

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Fortis Health Management (East) Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of Fortis Health Management (East) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for 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 accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("Act"), read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs;
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **SRBC & CO LLP**

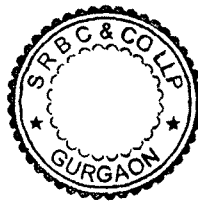
Chartered Accountants

ICAI Firm Registration Number: 324982E

  
**per Sandeep Sharma**

Partner

Membership Number: 93577



Place of Signature: Gurgaon

Date: May 28, 2014

**Annexure referred to in our report of even date**

Re: Fortis Health Management (East) Limited (the Company)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
- (b) Fixed assets were physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The inventory of the Company represents medical consumables and drugs. *In our opinion, inventory records need to be strengthened as stock ledger does not depict movement of inventory during the year.* No material discrepancies were noticed on physical verification.
- (iii)(a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of the items of inventories and certain fixed assets are of proprietary nature for which alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system in respect of these areas.
- (v) (a) In our opinion there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v) (b) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company and hence not commented upon.



# **S R B C & CO LLP**

Chartered Accountants

- (vi) The Company has not accepted any deposits from the public.
- (vii) The provisions relating to internal audit are not applicable to the Company.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products/services of the Company.
- (ix)(a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it. The provisions relating to investor education and protection fund and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund income-tax and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to investor education and protection fund and excise duty are not applicable to the Company.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, and cess which have not been deposited on account of any dispute. The provisions relating to investor education and protection fund and excise duty are not applicable to the Company.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, the Company has no outstanding dues in respect of a bank, financial institution or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks and financial institutions.



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(xvi)

The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we report that funds amounting to Rs. 7,562,055 received on short term basis from holding company have been used for long-term purpose representing acquisition of fixed assets, long term deposits and funding of losses.*

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.


(xx) The Company has not raised any money by way of public issue during the year.

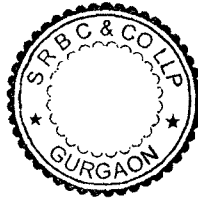
(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

  
**per Sandeep Sharma**  
Partner  
Membership Number: 93577



Place of Signature: Gurgaon

Date: May 28, 2014

**Fortis Health Management (East) Limited**  
**Balance Sheet as at March 31, 2014**

	Notes	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4(i)	500,000	500,000
Reserves and surplus	4(ii)	(21,704,479)	(9,262,364)
		<b>(21,204,479)</b>	<b>(8,762,364)</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4(iii)	54,933,934	30,093,148
Other Long term liabilities	4(iv)	3,373,452	-
Long-term provisions	4(v)	188,000	95,000
		<b>58,495,386</b>	<b>30,188,148</b>
<b>Current liabilities</b>			
Trade payables	4(vi)	5,829,635	5,735,242
Other current liabilities	4(vii)	24,559,544	16,621,714
Short-term provisions	4(viii)	349,000	131,000
		<b>30,738,179</b>	<b>22,487,956</b>
<b>TOTAL</b>		<b>68,029,086</b>	<b>43,913,740</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	4(ix)	35,781,417	15,926,682
Long-term loans and advances	4(x)	9,407,818	13,168,029
		<b>45,189,235</b>	<b>29,094,711</b>
<b>Current assets</b>			
Inventories	4(xi)	791,588	747,718
Trade receivables	4(xii)	2,174,721	4,639,597
Cash and bank balances	4(xiii)	6,204,655	1,347,635
Short-term loans and advances	4(xiv)	5,316,213	6,132,104
Other current assets	4(xv)	8,352,674	1,951,975
		<b>22,839,851</b>	<b>14,819,029</b>
<b>TOTAL</b>		<b>68,029,086</b>	<b>43,913,740</b>

