

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LALITHA HEALTHCARE PRIVATE LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **LALITHA HEALTHCARE PRIVATE LIMITED** ("the Company") which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information for the year then ended.

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under section 143 (11) of the Act.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit

procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, and its loss and its cash flows for the year ended on that date.

### **Emphasis of Matter**

We draw attention to Note 1 which states that pursuant to a decision of the Board of Directors, the Company has scaled down its operations as detailed in the Note. Further as stated in the note, the Company has incurred losses during the year and as at March 31, 2016, its net worth has been fully eroded and current liabilities exceeded the current assets. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities. For the reasons stated in the said Note, the financial statements are prepared on a going concern basis.

Our opinion is not modified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143 (3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.
- e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule

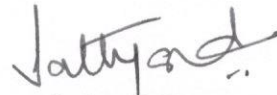
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11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



**Sathya P. Koushik**

Partner

(Membership No. 206920)

BANGALORE; September 6, 2016



**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**  
(Referred to in paragraph 1 (h) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **LALITHA HEALTHCARE PRIVATE LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the

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company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

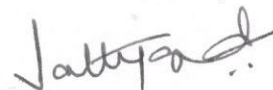
**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



**Sathya P. Koushik**  
Partner

(Membership No. 206920)

BANGALORE, September 6, 2016



**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT**


(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with the programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals. Material discrepancies noticed on physical verification during the year have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit and hence reporting under clause (v) of the Order is not applicable.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Service Tax, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service Tax, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as on March 31, 2016 on account of disputes.

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- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. There are no borrowings from financial institutions or government and the Company has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) The Company is a Private Company and hence the provisions of Section 197 of the Companies Act, 2013 do not apply to the Company.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

for **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



**Sathya P. Koushik**  
Partner  
(Membership No. 206920)

BANGALORE; September 6, 2016

**Lalitha Healthcare Private Limited**  
**Balance Sheet as at March 31, 2016**

	Notes	As at March 31, 2016	As at March 31, 2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	8,115,680	8,115,680
Reserves and surplus	4	(159,713,152)	(71,733,152)
		<b>(151,597,472)</b>	<b>(63,617,472)</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	-	17,093,749
Long-term provisions	6	497,000	1,017,000
		<b>497,000</b>	<b>18,110,749</b>
<b>Current liabilities</b>			
Short-term borrowings	7	177,572,043	124,420,717
Trade payables	8	-	-
(i) Total Outstanding dues of Micro Enterprises and Small Enterprises		44,468	13,492
(ii) Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises		62,309,867	68,150,560
Other current liabilities	8	19,612,369	29,681,879
Short-term provisions	6	527,000	1,257,000
		<b>260,065,747</b>	<b>223,523,648</b>
<b>TOTAL</b>		<b>108,965,275</b>	<b>178,016,925</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	9	91,524,512	143,654,209
Intangible assets	10	304,667	643,605
Non-current investments	11	25,001	25,001
Loans and advances	12	12,211,058	12,146,856
Other non-current assets	13	-	54,760
		<b>104,065,238</b>	<b>156,524,431</b>
<b>Current assets</b>			
Inventories	14	2,063,456	4,496,592
Trade receivables	15	676,007	12,220,220
Cash and bank balances	16	66,522	346,132
Loans and advances	12	2,038,379	2,988,992
Other current assets	13	55,673	1,440,558
		<b>4,900,037</b>	<b>21,492,494</b>
<b>TOTAL</b>		<b>108,965,275</b>	<b>178,016,925</b>
Summary of significant accounting policies	21		

See accompanying notes forming part of the financial statements.

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Lalitha Healthcare Private Limited**

*Sathya P Koushik*

Sathya P Koushik

Partner

Place: Bangalore

Date: September 6, 2016



*Rajasekharan*

Director

Place: Bangalore

Date: September 6, 2016

*Rajasekharan*

Director

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**Lalitha Healthcare Private Limited****Statement of Profit and Loss for the year ended March 31, 2016**

	Notes	March 31, 2016	Amounts in ₹ March 31, 2015
<b>Income</b>			
Revenue from operations	17	112,888,811	215,028,672
Other income	18	8,223,148	2,233,885
<b>Total revenue (I)</b>		<b>121,111,959</b>	<b>217,262,557</b>
<b>Expenses</b>			
Purchase of medical consumables and pharmacy		22,241,311	45,438,120
Changes in inventories of medical consumables and pharmacy	19	2,433,136	(46,133)
Employee benefits expenses	20	28,699,043	29,665,390
Depreciation and amortisation expense	21	12,719,833	9,958,519
Finance costs	22	20,255,322	19,956,863
Other expenses	23	122,743,314	112,278,723
<b>Total (II)</b>		<b>209,091,959</b>	<b>217,251,483</b>
<b>Profit / (loss) before tax</b>	1 & 36	<b>(87,980,000)</b>	<b>11,075</b>
<b>Tax expenses</b>			
Current tax		-	-
Deferred tax		-	-
<b>Total tax expense</b>		<b>-</b>	<b>-</b>
<b>Profit / (loss) for the year</b>		<b>(87,980,000)</b>	<b>11,075</b>
Earnings / (loss) per equity share [nominal value of share ₹10/- each (March 31, 2015: ₹10)]			
Basic and diluted	28	(108.41)	0.01
<b>Summary of significant accounting policies</b>	2.1		

See accompanying notes forming part of the financial statements.

