

Independent Auditor's Report examining the proposed accounting treatment contained in the Composite Scheme of Amalgamation and Arrangement amongst InCred Financial Services Limited, Bee Finance Limited, KKR Capital Markets India Private Limited and KKR India Financial Services Limited and their respective Shareholders under Sections 230 to 232 read with Sections 66 and 234 and other applicable provisions of the Companies Act, 2013

To
The Board of Directors
InCred Financial Services Limited
Unit No. 1203, 12th Floor, B-Wing, The Capital
Plot No C-70, G Block, Bandra Kurla Complex
Mumbai – 400 051

Dear Sirs,

1. This Report is issued in accordance with the terms of our service scope letter dated September 7, 2021 and master engagement agreement dated September 7, 2021 along with addendum/amendments thereto if any, with InCred Financial Services Limited (hereinafter the “**Demerged Company**”) for submission to the Hon'ble National Company Law Tribunal (hereinafter the “**NCLT**”) and any other regulatory authorities in connection with the scheme of amalgamation and arrangement as mentioned in paragraph 2 below.
2. We, S.R. Batliboi & Associates LLP, Chartered Accountants, are the statutory auditors for InCred Financial Services Limited, have been requested to examine the proposed accounting treatment specified in clause 17.3 of the attached proposed composite scheme of amalgamation and arrangement subject to approval of competent statutory /regulatory authorities as may be required by InCred Financial Services Limited (“**Demerged Company**”), KKR Capital Markets India Private Limited (“**Transferee Company**”) and KKR India Financial Services Limited (“**Resulting Company**”), companies incorporated in India, Bee Finance Limited (“**Transferor Company**”), company incorporated outside India (Collectively referred as the “**Companies**”) and their respective shareholders (hereinafter referred to as the “**Scheme**”), in terms of the provisions under Sections 230 to 232 of the Companies Act, 2013 read with Sections 66 and 234 and other applicable provisions of the Companies Act, 2013, as amended (the “**Act**”), which we have initialled for identification purposes to confirm whether it is in compliance with the applicable Accounting Standards notified under Section 133 of the Act read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended (collectively, “**Ind AS**”), MCA circular 09/ 2019 issued by Ministry of Corporate Affairs (“**MCA**”) dated August 21, 2019 (“**Circular**”), and other Generally Accepted Accounting Principles.

Management's responsibility.

3. The responsibility for the preparation of the Scheme and its compliance with the relevant laws and regulations, applicable Ind AS (including Appendix A of Indian Accounting Standard 10 ‘Distribution of Non Cash Assets to Owners’) and other Generally Accepted Accounting Principles as aforesaid, is that of the Board of Directors of the companies involved in the Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant for the preparation and presentation of the Scheme and applying an appropriate basis of preparation and making estimates that are responsible in the circumstances.
4. The management of the Companies are also responsible for ensuring that the companies complies with the requirements of the Act, and for providing all relevant information to the NCLT and any other regulatory authority in connection with the Scheme.

Auditors responsibility

5. Pursuant to the requirements of Sections 230 to 232 and other applicable provisions of the Act, our responsibility is to provide a reasonable assurance in the form of an opinion, based on our examination and according to the information and explanations given to us, as to whether the proposed accounting treatment specified in Clause 17.3 of the Scheme complies with the applicable Ind AS and other Generally Accepted Accounting Principles.

6. We carried out our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes, issued by the Institute of Chartered Accountants of India (ICAI). This Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI. . Our scope of work did not include verification of compliance with other requirements of the other circulars and notifications issued by regulatory authorities from time to time and any other laws and regulations applicable to the Company.
7. Our examination did not extend to any aspects of a legal or propriety nature covered in the Clause 17.3 of the Scheme.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms That Perform Audits And Reviews Of Historical Financial Information, And Other Assurance And Related Service Engagement.
9. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the reporting criteria mention in paragraph 5 above. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the reporting criteria. We have performed the following procedure in relation to the statement:
 - i. Read the Scheme and the proposed accounting treatment as specified in Clause 17.3 of the Scheme, which is attached as Annexure 1 to this Report;
 - ii. Compared the accounting treatment as described in Clause 17.3 of the Scheme with the requirements of Appendix A to Ind AS 10; and
 - iii. Performed inquiries with the management to assess the accounting treatment and obtained necessary representations.