Summary of significant accounting policies 3

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S R B C & CO LLP**

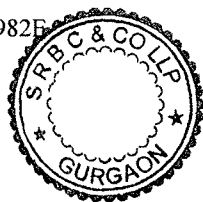
Firm Registration Number: 324982F

Chartered Accountants

*Sandeep Sharma*  
**per Sandeep Sharma**

Partner

Membership No.: 93577



**For and on behalf of the Board of Directors of  
Fortis Health Management (East) Limited**

*Ashish Bhatia*  
**Ashish Bhatia**  
Director

*Anurag Yadav*  
**Anurag Yadav**  
Director

Place : Gurgaon

Date : May 28, 2014

Place : Gurgaon

Date : May 28, 2014

**Fortis Health Management (East) Limited**  
**Statement of Profit and loss for the year ended March 31, 2014**

	Notes	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
<b>INCOME</b>			
Revenue from operations	4(xvi)	91,022,731	29,471,236
<b>Total revenue</b>		<b>91,022,731</b>	<b>29,471,236</b>
<b>EXPENSES</b>			
Purchase of medical consumables and drugs	4(xvii)	11,628,485	4,470,398
Increase in inventories of medical consumables and drugs	4(xviii)	(43,870)	(747,718)
Employee benefits expense	4(xix)	15,439,162	5,450,884
Other expenses	4(xx)	64,659,612	25,129,937
<b>Total expenses</b>		<b>91,683,389</b>	<b>34,303,501</b>
<b>Loss before interest, tax, depreciation and amortization (EBITDA)</b>		<b>(660,658)</b>	<b>(4,832,265)</b>
Finance costs	4(xxi)	4,319,129	763,275
<b>Loss before depreciation and amortization</b>		<b>(4,979,787)</b>	<b>(5,595,540)</b>
Depreciation and amortization expense	4 (xxii)	7,462,328	2,879,376
<b>Loss for the year</b>		<b>(12,442,115)</b>	<b>(8,474,916)</b>

**Loss per share [Nominal value of shares ₹ 10/- each (Previous year ₹ 10/- each)]**

Basic and diluted	4 (xxiii)	(248.84)	(169.50)
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Summary of significant accounting policies

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The accompanying notes are an integral part of the financial statements

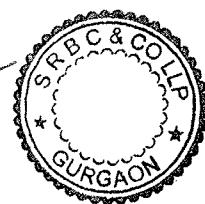
As per our report of even date

**For S R B C & CO LLP**

Firm Registration Number: 324982E

Chartered Accountants

  
**per Sandeep Sharma**  
 Partner  
 Membership No.: 93577




Place : Gurgaon

Date : May 28, 2014

**For and on behalf of the Board of Directors of  
 Fortis Health Management (East) Limited**

  
**Ashish Bhatia**  
 Director

  
**Anurag Yadav**  
 Director

Place : Gurgaon

Date : May 28, 2014

**Fortis Health Management (East) Limited**  
**Cash Flow Statement for the year ended March 31, 2014**

	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
<b>A. Cash flow from operating activities</b>		
Net loss before tax	(12,442,115)	(8,474,916)
Depreciation and amortization expense	7,462,328	2,879,376
Interest expense	3,891,910	715,562
<b>Operating loss before working capital changes</b>	<b>(1,087,877)</b>	<b>(4,879,978)</b>
Movements in working capital :		
Decrease/ (Increase) in trade receivables	2,464,876	(4,639,597)
Increase in inventories	(43,870)	(747,718)
Decrease/ (Increase) in loans and advances	4,576,102	(19,300,133)
Increase in other assets	(6,400,699)	(1,951,975)
Increase in trade payables, other liabilities and provisions	7,810,234	12,303,928
<b>Net cash flows from / (used in) operating activities (A)</b>	<b>7,318,766</b>	<b>(19,215,473)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(26,165,663)	(54,325)
<b>Net cash used in investing activities (B)</b>	<b>(26,165,663)</b>	<b>(54,325)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from long-term borrowings	26,600,000	21,390,500
Repayments of long-term borrowings	(2,377,625)	(1,166,160)
Interest paid	(518,458)	(28,439)
<b>Net cash flows from financing activities (C)</b>	<b>23,703,917</b>	<b>20,195,901</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>4,857,020</b>	<b>926,103</b>
<b>Total cash and cash equivalents at the beginning of the year</b>	<b>1,347,635</b>	<b>421,532</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6,204,655</b>	<b>1,347,635</b>
<b>Components of cash and cash equivalents:</b>		
Cash in hand	100,306	542,663
Balances with banks on current accounts	6,104,349	804,972
<b>Total cash and cash equivalents</b>	<b>6,204,655</b>	<b>1,347,635</b>