In terms of our report attached

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

For and on behalf of the Board of Directors of

**Lalitha Healthcare Private Limited**

*Sathya P Koushik*

Sathya P Koushik

Partner

Place: Bangalore

Date: September 6, 2016



*Rajesh Kumar*

Director

Place: Bangalore

Date: September 6, 2016

*A. S. Srinivas*

Director

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**Lalitha Healthcare Private Limited**
**Cash flow statement for the year ended March 31, 2016**

	<b>Amounts in ₹</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Cash flow from operating activities</b>		
Profit / (loss) before tax from operations	(87,980,000)	11,075
Adjustment to reconcile profit / (loss) before tax to net cash flows		
Depreciation / amortization	12,719,833	9,958,519
Loss on sale of fixed assets	1,024,998	15,705
Profit on sale of fixed assets	(13,439)	-
Provision for impairment of fixed assets	42,708,863	-
Provision for doubtful debts and advances	3,296,413	3,390,317
Bad debts and sundry balances written off	5,817,006	805,387
Amortisation of ancillary borrowing costs	332,260	333,173
Liability no longer required written back	(7,093,637)	(1,043,522)
Interest income	-	(356,247)
Interest expense	19,558,694	19,621,195
<b>Operating profit before working capital changes</b>	<b>(9,629,011)</b>	<b>32,735,601</b>
<b>Movements in working capital :</b>		
Increase in trade payables	1,481,143	2,246,882
Increase in other current liabilities	(6,446,854)	4,374,009
Increase/ (decrease) in short term provisions	(730,000)	258,000
Increase in long term provisions	(520,000)	53,000
Decrease/ (increase) in trade receivables	2,430,794	2,880,414
Decrease / (increase) in inventories	2,433,136	(46,133)
Decrease / (increase) in short term loans and advances	753,391	(2,094,336)
Decrease / (increase) in long term loans and advances	380,909	166,381
Decrease / (increase) in other current assets	1,107,385	974,017
Cash generated from operations	<b>(8,739,105)</b>	<b>41,547,836</b>
Direct taxes paid	(580,110)	(1,022,770)
<b>Net cash from operating activities (A)</b>	<b>(9,319,215)</b>	<b>40,525,066</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets including intangibles and capital advances	(1,318,068)	(10,037,860)
Proceeds from sale of fixed assets	52,514	-
Interest received	-	356,247
<b>Net cash used in investing activities (B)</b>	<b>(1,265,554)</b>	<b>(9,681,613)</b>
<b>Cash flows from financing activities</b>		
Repayment of long - term borrowings (net)	(23,203,823)	(22,998,510)
Proceeds from short-term borrowings (net)	53,151,326	11,380,794
Interest paid	(19,642,344)	(19,704,845)
<b>Net cash used in financing activities (C)</b>	<b>10,305,159</b>	<b>(31,322,561)</b>
<b>Net decrease in cash and cash equivalents (A + B + C)</b>	<b>(279,610)</b>	<b>(479,109)</b>
Total cash and cash equivalents at the beginning of the year	346,132	825,241
<b>Add: Cash and cash equivalents in respect of subsidiaries acquired/ (disposed off) during the period</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>66,522</b>	<b>346,132</b>



**Lalitha Healthcare Private Limited**  
**Cash flow statement for the year ended March 31, 2016**

**Amounts in ₹**

**Components of cash and cash equivalents:**

Cash on hand	15,886	168,884
Cheques on hand	-	-
With banks - on current account	50,636	177,248
Balances with scheduled bank on deposit account	-	-
<b>Total cash and cash equivalents (note 16)</b>	<b>66,522</b>	<b>346,132</b>
Summary of significant accounting policies	2.1	

See accompanying notes forming part of the financial statements.

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Lalitha Healthcare Private Limited**

*Sathy P Koushik*

Sathy P Koushik  
Partner

Place: Bangalore

Date: September 6, 2016



*Rajeev Kumar*

Director

Place: Bangalore

Date: September 6, 2016

Director

*[Signature]*



**1. Corporate information**

Lalitha Healthcare Private Limited ( the 'Company') was set up on March 21, 2005 under the Companies Act, 1956 in India. The Company operates a multispecialty hospital in Bangalore. These operations among other things include inpatient and outpatient services and sale of medicines from its pharmacy. The Board of Directors of the Company in its board meeting held on December 8, 2015 have decided to scale down the operations and undertake a detailed assessment of the existing infrastructure of the hospital. Pursuant to this and until the completion of the assessment, the Company scaled down its operations to carry on only Out-patient services, diagnostics and pharmacy facilities with effect from January 15, 2016.

The Company has incurred losses during the year and as at the year end its net worth is fully eroded and current liabilities exceeded its current assets. However, considering the financial and operational support committed by the parent company, the Company believes that it will be able to realise its assets and meet all its obligations in the normal course of business and has accordingly has prepared these financial statements on a going concern basis.

**Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013(the "Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

**2.1 Summary of significant accounting policies****(a) Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

**(b) Tangible fixed assets**

Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Gains or losses arising from de recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**(c) Depreciation on tangible fixed assets**

Based on management's assessment, the estimated useful lives of the following classes of assets, which are lower than or equal to those indicated in Schedule II. Depreciation is provided on Straight Line Method (SLM), over the estimated useful life of assets as follows:-

	Useful life estimated by the management (years)	Schedule II Estimated Useful Life (years)
Buildings	60	60
Office equipments	5	5
Medical equipments	13	13
Plant and machinery	14	15
Computers	3	3
Furniture & Fittings	10	10
Vehicles	8	8

Pro-rata depreciation is provided from/upto the date of purchase or disposal, for assets purchased or sold during the year.



**(d) Intangibles**

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets comprise computer software held for use. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

A summary of amortization policy applied to the Company's intangible assets is as below:-

	Useful life estimated by the management (years)
Software	6

**(e) Leases****Where the Company is lessee**

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**(f) Impairment on tangible and intangible assets**

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

After impairment, depreciation is provided on the revised carrying amount of the asset or its remaining useful life.

**(g) Inventories**

Medical consumables and pharmacy items are valued at lower of cost and net realisable value and cost is determined on first in first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**(h) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. Income from pharmacy items are recognized net of returns, discounts and VAT wherever applicable.

**Income from services**

Revenue from services are recognized as and when the services are rendered, net of discounts and allowances.

**Interest**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

**(i) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

Gratuity liability under the Payment of Gratuity Act is a defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gain and losses are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

**(j) Investments**

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**(k) Income tax**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

**(l) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings/(loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



**(m) Borrowing cost**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

**(n) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

**(o) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**(p) Foreign currency transaction**

**Initial recognition :**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Conversion :**

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

**Exchange differences :**

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**(q) Segment Reporting**

**Identification of segments**

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

**Segment accounting policies**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

**(r) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**(s) Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**(t) Operating cycle**

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

### 3 Share capital

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Authorised shares</b>		
2,000,000 (March 31, 2015: 2,000,000) equity shares of ₹ 10/- each	20,000,000	20,000,000
2,250,000 (March 31, 2015: 2,250,000) preference shares of ₹ 10/- each	22,500,000	22,500,000
<b>Issued, subscribed and fully paid-up shares.</b>		
811,568 (March 31, 2015: 811,568) equity shares of ₹ 10/- each fully paid up	8,115,680	8,115,680
<b>Issued share capital</b>	<b>8,115,680</b>	<b>8,115,680</b>

#### (a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

##### Equity Shares

	March 31, 2016		March 31, 2015	
	In No's	₹	In No's	₹
At the beginning of the year	811,568	8,115,680	811,568	8,115,680
Issued during the year	-	-	-	-
Outstanding at the end of the year	811,568	8,115,680	811,568	8,115,680

#### (b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed, if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### (c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Out of equity shares issued by the company, shares held by its holding company is as below:

	March 31, 2016 ₹	March 31, 2015 ₹
<i>Equity shares of ₹ 10 each fully paid</i>		
Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited), the Holding Company		
644,596 (March 31, 2015: 545,624) equity shares	6,445,960	5,456,240

#### (d) Details of shareholders holding more than 5% shares in the Company

Name of the Shareholder	March 31, 2016		March 31, 2015	
	Nos.	% of holding	Nos.	% of holding
<i>Equity shares of ₹ 10 each fully paid</i>				
Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited), holding company	644,596	79.43%	545,624	67.23%
Dr. Lakshmi Narayana Raju	84,972	10.47%	84,972	10.47%
Dr. Mohan Keshavamurthy	-	-	68,972	8.50%

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**4 Reserves and surplus**

	March 31, 2016	March 31, 2015
	₹	₹
<b>Securities premium account</b>		
Balance as per the previous financial statements	94,814,550	94,814,550
<b>Closing Balance</b>	<b>94,814,550</b>	<b>94,814,550</b>
 <b>Surplus / (deficit) in statement of profit and loss</b>		
Balance as per the previous financial statements	(166,547,702)	(163,708,720)
Impact due to depreciation (note 33)	-	(2,850,058)
Profit / (loss) for the year	(87,980,000)	11,076
Net deficit in the statement of profit and loss	<b>(254,527,702)</b>	<b>(166,547,702)</b>
 <b>Total reserves and surplus</b>	<b>(159,713,152)</b>	<b>(71,733,152)</b>

**5 Long term borrowings**

	Non-current portion		Current portion	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	₹	₹	₹	₹
Term loan from bank (secured)	-	17,093,749	16,888,373	22,998,447
<b>Total</b>	<b>-</b>	<b>17,093,749</b>	<b>16,888,373</b>	<b>22,998,447</b>
<b>The above amount includes</b>				
Secured borrowings	-	17,093,749	16,888,373	22,998,447
Amount disclosed under the head "other current liabilities" (note 8)	-	-	(16,888,373)	(22,998,447)
<b>Net amount</b>	<b>-</b>	<b>17,093,749</b>	<b>-</b>	<b>-</b>

The Company has obtained a term loan from a bank which carries an interest @ 2.30% p.a above the bank base rate. The current effective rate for the facility is 12.30% p.a. The loan is secured by (i) first exclusive and exclusive charge on current assets of the Company; (ii) First, sole and exclusive charge on all the fixed assets; (iii) Corporate guarantee of Fortis Hospitals Limited; and (iv) General Insurance for entire property, assets and exposure to be lien marked in favour of bank as the first loss payee.

