

REPORT OF THE AUDIT COMMITTEE OF FUTURE ENTERPRISES LIMITED ('FEL' OR 'THE COMPANY') ON COMPOSITE SCHEME OF ARRANGEMENT BETWEEN TRANSFEROR COMPANIES, WITH FUTURE ENTERPRISES LIMITED ("FEL OR TRANSFEREE COMPANY"); AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AND FUTURE ENTERPRISES LIMITED (FEL) AND RELIANCE RETAIL VENTURES LIMITED (RRVL) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AND FUTURE ENTERPRISES LIMITED (FEL) AND RELIANCE RETAIL AND FASHION LIFESTYLE LIMITED (RRVL WOS) AND THEIR SHAREHOLDERS AND CREDITORS UNDER SECTION 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013

Present - Directors / Members

1. Mr. V. K. Chopra : Chairman / Member
2. Ms. Bala C. Deshpande : Independent Director / Member
3. Mr. Anand Chandrasekaran : Independent Director / Member

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

1. Background

- (i) A meeting of the Audit Committee of Future Enterprises Limited ("the Company") was held on Saturday, 29th August, 2020 *inter alia* to consider and recommend to the Board of Directors the proposed Composite Scheme of Arrangement under Sections 230 to 232 read with other applicable provisions of the Companies Act, 2013, between Future Consumer Limited ("Transferor Company 1") along with 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**

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Companies", with Future Enterprises Limited ("**Transferee Company**"); and their respective shareholders and creditors, and between the FEL and Reliance Retail Ventures Limited (RRVL) and their respective shareholders and creditors, and Future Enterprises Limited and between FEL and Reliance Retail and Fashion Lifestyle Limited (RRVL WOS) and their shareholders and creditors (**the 'Scheme'**) pursuant to Sections 230 and 232 and other relevant provisions of The Companies Act, 2013.

The Scheme inter-alia provides for:

- 1 Merger of Future Consumer Limited ("Transferor Company 1") along with 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**");
2. transfer 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");
3. transfer 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 Reliance Retail and Fashion Lifestyle Limited ("RRVL WOS");
4. preferential allotment of equity shares and warrants of FEL to a wholly owned subsidiary of RRVL .

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The Equity shares and Class B (Series 1) 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 exchanges for their approval under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 Composite Scheme of Arrangement, duly initialed by Company Secretary of the Company for the purpose of identification;
- b) Equity Share Exchange Ratio as mentioned in valuation report dated 29th August, 2020 issued by M/s B S R & Associates LLP, Independent Chartered Accountants and BDO Valuation Advisory LLP, Registered Valuer; and
- c) Fairness Opinion dated 29th August, 2020 issued by M/s. ICICI Securities Limited, a Category I Merchant Banker providing the fairness opinion on the Equity Share Exchange Ratio;

5. Proposed Scheme

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

- a) The Scheme *inter-alia* provides for the matters stated above;
- b) The Audit Committee of Board of Directors of the Company is of the opinion that proposed arrangements would inter-alia achieve the following objectives:
- c) 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.
- d) 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.



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- e) 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.
 - f) 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;
6. The Audit Committee reviewed the Equity Share Exchange Ratio Report / Valuation Report noted the report and recommended the following:
- The Company will issue 9 (Nine) fully paid up equity shares of Rs. 2/- each to the equity shareholders of FCL 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. 6/- each of FCL.
 - The Company will issue 116 (One Hundred and Sixteen) fully paid up equity shares of Rs. 2/- each to the equity shareholders of FLFL 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 FLFL.
 - The Company will issue 18 (Eighteen) fully paid up equity shares of Rs. 2/- each to the equity shareholders of FMNL 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. 10/- each of FMNL.
 - The Company will issue 101 (One Hundred and One) fully paid up equity shares of Rs. 2/- each 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.
 - The Company will issue 131 (One Hundred and Thirty One) fully paid up equity shares of Rs. 2/- each to the equity shareholders of FSCSL 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. 10/- each of FSCSL.
 - No shares would be issued upon merger of wholly owned subsidiary, Future Bazaar India Limited (FBIL) and its wholly owned subsidiary companies, pursuant to the Scheme, since merging with holding company.