Further, our scope of work did not involve us performing any audit tests in the context of our examination. We have not performed an audit, the objective of which would be to express an opinion on the specified elements, accounts or items thereof, for the purpose of this Report. Accordingly, we do not express such opinion. Nothing contained in this Report, nor anything said or done in the course of, or in connection with the services that are subject to this Report, will extend any duty of care that we may have in our capacity as the statutory auditors of any financial statements of the Company.

Opinion

10. Based on our examination and according to the information and explanations given to us, and procedures performed by us as stated in paragraph 8 above and read with paragraph 10 below, we are of the opinion that, the proposed accounting treatment contained in clause 17.3 of the Scheme is in compliance with the applicable Ind AS and other Generally Accepted Accounting Principles .

Emphasis of Matter

11. We draw attention to clause 17.3 of the Scheme containing the proposed accounting. As per the Scheme, upon being effective, the accounting treatment in the books of account of the Demerged Company will be given effect from the Appointed Date as prescribed in the Scheme. However, Appendix A to Ind AS 10 notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) requires the Demerged Company to account for the distribution of non-cash assets when appropriately authorized and is no longer at the discretion of the Demerged Company (i.e the “**Effective Date**”). Our opinion is not modified in respect of this matter.

Restriction on use

12. This Report is issued at the request of the Demerged Company and addressed to the Board of Directors of the Demerged Company, solely for the purpose to comply with the requirements of the provisions of Sections 230 to 232 and other applicable provisions of the Act for onward submission to the BSE Limited, NCLT, or such other regulatory or statutory authority (including the Reserve Bank of India and the

S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

InCred Financial Services Limited

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Securities and Exchange Board of India), as may be applicable and is not to be used or referred to for any other purposes. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other party to whom this Report is shown or into whose hands it may come. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

Sarvesh Warty.

per Sarvesh Warty

Partner

Membership No. 121411

UDIN: 21121411AAABMC1644

Place: Mumbai

Date: September 17, 2021

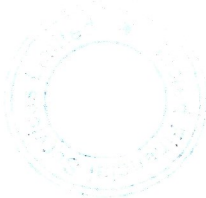
Certified true copy of Clause 17.3 of the Composite Scheme of Amalgamation and Arrangement amongst InCred Financial Services Limited, Bee Finance Limited, KKR Capital Markets India Private Limited and KKR India Financial Services Limited and their respective Shareholders under Sections 230 to 232 read with Sections 66 and 234 and other applicable provisions of the Companies Act, 2013

In the books of Demerged Company

- 17.3 With effect from the Appointed Date, the Demerged Company shall account for the InCred Demerged Undertaking in accordance with Appendix A of Indian Accounting Standard 10 'Distribution of Non Cash Assets to Owners' prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time, in the books of accounts of the Demerged Company in the following manner:
- 17.3.1 The Demerged Company shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the InCred Demerged Undertaking to be distributed with a corresponding debit to the 'Retained Earnings', solely to meet the requirements of Ind-AS notified under Section 133 of the Act. The liability is subject to review at each reporting date and at the date of settlement, with any changes in the carrying amount of the liability recognised in 'Retained Earnings' as adjustment to the amount of distribution.
- 17.3.2 Reduce from its books of accounts, the carrying amount of assets and liabilities pertaining to the InCred Demerged Undertaking, being transferred to the Resulting Company.
- 17.3.3 Balance in statutory reserve outstanding in the books of Demerged Company recognised pursuant to Section 45-IC of the Reserve Bank of India Act, shall be transferred to the Resulting Company to the extent it relates to the InCred Demerged Undertaking.
- 17.3.4 The Demerged company shall recognise the difference, if any, between carrying amount of the liability as per clause 17.3.1 above and the carrying value of assets and liabilities as per clause 17.3.2 above (including the balance in statutory reserve as per clause 17.3.3 above) in the statement of profit and loss account, solely to meet the requirements of Ind-AS notified under Section 133 of the Act.
- 17.3.5 For accounting purpose, the Scheme will be given effect on later of appointed date or the date when all substantial conditions for the transfer of InCred Demerged Undertaking are completed.

For InCred Financial Services Limited


Gajendra Thakur
Company Secretary



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