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6 Provisions	Long-term		Short-term	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	₹	₹	₹	₹
<b>Provision for employee benefits</b>				
Provision for gratuity (note 26)	497,000	1,017,000	19,000	125,000
Provision for compensated absences		-	508,000	1,132,000
	<b>497,000</b>	<b>1,017,000</b>	<b>527,000</b>	<b>1,257,000</b>

**7 Short term borrowings**

	March 31, 2016	March 31, 2015
	₹	₹
Loan repayable on demand from bank (secured)*	21,361,740	3,959,365
11.50% loan from holding company (unsecured) (note 25)	156,210,303	120,461,352
	<b>177,572,043</b>	<b>124,420,717</b>
<b>The above amount includes</b>		
Secured borrowings	21,361,740	3,959,365
Unsecured borrowings	156,210,303	120,461,352
	<b>177,572,043</b>	<b>124,420,717</b>

\*The Company has obtained a working capital loan/ overdraft facility from a bank which carries an interest @ 2.30% p.a above the bank base rate. The current effective rate for the facility is 12.30% p.a. The facility is secured by (i) first exclusive and exclusive charge on current assets of the Company; (ii) First, 'sole' and exclusive charge on all the fixed assets; (iii) Corporate guarantee of Fortis Hospitals Limited; and (iv) General Insurance for entire property, assets and exposure to be lien marked in favour of bank as the first loss payee.

**8 Other current liabilities**

	March 31, 2016	March 31, 2015
	₹	₹
Trade payables (refer note 27 for details of dues to micro and small enterprises)	62,354,335	68,164,052
	<b>62,354,335</b>	<b>68,164,052</b>
<b>Other liabilities</b>		
Current maturities of long-term borrowings (note 5)	16,888,373	22,998,447
Capital creditors	66,252	2,637,318
Interest accrued but not due on borrowings	62,170	145,820
Other interest free security deposits	-	-
Advances from patients	865,826	769,813
TDS payable	1,633,270	2,528,192
Service tax payable	-	136,033
Other statutory dues	96,478	466,256
	<b>19,612,369</b>	<b>29,681,879</b>
	<b>81,966,704</b>	<b>97,845,931</b>

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**Lalitha Healthcare Private Limited**  
**Notes to the financial statements for the year ended March 31, 2016**

9 Tangible Assets								All amounts in `	
Particulars	Freehold Land	Building	Office Equipments	Medical Equipments	Plant and Machinery	Computers	Furniture & Fittings	Vehicles	Total
<b>Cost or valuation</b>									
At April 1, 2014	19,329,148	84,032,712	5,142,700	65,122,168	15,417,246	3,511,031	5,330,714	1,245,504	199,131,223
Additions	-	437,034	6,800	7,011,559	261,663	-	-	-	7,717,056
Disposals	-	-	47,154	38	33,845	18,740	-	-	99,777
<b>At March 31, 2015</b>	<b>19,329,148</b>	<b>84,469,746</b>	<b>5,102,346</b>	<b>72,133,689</b>	<b>15,645,064</b>	<b>3,492,291</b>	<b>5,330,714</b>	<b>1,245,504</b>	<b>206,748,502</b>
Additions	-	122,718	15,458	3,415,681	386,024	84,254	-	-	4,024,135
Disposals	-	-	-	2,731,212	-	-	-	-	2,731,212
<b>At March 31, 2016</b>	<b>19,329,148</b>	<b>84,592,464</b>	<b>5,117,804</b>	<b>72,818,158</b>	<b>16,031,088</b>	<b>3,576,545</b>	<b>5,330,714</b>	<b>1,245,504</b>	<b>208,041,425</b>
<b>Depreciation</b>									
At April 1, 2014	-	10,374,470	2,114,168	26,248,763	6,499,102	2,744,388	2,161,812	439,138	50,581,841
Charge for the year	-	1,406,088	166,126	5,579,652	1,096,911	304,278	941,129	252,282	9,746,466
Disposals	-	-	47,154	-	18,159	18,740	18	-	84,071
Other adjustments (note 33)	-	-	2,493,339	-	-	356,719	-	-	2,850,058
<b>At March 31, 2015</b>	<b>-</b>	<b>11,780,558</b>	<b>4,726,479</b>	<b>31,828,415</b>	<b>7,577,854</b>	<b>3,386,645</b>	<b>3,102,923</b>	<b>691,420</b>	<b>63,094,294</b>
Charge for the year	-	1,446,165	241,474	7,088,825	1,312,428	42,604	1,801,142	448,258	12,380,895
Disposals	-	-	-	1,667,139	-	-	-	-	1,667,139
Other adjustments (note 33)	-	-	-	-	-	-	-	-	-
<b>At March 31, 2016</b>	<b>-</b>	<b>13,226,723</b>	<b>4,967,953</b>	<b>37,250,101</b>	<b>8,890,282</b>	<b>3,429,249</b>	<b>4,904,065</b>	<b>1,139,678</b>	<b>73,808,050</b>
<b>Impairment losses</b>									
At April 1, 2014	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Charge for the year (Note 34)	-	-	-	35,568,057	7,140,806	-	-	-	42,708,863
<b>As at March 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,568,057</b>	<b>7,140,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,708,863</b>
<b>Net Block</b>									
<b>At March 31, 2015</b>	<b>19,329,148</b>	<b>72,689,188</b>	<b>375,867</b>	<b>40,305,274</b>	<b>8,067,210</b>	<b>105,646</b>	<b>2,227,791</b>	<b>554,084</b>	<b>143,654,209</b>
<b>At March 31, 2016</b>	<b>19,329,148</b>	<b>71,365,741</b>	<b>149,851</b>	<b>-</b>	<b>-</b>	<b>147,296</b>	<b>426,649</b>	<b>105,826</b>	<b>91,524,512</b>

