

1 June 2013

To,

The Board of Directors,  
**Future Lifestyle Fashions Limited**  
Mumbai – 400 060

Dear Sirs,

**Sub : Cost of acquisition of shares of Future Lifestyle Fashions Limited (FLFL) in the hands of the shareholders of Future Retail Limited (FRL).**

1. In a Composite Scheme of Arrangement and Amalgamation ("Scheme") approved by the High Court of judicature at Bombay, as per Order dated 10 May 2013, the PRIL Demerged Undertaking, (Comprising of Fashion Business of Future Retail Limited), as more particularly defined in the said Scheme, of Future Retail Limited (the Demerged Company) was transferred to and vested in Future Lifestyle Fashions Limited (the Resulting Company), with effect from the Appointed Date, being 1 January 2013 as a going concern in accordance with the Section 2(19AA) of the Income Tax Act, 1961.

2. In terms of the said Scheme, the Resulting Company is required to issue and allot to every member of the Demerged Company, holding fully paid up equity shares in the Demerged Company and whose names appear in the Register of Members of the Demerged Company on the Record Date, to be fixed by the Board of Directors of the Demerged Company, in respect of every 3 (Three) Equity Shares of the face value of Rs.2/- each fully paid up held by such members in the Demerged Company, 1 (One) Equity Share of the face value of Rs.2/- each of the Resulting Company credited as fully paid up.

3. Our responsibility is to submit a report on the Cost of acquisition of shares in the Resulting Company upon demerger, in the hands of the shareholders of the Demerged Company, for the purposes of the income Tax Act, 1961.

4. Cost of acquisition of shares in the resulting company upon demerger, is required to be worked out for the Purposes of the Income Tax Act, 1961, in accordance with the provisions of subsection (2C) of section 49 of the Act.

5. Subsection (2C) of section 49 of the Income Tax Act, 1961 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."




6. On the basis of our examination of the Audited Balance Sheet as on 31 December 2012 of FRL and having regard to the information and explanations obtained by us during the course of my examination, we report that-

a) The cost of acquisition of the equity shares in Future Lifestyle Fashions Limited, received by the shareholders of Future Retail Limited, under the above referred Scheme, for the purposes of subsection (2C) of section 49 of the Income Tax Act, 1961 shall be **32.64% of the original cost of acquisition of shares in Future Retail Limited** as shown in table given hereunder.

Name of the Company	% of Cost of Acquisition
FRL	67.36 %
FLFL	32.64 %
<b>Total</b>	<b>100.00 %</b>

No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume 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 the specific tax implications, in their respective cases.

Thanking you,  
Yours faithfully,  
For NGS & Co. LLP

  
Ganesh Toshniwal  
Partner  
M. No. 046669