Summary of significant accounting policies


3

As per our report of even date

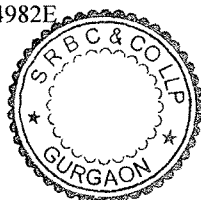
**For S R B C & CO LLP**

Firm Registration Number: 324982E

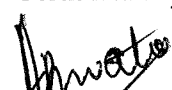
Chartered Accountants


  
**Sandeep Sharma**  
 Partner

Membership No.: 93577



**For and on behalf of the Board of Directors of  
 Fortis Health Management (East) Limited**

  
**Ashish Bhatia**  
 Director

  
**Anurag Yadav**  
 Director

Place : Gurgaon  
 Date : May 28, 2014

Place : Gurgaon  
 Date : May 28, 2014



**1. Nature of operations**

Fortis Health Management (East) Limited ('the Company' or 'FHM(E)L') was incorporated on April 13, 2011 to carry on the business of providing consultancy for establishment, promotion, maintenance, management, operation and conduct of healthcare and related services. The Company started its operations from June 1, 2011.

**2. Basis of preparation**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

As at March 31, 2014, the Company has share capital of ₹ 500,000, accumulated losses of ₹ 21,704,479 and net current liabilities of ₹ 7,898,328. Additional funds/ settlement of these liabilities would be made with support from Fortis Healthcare Limited ('FHL'), the holding company of Fortis Hospitals Limited (direct holding company), for which FHL has provided appropriate assurances to the management. Management, based on continuing financial and operational support from FHL, has prepared these financial statements on a going concern basis and do not consider need for any adjustments to the carrying value of assets and liabilities. FHL has provided the management a letter of support for continuing financial and operational support.

**3. Summary of significant accounting policies**

**a. Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

**b. Tangible fixed assets**

Fixed assets are stated at cost net of accumulated depreciation and impairment loss, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.



Gains or losses arising from derecognition 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**

- i) Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

S.No.	Assets	Rates (SLM)
1.	Office equipment	4.75%
2	Medical equipment	7.10%
3	Plant & Machinery	4.75%
4	Furniture & Fixture	6.33%
5	Computers	4.75%

- ii) Depreciation on assets taken on finance lease are provided over the period of lease of 12 years or over the useful lives of the respective fixed assets, whichever is lower.
- iii) Individual assets not exceeding ₹ 5,000 are depreciated fully in the year of purchase in accordance with Companies Act, 1956.

**d. Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized to the extent to which the expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period, which is not related to the construction activity nor is incidental thereto, is charged to the statement of profit and loss.

All direct capital expenditures on expansion are capitalized. All indirect expenses are usually excluded from the cost of fixed assets because they do not relate to a specific fixed asset. However, where such expenses are specifically attributable to construction of a project or bringing it to its working condition, are included as part of the cost of the construction project or as a part of the cost of the fixed asset.

Expenditure of administrative or general overheads nature incurred during the startup and commissioning of the hospital project, including such expenditure on test run, is usually capitalized as an indirect element of construction costs. However, expenditure incurred post commercial launch of the hospital is charged to statement of profit and loss.

**e. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an amalgamation in the nature of purchase is their fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life.



Gains or losses arising from derecognition of intangible 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.

**f. Impairment of tangible and intangible assets**

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessment of the time value of money and risk specific to asset. This rate is estimated from the rate implicit in current market transactions for similar assets or from the weighted average cost of capital of the Company. Impairment losses are recognized in the statement of profit and loss.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

**g. Borrowing cost**

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

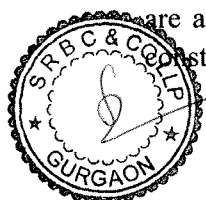
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period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

**h. Leases**

*Where the Company is the lessee*

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

Leases where the lessor effectively transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases and are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as



finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

*Where the Company is the lessor*

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

**i. Investments**

Investments that are readily realisable 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. Current investments are carried 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 recognise a decline other than temporary in the value of the long term 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.