**Lalitha Healthcare Private Limited**

**Notes to the financial statements for the year ended March 31, 2016**

**10 Intangible Assets**

Particulars	All amounts in ₹	
	Software	Total
<b>Gross Block</b>		
At April 1, 2014	1,308,789	1,308,789
Additions	-	-
<b>At March 31, 2015</b>	<b>1,308,789</b>	<b>1,308,789</b>
Additions	-	-
Disposals	-	-
<b>At March 31, 2016</b>	<b>1,308,789</b>	<b>1,308,789</b>
<b>Amortisation</b>		
At April 1, 2014	453,131	453,131
Charge for the year	212,053	212,053
<b>At March 31, 2015</b>	<b>665,184</b>	<b>665,184</b>
Charge for the year	338,938	338,938
Disposals	-	-
<b>At March 31, 2016</b>	<b>1,004,122</b>	<b>1,004,122</b>
<b>Net Block</b>		
<b>At March 31, 2015</b>	<b>643,605</b>	<b>643,605</b>
<b>At March 31, 2016</b>	<b>304,667</b>	<b>304,667</b>

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**11 Non current investments**

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Non-trade investments (valued at cost unless stated otherwise)</b>		
<b>Unquoted equity instruments</b>		
Investment in equity instrument ( 5,000 shares of ₹ 10 each fully paid up) of RMCRS Health Management Private Limited	50,001	50,001
Investments in government or trust securities - National savings certificates	25,000	25,000
	75,001	75,001
Less: Provision for diminution in value of investments	50,000	50,000
Aggregated amount of unquoted investments	25,001	25,001

**12 Loans and advances**

	Non-current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
<b>Capital advances</b>				
Unsecured, considered good	38,446	173,446	-	-
(A)	38,446	173,446	-	-
<b>Security deposit</b>				
Unsecured, considered good	1,663,547	2,044,455	10,150	185,150
(B)	1,663,547	2,044,455	10,150	185,150
<b>Other loans and advances</b>				
Unsecured, considered good (Unless stated otherwise)				
Advance tax and tax deducted at source	10,509,065	9,928,955	-	-
Advances to suppliers	-	-	-	2,000
Prepaid expenses	-	-	212,233	985,846
Export benefit entitlement	-	-	1,815,996	1,815,996
Salary Advance (considered doubtful)	-	-	-	750,615
	10,509,065	9,928,955	2,028,229	3,554,457
Less: Provision for doubtful advances	-	-	-	750,615
(C)	10,509,065	9,928,955	2,028,229	2,803,842
<b>Total (A+B+C)</b>	12,211,058	12,146,856	2,038,379	2,988,992

**13 Other assets**

	Non-current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
<b>Unsecured, considered good (Unless stated otherwise)</b>				
<b>Unamortized expenditure</b>				
Ancillary cost of arranging the borrowings	-	54,760	55,673	333,173
<b>Others</b>				
Accrued operating income	-	-	-	1,107,385
	-	54,760	55,673	1,440,558

**14 Inventories (valued at lower of cost and net realizable value)**

	March 31, 2016 ₹	March 31, 2015 ₹
Medical consumables	1,668,146	3,061,871
Pharmacy	395,310	1,434,721
	2,063,456	4,496,592

**Lalitha Healthcare Private Limited****Notes to the financial statements for the year ended March 31, 2016****15 Trade receivables**

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	-	2,897,217
Doubtful	12,178,410	14,535,007
	12,178,410	17,432,224
Less: Provision for doubtful receivables	12,178,410	14,535,007
(A)	-	2,897,217
<b>Other receivables</b>		
Unsecured, considered good	676,007	9,323,003
Doubtful	104,399	-
	780,406	9,323,003
Less: Provision for doubtful receivables	104,399	-
(B)	676,007	9,323,003
<b>Total (A+B)</b>	<b>676,007</b>	<b>12,220,220</b>

