

REPORT OF THE AUDIT COMMITTEE OF FUTURE LIFESTYLE FASHIONS LIMITED ("THE COMPANY") ON COMPOSITE SCHEME OF ARRANGEMENT AND AMALGAMATION OF FUTURE TRENDZ LIMITED ('FTL') AND FUTURE SPECIALITY RETAIL LIMITED ('FSRL') WITH FUTURE LIFESTYLE FASHIONS LIMITED ('FLFL'/'THE COMPANY'), UNDER SECTIONS 230 TO 232 READ WITH SECTION 66 OF THE COMPANIES ACT, 2013 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013, DISCUSSED AT ITS MEETING HELD ON 20 SEPTEMBER 2021

MEMBERS:

Ms. Sharada Sunder	: Chairperson
Mr. Shailesh Haribhakti	: Member
Dr. Darlie Koshy	: Member
Mr. Himanshu Dodeja	: Member

1. Background:

A meeting of the Audit Committee of the Company was held on Monday, 20 September 2021 *inter-alia* to consider and recommend to the Board of Directors the proposed Composite Scheme of Arrangement and Amalgamation of Future Trendz Limited ("Transferor Company 1"/ "FTL") and Future Speciality Retail Limited ("Transferor Company 2"/ "FSRL") with Future Lifestyle Fashions Limited ("Transferee Company" / "FLFL") and their respective shareholders ("The Composite Scheme of Arrangement and Amalgamation"/ Scheme"), pursuant to Sections 230 to 232 read with Section 66 of the Companies Act, 2013 (the 'Act') and other applicable provisions of the Act.

The Scheme *inter-alia* provides for:

- i. Reduction of share capital of FSRL; and
- ii. Amalgamation of FTL and FSRL with FLFL and their respective shareholders;

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 for their approval under regulation 37 of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10 March 2017 as modified by

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Circular no. CFD/DIL3/CIR/2017/26 dated 23 March 2017 and as also modified by Circular no. CFD/DIL3/CIR/2018/2 dated 3 January 2018 read with Master Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22 December 2020, issued by SEBI and all other applicable circulars and regulations issued by SEBI (hereinafter referred to as 'the SEBI Circular'), after considering the following:

- a) Draft Composite Scheme of Arrangement and Amalgamation;
- b) Pre-arrangement shareholding pattern of FTL and FSRL and pre and post arrangement shareholding pattern of the Company; and
- c) Financial statements of last 3 years of FTL and FSRL and the Company

2. Rationale of the Scheme/ Need for the Amalgamation

➤ The salient features of the draft Scheme are as under:

- a) The Scheme inter-alia provides for the matters stated above;
- b) The Company owns the entire paid up equity share capital of FTL alongwith its nominees. FTL owns the entire paid up equity share capital of FSRL alongwith its nominees.
- c) The Company is engaged in the business of retailing of fashion products through departmental and neighbor-hood stores under various formats across the country.
- d) FSRL is engaged in the business of retailing Lee Cooper branded apparel, footwear and other accessories.
- e) The Company has entered into a One Time Resolution ('OTR') with various lenders for restructuring of the debts due by it to the lenders. Amalgamation of FTL and FSRL is one of the conditions subject to which OTR has been agreed upon by the lenders.
- f) Amalgamation of FTL and FSRL with the Company shall have the following benefits:

- i. consolidation of the business operations of FTL, FSRL and the Company in a single entity.
 - ii. streamlining the operating structure; and
 - iii. 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.
- It was noted that no Valuation Report and Fairness Opinion have been obtained, as the Scheme provides for merger of FTL and FSRL (direct / indirect wholly owned subsidiaries of the Company) and there would not be any change in the shareholding pattern of the FLFL.
- Upon the coming into effect of the Scheme and with effect from the Appointed Date, FLFL shall account for the amalgamation in its books as per the applicable accounting principles prescribed under Indian Accounting Standard (Ind AS) 103 or such other accounting principles as may be applicable or prescribed under the Act.
- The Appointed Date being the Effective Date as stated in the Scheme.
- Under Part III of the proposed Scheme and on the Scheme becoming effective, the FTL and FSRL shall stand dissolved without being wound up.

3. Impact of Scheme on the Shareholders

The Audit Committee has noted that the Company has entered into a One Time Resolution ('OTR') with various lenders for restructuring of the debts due by it to the lenders. Amalgamation of FTL and FSRL is one of the conditions subject to which OTR has been agreed upon by the lenders. Further, the Audit Committee also discussed and deliberated upon the rationale and expected benefits of the Scheme. In view of the same, draft scheme and other documents presented before the Audit Committee, it is noted that the Scheme is expected to consolidate the business operation of FTL and FSRL into FLFL to enhance business focus, improve synergies and focus on long term value creation, and to simplify the Corporate Structure. The Audit Committee was of the opinion that the Scheme is in the best interests of the shareholders, employees of each of the entities which are a party of the Scheme.

4. Cost benefit analysis:

- Amalgamation of FTL and FSRL with the Company shall have the following benefits:

- i. Merger of FTL and FSRL with the Company will bring operational synergies;
- ii. Simplification of operating and management structure; and
- iii. Cost optimisation in the marketing, selling and distribution expenses as well as give benefits of the economies of scale to the Company.

5. Recommendation of the Audit Committee:

The Audit Committee recommends the draft Scheme *inter-alia* taking into consideration the documents stated herein above, for favorable consideration by the Board of Directors, Stock Exchanges and the Securities and Exchange Board of India and other applicable regulatory authorities.

For and on behalf of the Audit Committee of Future Lifestyle Fashions Limited


Sharada Sunder

Member & Chairperson of the Audit Committee

20 September 2021

Mumbai