

Certificate No.: BSC\CERT.\May 2016\005

11 May 2016

To,
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 Bharti Retail Limited ('BRL') in the hands of shareholders of Future Retail Limited ('FRL')

1. In a Composite Scheme of Arrangement ('the Scheme') approved by the High Court of Judicature at Bombay, as per order dated 4 March, 2016 between Future Retail Limited ('FRL' or 'the Demerged Company') and Bharti Retail Limited ('BRL' or 'the Resulting Company') and their respective shareholders and creditors, inter alia, the Retail Business Undertaking of FRL was transferred and vested in BRL, with effect from the Appointed Date, being 31 October, 2015 as a going concern in accordance with Section 2(19AA) of the Income Tax Act, 1961.
2. In terms of the said Scheme, BRL is required to issue and allot to every member of FRL, holding fully paid up equity shares / fully paid up Class B (Series 1) equity shares in FRL and whose names appear in the Register of Members of FRL on the Record Date i.e. 12 May, 2016, in the ratio of 1 (One) Equity Share of face value of Rs. 2 each, fully paid up of BRL for every 1 (One) Equity Share / Class B (Series 1) Equity Share of Rs. 2 each, fully paid up, held by such members in FRL.
3. Our responsibility is to submit a report on the cost of acquisition of equity shares in BRL upon demerger, in the hands of the equity shareholders / Class B (Series 1) equity shareholders of FRL, for the purposes of the Income Tax Act, 1961 ('the Act').
4. Cost of acquisition of shares in BRL 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."



BHUTA SHAH & Co LLP
CHARTERED ACCOUNTANTS

5. On the basis of our examination of the provisional unaudited Balance Sheet as on 31 October, 2015 of FRL produced before us for verification and having regard to the information and explanations obtained by us during the course of our examination, we report that:

The cost of acquisition of equity shares in BRL received by the equity shareholders / Class B (Series 1) equity shareholders of FRL, under the above referred Scheme, for the purposes of sub-section (2C) of Section 49 of the Income Tax Act 1961 shall be **45.63% 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 / Class B (Series 1) equity shares
BRL	45.63%
FRL	54.37%
Total	100%

6. 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.
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For Bhuta Shah & Co LLP
Chartered Accountants
Firm Regn. No.: 101474W / W100100


CA. Shailesh Bhuta
Partner
Membership No: 033958



Mumbai, 11 May, 2016