**16 Cash and bank balances**

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Cash and cash equivalents</b>		
Balances with banks		
On current accounts	50,636	177,248
Cash on hand	15,886	168,884
Cheques / drafts on hand	-	-
	66,522	346,132

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**17 Revenue from operations**

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Revenue from operations</b>		
<b>Sale of services</b>		
Inpatient	91,058,811	178,278,451
Outpatient	15,640,262	24,378,687
	106,699,073	202,657,138
Less: Discounts	367,999	261,932
	106,331,074	202,395,206
<b>Sale of products</b>		
Pharmacy	6,557,737	11,751,932
	6,557,737	11,751,932
<b>Other operating income</b>		
Duty credit entitlement	-	881,534
	-	881,534
<b>Revenue from operations (net)</b>	<b>112,888,811</b>	<b>215,028,672</b>

**Details of product sold**

Particulars	March 31, 2016 ₹	March 31, 2015 ₹
Pharmacy	6,557,737	11,751,932
	6,557,737	11,751,932

**18 Other income**

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Interest income on</b>		
Income tax refund	-	356,247
	-	356,247
<b>Other non operating income:</b>		
Rental income	549,600	612,755
Liabilities no longer required written back	7,093,637	1,043,522
Miscellaneous income	579,911	221,361
	8,223,148	1,877,638
	8,223,148	2,233,885

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**Lalitha Healthcare Private Limited**  
**Notes to the financial statements for the year ended March 31, 2016**

**19 (Increase)/ decrease in inventories**

	March 31, 2016 ₹	March 31, 2015 ₹
<b>Inventories at the end of the year</b>		
Pharmacy and Medical Consumables	2,063,456	4,496,592
	<u>2,063,456</u>	<u>4,496,592</u>
<b>Inventories at the beginning of the year</b>		
Pharmacy and Medical Consumables	4,496,592	4,450,459
	<u>4,496,592</u>	<u>4,450,459</u>
	<u>2,433,136</u>	<u>(46,133)</u>

**Details of inventory**

	March 31, 2016 ₹	March 31, 2015 ₹
Pharmacy and Medical Consumables	2,063,456	4,496,592
	<u>2,063,456</u>	<u>4,496,592</u>

**20 Employee benefit expense**

	March 31, 2016 ₹	March 31, 2015 ₹
Salaries, wages and bonus	25,093,475	25,592,903
Contribution to provident and other funds	1,754,357	2,106,340
Gratuity expense (note 26)	-	244,000
Staff welfare expenses	1,851,211	1,722,147
	<u>28,699,043</u>	<u>29,665,390</u>

**21 Depreciation and amortization expense**

	March 31, 2016 ₹	March 31, 2015 ₹
Depreciation of tangible assets (note 9)	12,380,895	9,746,466
Amortization of intangible assets (note 10)	338,938	212,053
	<u>12,719,833</u>	<u>9,958,519</u>

**22 Finance costs**

	March 31, 2016 ₹	March 31, 2015 ₹
Bank charges	364,368	2,495
Interest expense		
On term loan	3,315,416	6,480,396
On loans from holding company	14,725,908	12,352,882
On working capital	1,517,370	787,917
Amortisation of ancillary borrowing costs	332,260	333,173
	<u>20,255,322</u>	<u>19,956,863</u>

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**23 Other expenses**

	March 31, 2016	March 31, 2015
	₹	₹
Contractual manpower	1,150,031	1,300,465
Power, fuel and water charges	4,107,258	4,596,893
Housekeeping expenses including consumables	5,202,904	6,242,937
Patient food	2,947,697	4,261,734
Pathology laboratory expenses	9,003,107	13,348,734
Management fees	-	3,226,981
Consultation fees to doctors	27,772,873	46,672,832
Repairs and maintenance		
Plant & Machinery	1,747,460	1,807,713
Building	335,201	430,223
Others	1,436,919	1,254,733
Rent	2,350,383	2,603,358
Printing and stationary	566,313	1,034,453
Legal and professional fees	2,827,895	3,691,958
Payment to auditor (refer details below)	747,500	730,340
Travel and conveyance	1,832,819	1,306,266
Rates and taxes	846,785	466,907
Communication costs	865,564	992,236
Insurance	72,099	138,192
Marketing and business promotion	5,955,748	13,825,234
Loss on sale of fixed assets (net)	1,024,998	15,705
Provision for impairment of fixed assets (note 34)	42,708,863	-
Bad debts and sundry balances written off	5,817,006	805,386
Provision for doubtful debts and advances	3,296,413	3,390,317
Donations	1,000	3,500
Miscellaneous expenses	126,478	131,626
	<b>122,743,314</b>	<b>112,278,723</b>

**Payment to auditor (including Service Tax)**

	March 31, 2016	March 31, 2015
	₹	₹
As auditor:		
Audit fee	550,000	550,000
Tax audit fee	100,000	100,000
Reimbursement of expenses (including service tax)	97,500	80,340
	<b>747,500</b>	<b>730,340</b>

**24 Segment Reporting**

As the Company's business activity primarily falls within a single business and geographical segment i.e. Healthcare Services in India, there are no additional disclosures to be provided in terms of Accounting Standard 17 on 'Segment Reporting'.

