Share Entitlement Ratio Report dated 06th December, 2017 issued by M/s Walker Chandiook & Co. LLP, Independent Chartered Accountants;
- c) Fairness Opinion dated 06th December, 2017 issued by M/s Keynote Corporate Services Limited, a Category I Merchant Banker providing the fairness opinion on the Share Allotment Ratio Report / Share Entitlement Ratio Report prepared by M/s Walker Chandiook & Co. LLP, Independent Chartered Accountants; and
- d) Audited financial statements of the Company and HRIL for the year ended 31st March, 2017, 31st March, 2016 and 31st March, 2015.

2. Proposed Scheme

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

- a) The Scheme *inter-alia* provides for:
 - Demerger of Retail Business Undertaking of HRIL into FRL; and
 - Reorganisation and reclassification of balance lying in the Capital Reserve Account (as on 31st March, 2017) into Securities Premium Account.
- b) The Audit Committee of Board of Directors of the Company is of the opinion that proposed arrangement would *inter-alia* achieve the following objectives:
 - consolidation of retail operations of FRL and HRIL in a single entity;
 - streamlining the operating structure; and
 - synergies expected to bring in cost savings in the marketing, selling and distribution expenses as well as give benefits of the economies of scale to the Company.

2.2. The Audit Committee reviewed the Share Allotment Ratio Report / Share Entitlement Ratio Report and noted the report and recommended the following:

Pursuant to the Scheme becoming effective, FRL shall issue and allot shares to the shareholders of HRIL as on the Appointed Date. As the entire paid up share capital of HRIL as on the Appointed Date is held by FRL along with its nominees, it is expressly understood that, upon this Scheme becoming effective, there will be no issue and allotment of shares by FRL in respect of the demerger of Retail Business Undertaking of HRIL into FRL under this Scheme.



- 2.3. Further, pursuant to the Scheme, the Company shall account for the Demerger as per the applicable accounting principles prescribed under Indian Accounting Standard (Ind AS).
- 2.4. Further, the Fairness Opinion confirmed that the Share Allotment Ratio Report / Share Entitlement Ratio Report is fair to the Company and HRIL.
- 2.5. The proposed Appointed Date for the Demerger of the Retail Business Undertaking HRIL will be 1st December, 2017 or such other date as may be fixed or approved by the National Company Law Tribunal or such other competent authority as may be applicable.
- 2.6. Under the proposed Scheme, all assets and liabilities, pertaining to the Retail Business Undertaking of HRIL, of whatsoever nature and where so ever situated, including the immovable properties, if any, shall without any further act or deed be transferred to and vested in FRL as a going concern with effect from the Appointed Date.

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, Share Allotment Ratio Report / Share Entitlement Ratio Report, Fairness Opinion and the specific points mentioned above, recommends the draft Scheme of Arrangement for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s) and SEBI.

By Order of the Audit Committee

For and on behalf of

Future Retail Limited


Gagan Singh

Chairperson of the Audit Committee

Date: 06th December, 2017

Place: Mumbai