**j. Inventories**

Inventories are valued as follows:

Medical Consumables, Drugs and Stores and Spares	Lower of cost and net realizable value. Cost is determined on First in First Out ('FIFO') basis.
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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.

**k. 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:

*Operating income*

Operating income is recognised as and when the services are rendered / pharmacy items are sold. 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. Management fee from hospitals and income from medical services is recognised as per the contractual obligations arising out of the contractual arrangements with respective hospitals.

*Income from rent*

Revenue is recognised in accordance with the terms of lease agreements entered into with the respective lessees on straight line basis.



*Interest*

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

**l. Unamortised finance charges**

Costs incurred in raising funds are amortised on straight line basis over the period for which the funds have been obtained, using time proportionate basis.

**m. Foreign currency transactions and balances**

**i) 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.

**ii) Conversion**

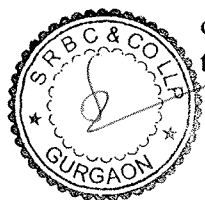
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

**iii) Exchange differences**

The Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

- a. Exchange differences arising on monetary item that, in substance, forms a part of the company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expense in the same period in which gain or loss on disposal is recognized.
- b. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
- c. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the “Foreign Currency Monetary Item Translation Difference Account” and amortized over the remaining life of the concerned monetary item.
- d. All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of b and c above, the company treats a foreign monetary item as “long-term foreign currency monetary item”, if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated 09 August 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the



period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

**iv) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability**

The premium or discount arising at the inception of the forward exchange contract is amortized as an income/expense over the life of contract. Exchange difference on such contracts, except the contracts which are long term foreign currency monetary items, are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or expense for the period. Any gain/loss arising on forward contracts which are long term foreign currency monetary items is recognised in accordance with paragraph (iii) (b) and (iii) (c).

**n. Retirement and other employee benefits:**

**i) Contributions to provident fund**

The Company makes contributions to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. Provident Fund is a defined contribution scheme for certain employees, the contributions for these employees are charged to the statement of profit and loss of the year when an employee renders the related service. There are no other obligations other than the contribution payable to the fund.

**ii) Gratuity**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the period using projected unit credit method.

**iii) Compensated absences**

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 leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

**iv) Actuarial gain/losses**

Actuarial gains/losses are recognised in the statement of profit and loss as they occur.

**o. Income taxes**

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.

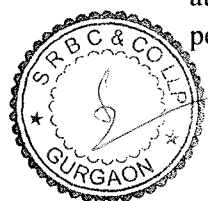
The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**p. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year (including prior period items, if any) attributable to the equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, net profit or loss for the year



attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**q. Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**r. Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**s. Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company includes interest income included under other income, but does not include depreciation and amortization expense, finance costs and tax expense.

**t. 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.

**u. Segment reporting**

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





	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
<b>4(i) Share capital</b>		
<b>Authorised shares (Nos.)</b>		
5,000,000 (Previous year 5,000,000) Equity shares of ₹ 10 each	50,000,000	50,000,000
Total authorised share capital	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, subscribed and fully paid up shares (Nos.)</b>		
50,000 (Previous year 50,000) Equity shares of ₹ 10 each full paid up	500,000	500,000
Total issued, subscribed and fully paid up share capital	<u>500,000</u>	<u>500,000</u>

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year**

**Equity Shares**

Particulars	March 31, 2014		March 31, 2013	
	Number	Value ₹	Number	Value ₹
At the beginning of the year	50,000	500,000	50,000	500,000
Outstanding at the end of the year	50,000	500,000	50,000	500,000

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

The company has only one class of equity shares having par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in indian rupees. The dividend proposed 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 equity shareholders.

**(c) Shares held by holding company / ultimate holding company**

**Equity Shares**

Name of Shareholder	March 31, 2014		March 31, 2013	
	Number	Value ₹	Number	Value ₹
Fortis Hospitals Limited*	44,000	440,000	44,000	440,000

\*including 6 equity shares held by its nominees

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

**Equity Shares**

Name of Shareholder	March 31, 2014		March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Fortis Hospitals Limited*, the holding company	44,000	88%	44,000	88%
Dr. Alok chopra	3,000	6%	3,000	6%
Dr. Ashwani chopra	3,000	6%	3,000	6%

\*including 6 equity shares held by its nominees

As per record of the company, including its register of shares holders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

Fortis Health Management (North) Limited (FHMNL) was the holding company till March 31, 2013. FHMNL has merged with Fortis Hospitals Limited and the Scheme of Amalgamation has been approved and sanctioned by the Hon'ble High Court vide its Order dated July 22, 2013 with the appointed date of April 1, 2012.