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**25 Related Party Disclosures**

**Names of related parties and related party relationship**

**(a) Related parties where control exists**

Ultimate holding company	: Fortis Healthcare Limited
Intermediate holding company	: Fortis Hospitals Limited
Holding company	: Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited)

**(b) Related parties under AS 18 with whom transactions have taken place during the year**

Ultimate holding company	: Fortis Healthcare Limited
Intermediate holding company	: Fortis Hospitals Limited
Holding company	: Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited)

Key management personnel ('KMP')	: Mr. Karthik Rajagopal : Dr. Lakshmi Narayana Raju : Dr. Mohan Keshavamurthy (Upto March 18, 2016)
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Relatives of key management personnel	: Dr. Seetha Belavadi : Ms. Nagarathna : Mr. Venkatakrishna Raju
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Enterprises which are under common control with reporting enterprise	: Super Religare Laboratories Limited : Fortis Health Management (North) Limited : Fortis Health Management Limited : International Hospital Limited
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Enterprises owned or significantly influenced by key management personnel or their relatives	: Balaji School of Nursing : Ranibennur College of Nursing : RMCRS Health Management : RM Educational Trust : Sreenivasa Educational Society : Fortis RM Pharma
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Particulars	Ultimate holding company		Intermediate holding company		Holding company		Enterprises which are under common control with reporting enterprise		Key management personnel (KMP)		Relatives of key management personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>A. Transactions with related parties</b>														
Loans taken during the year Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited)	-	-	-	-	22,500,000	16,600,000	-	-	-	-	-	-	-	-
Loans repaid during the year Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited)	-	-	-	-	-	1,500,000	-	-	-	-	-	-	-	-
Management fees Fortis Hospitals Limited	-	-	-	3,236,981	-	-	-	-	-	-	-	-	-	-
Interest Expense Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited)	-	-	-	-	14,721,057	12,352,882	-	-	-	-	-	-	-	-
Pathology laboratory expenses Super Religare Laboratories Limited Fortis Hospitals Limited International Hospital Limited	-	-	606,837	836,742	-	-	6,557,748	9,763,282	-	-	-	-	-	-
Consideration Fees to Doctors Fortis Hospitals Limited Dr. Mohan Keshav amurthy	-	-	1,271,300	4,431,500	-	-	-	156,034	2,200,000	2,093,198	-	-	1,295,260	2,077,064
Legal and professional fees Fortis RM Pharma	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of pharmacy Fortis Hospitals Limited	-	-	600	95,877	-	-	-	-	-	-	-	-	-	-
Sale of pharmacy Fortis Hospitals Limited International Hospital Limited Fortis Health Management Limited	-	-	3,940,412	7,222,515	-	-	509,925	2,401,473	-	-	-	-	-	-
Revenue from operations Fortis Hospitals Limited International Hospital Limited	-	-	170,169	580	-	-	42,580	1,740	-	-	-	-	-	-
Housekeeping Expenses Fortis Hospitals Limited	-	-	98,433	510,383	-	-	-	-	-	-	-	-	-	-
Printing and stationery Fortis Hospitals Limited	-	-	-	32,872	-	-	-	-	-	-	-	-	-	-
Travel and conveyance Fortis Hospitals Limited International Hospital Limited	-	-	440,407	177,281	-	-	11,400	-	-	-	-	-	-	-
Expenses reimbursement on behalf of the Company by related parties Fortis Hospitals Limited	-	-	-	153,171	-	-	221,137	-	-	-	-	-	-	-
Expenses reimbursement made by the Company on behalf of related parties Fortis Hospitals Limited Fortis Healthcare Limited Fortis Health Management Limited	33,718	68,208	-	720,990	-	-	-	1,844	-	-	-	-	-	-

## B. Balances at the year end

Particulars	Ultimate holding company						Intermediate holding company						Holding		Enterprises which are under common control with reporting enterprise.		Key management personnel (KMP)		Relatives of key management personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Short Term Borrowings																						
Fortis Cancer Care Limited (formerly known as Fortis Health Management (South) Limited)	-	-	-	-	156,210,303	120,461,352	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade Payables																						
Super Religare Laboratories Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fortis RM Pharma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fortis Hospitals Limited	-	-	49,349,890	45,998,595	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,783	188,990

**26 Gratuity and other post employment benefit plans**

The Company has a defined gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The gratuity scheme is unfunded.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the unfunded status and amounts recognized in the balance sheet for the respective plans.