6.1.1 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

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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.

- 6.1.2 Further, the Fairness Opinion confirmed that the Equity Share Exchange Ratio is fair to all the Transferor Companies and Transferee Company. their respective shareholders.
- 6.1.3 The Appointed Date being the Effective Date as stated in the Scheme.
- 6.1.4 The equity shares to be issued to the shareholders of the FCL, FLFL, FMNL, FRL and FSCSL pursuant to the Scheme shall be listed on the stock exchanges, viz BSE and NSE (subject to listing permission being granted by the stock exchanges).

7 Transfer and vesting of the Logistics & Warehousing Undertaking from the Company as a going concern on a slump sale basis to Reliance Retail Ventures Limited ("RRVL");

Identified assets and identified liabilities of the Logistics & Warehousing Undertaking would be transferred to and vested in Reliance Retail Ventures Limited as a going concern on slump sale basis for a consideration of Rs. 25.22 crore (Rupees twenty five crore and twenty two lakhs). The consideration is subject to adjustments as set out in the Scheme.

8 Transfer and vesting of the Retail & Wholesale Undertaking from the Company as a going concern on a slump sale basis to Reliance Retail and Fashion Lifestyle Limited, a wholly owned subsidiary of RRVL ("RRVL WOS");

Identified assets and Identified liabilities of the Retail & Wholesale Undertaking would be transferred to and vested in Reliance Retail and Fashion Lifestyle Limited, a wholly owned subsidiary of RRVL, as a going concern on a slump sale basis for a consideration of Rs. 5,628.33 crore (Rupees five thousand six hundred twenty eight crore and thirty three lakhs). The consideration is subject to adjustments as set out in the Scheme.

9 Preferential allotment of equity shares and warrants of the Company to RRVL WOS.

As part of the same Scheme, the Company has further approved to issue of 67,98,86,685 (Sixty Seven Crore Ninety Eight Lakh Eighty Six thousand Six Hundred Eighty Five) Equity Shares of face value Rs. 2/- each of the Company at an issue price of Rs. 17.65 per Equity Share (including premium of Rs. 15.65 per Equity Share) ("Issue Price") aggregating to Rs. 11,99,99,99,990.25 on preferential basis to Reliance Retail

and Fashion Lifestyle Limited, in accordance with the provisions of Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations"), as amended and subject to execution of requisite documentation and the approval of the Shareholders of the Company.

As part of the same Scheme, the Company has further approved, to issue of 90,65,15,580 (Ninety Crore Sixty five Lakh Fifteen thousand Five Hundred and Eighty) warrants convertible into 90,65,15,580 equity shares of Rs. 2/- each at a premium of Rs. 15.65/- per share aggregating to Rs. 15,99,99,99,987.00 to Reliance Retail and Fashion Lifestyle Limited on a preferential basis, subject to receipt of initial application amount of 25% of the Issue Price, in accordance with the provisions of Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations"), as amended and subject to the approval of the Shareholders of the Company. Each warrant is convertible into One (1) equity share and the conversion can be exercised at any time during the period of 18 months from the date of allotment of warrants, as the case may be, on such other terms and conditions as applicable.

The Relevant Date, in terms of Regulation 161 of the SEBI ICDR Regulations read with circular issued by the Securities and Exchange Board of India dated 23 March, 2017, bearing reference no. CFD/DIL3/CIR/2017/26, for the purpose of pricing of the proposed preferential issue of Equity Shares is 29 August 2020.

10 Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Composite Scheme of Arrangement, Equity Share Exchange Ratio / Valuation Share Entitlement / Allotment Ratio Report, Fairness opinion and the specific points mentioned above, recommends the draft Composite 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 of

FUTURE ENTERPRISES LIMITED

Chairman of the Audit Committee

Date: 29th August, 2020.

Place: Mumbai.