**Statement of profit and loss**

**Net employee benefit expense recognized in the employee cost**

	March 31, 2016	March 31, 2015
	₹	₹
Current service cost	322,000	320,000
Interest cost	78,000	92,000
Past service cost	19,000	-
Actuarial gain recognised in the period/year	(773,000)	(168,000)
Net benefit expenses	(354,000)	244,000

**Balance Sheet**

**Benefit liability**

	March 31, 2016	March 31, 2015
	₹	₹
Present value of defined benefit obligation	(516,000)	(1,142,000)
Fair value of plan assets	-	-
<b>Plan liability</b>	<b>(516,000)</b>	<b>(1,142,000)</b>

Changes in present value of the defined benefit obligation are as follows:

	March 31, 2016	March 31, 2015
	₹	₹
Opening defined benefit obligation	1,142,000	1,088,000
Current service cost	322,000	320,000
Interest cost on benefit obligation	78,000	92,000
Plan Amended Cost	19,000	-
Benefits paid	(272,000)	(190,000)
Actuarial gain recognised	(773,000)	(168,000)
Closing defined benefit obligation	<b>516,000</b>	<b>1,142,000</b>

The Principal assumptions used in determining gratuity obligation for the company's plan are shown below:

	March 31, 2016	March 31, 2015
Discount rate	7.75%	7.75%
Expected rate of salary increase	8.00%	10.00% p.a for first 3 years and 8.00% p.a. thereafter
Attrition rate	10% at younger ages and reducing to 2% at older ages	10% at younger ages and reducing to 2% at older ages

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

Amounts for the current and previous four years are as follows:

	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
	₹	₹	₹	₹	₹
Defined Benefit Obligation	516,000	1,142,000	1,088,000	964,000	685,000
Surplus \ (Deficit)	(516,000)	(1,142,000)	(1,088,000)	(964,000)	(685,000)
Experience adjustments on plan liabilities	773,000	282,000	13,000	83,000	-
Actuarial Gain \ (Loss) on plan liabilities	-	(114,000)	101,000	(39,000)	-

**Provision for compensated absences**

Particulars	March 31, 2016	March 31, 2015
	₹	₹
Current	508,000	1,132,000
Non-current	-	-
<b>Total</b>		

The Principal assumptions used in determining long-term compensated absences obligation for the company's plan are shown below:

	March 31, 2016	March 31, 2015
Discount rate	7.75%	7.75%
Expected rate of salary increase	8.00%	8.00%
Attrition	10% at younger ages and reducing to 2% at older ages	10% at younger ages and reducing to 2% at older ages

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as



27 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	March 31, 2016 ₹	March 31, 2015 ₹
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	44,468	13,492
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	55
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

28 Earnings per share (EPS)

The following reflects the profit / (loss) and details of shares used in the basic and diluted EPS computations.

	March 31, 2016 ₹	March 31, 2015 ₹
Profit / (loss) for calculation of basic EPS and diluted EPS		
Profit / (loss) after tax	(87,980,000)	11,075
Profit / (loss) for calculation of basic EPS and diluted EPS	(87,980,000)	11,075
Weighted average number of equity shares in calculating basic and diluted EPS	811,568	811,568
Weighted average number of equity shares in calculating basic and diluted EPS	811,568	811,568
Earnings per share (Basic and Diluted)	(108.41)	0.01

29 Earnings in Foreign currency (accrual basis)

	March 31, 2016 ₹	March 31, 2015 ₹
Income from medical services	8,366,440	10,555,890
	8,366,440	10,555,890

30 Value of imports calculated on CIF basis

	March 31, 2016 ₹	March 31, 2015 ₹
Capital goods	-	1,740,554
	-	1,740,554

31 Capital and other commitments:

Estimated amount of contracts (net of advances) remaining to be executed on other commitment account and not provided for is Rs. Nil. (March 31, 2015 : Rs. 44,377/-).

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32 Contingent liabilities:

Particulars	March 31, 2016 ₹	March 31, 2015 ₹
Claims against the company not acknowledged as debt Patient compensation	4,000,000	5,147,000

There are certain claims made against the Company in respect of patient compensation. The cases are pending with various Consumer Disputes Redressal Commissions. The management does not expect these claims to succeed against the Company.

- 33 During the previous year, the Company has reassessed the useful life of assets. Accordingly, the written down value of assets as at April 01, 2014, is depreciated on a prospective basis over the remaining estimated useful life. This change in accounting estimate has resulted in increase in depreciation expense for the year ended March 31, 2015 by Rs. 1,116,705. Further, in case of assets whose useful life on such reassessment had expired as of April 01, 2014, net book value of assets of Rs. 2,850,058 is adjusted against the surplus/(deficit) in the statement of profit and loss as of April 01, 2014.
- 34 In view of the decision of the Board of directors to scale down the operations of Company as mentioned in Note 1, the Company has carried out an impairment assessment in respect of its assets. Pursuant to the above, Plant & Machinery and Medical equipments have been impaired to the extent of Rs.7,140,806 and Rs.35,568,057 respectively as at March 31, 2016. The impairment loss on the said assets of Rs.42,708,863 has been disclosed in Note 23 as "Provision for impairment of fixed assets" and in Note 9 as "Impairment losses" in these financial statements.

- 35 Previous year figures have been regrouped / reclassified, where necessary, to confirm to this year's classification.

Signatures to Notes 1 to 35  
For and on behalf of the Board of Directors of  
Lalitha Healthcare Private Limited

*Rajeevkumar*

Director

*S. S. Srinivas*

Director

Place: Bangalore

Date: September 6, 2016