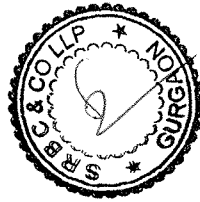


**Fortis Health Management (East) Limited**  
**Notes to financial statements for the year ended March 31, 2014**

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>(in ₹)</b>	<b>(in ₹)</b>
<b>4(ii) Reserves and surplus</b>		
<b>Deficit in the statement of profit &amp; loss</b>		
Balance as per last financial statement	(9,262,364)	(787,448)
Add: Loss for the year	(12,442,115)	(8,474,916)
<b>Net deficit in statement of profit &amp; loss</b>	<b>(21,704,479)</b>	<b>(9,262,364)</b>
<b>4(iii) Long-term borrowings</b>		
<b>Unsecured</b>		
Finance lease obligation*	12,515,523	14,893,148
Loan from holding company**	42,418,411	15,200,000
	<b>54,933,934</b>	<b>30,093,148</b>
<p>* The interest rate implicit in the lease is 12.5% p.a. The gross investment in lease i.e., lease obligation plus interest is payable in monthly installments of ₹ 250,000 each over the period of 12 years.</p> <p>**The loan from holding company carries interest at 12.50% p.a. and is repayable on March 31, 2016.</p>		
<b>4(iv) Other long-term liabilities</b>		
Interest accrued but not due	3,373,452	-
	<b>3,373,452</b>	<b>-</b>
<b>4(v) Long-term provisions</b>		
<b>Provision for employees benefits</b>		
Provision for gratuity (refer note 7)	188,000	95,000
	<b>188,000</b>	<b>95,000</b>
<b>4(vi) Trade payables</b>		
Trade payables (refer note 10 for details of dues to micro and small enterprises)	5,829,635	5,735,242
	<b>5,829,635</b>	<b>5,735,242</b>
<b>4(vii) Other current liabilities</b>		
Current maturities of long-term borrowings	2,377,595	2,692,426
Payable to related parties	11,971,057	10,709,269
Interest accrued and due on borrowings	-	618,411
Capital creditors	1,151,400	-
Advances from patients	7,844,308	1,700,000
Statutory payables	1,215,184	901,608
	<b>24,559,544</b>	<b>16,621,714</b>
<b>4(viii) Short-term provisions</b>		
<b>Provision for employees benefits</b>		
Provision for gratuity (refer note 7)	2,000	1,000
Provision for leave encashment	347,000	130,000
	<b>349,000</b>	<b>131,000</b>

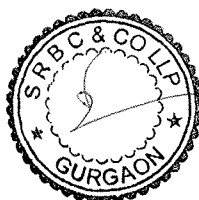


Particulars	Assets taken under finance lease					Sub-total	Owned assets					Sub-total	Total
	Plant and machinery	Medical equipments	Furniture and fittings	Computers	Office equipments		Office equipments	Computers	Furniture and fittings	Medical equipments	Leasehold improvements	Plant and machinery	
<b>Gross block</b>													
At April 1, 2012	-	-	-	-	-	18,751,734	54,325	-	-	-	-	-	18,806,059
Additions	3,292,394	12,876,362	978,036	539,836	1,065,106	18,751,734	54,325	-	-	-	-	-	18,806,059
At March 31, 2013	3,292,394	12,876,362	978,036	539,836	1,065,106	18,751,734	1,991,293	478,450	278,176	10,791,939	11,185,331	2,591,874	27,317,063
Additions	-	-	-	-	-	-	2,045,618	478,450	278,176	10,791,939	11,185,331	2,591,874	27,317,063
At March 31, 2014	3,292,394	12,876,362	978,036	539,836	1,065,106	18,751,734	2,045,618	478,450	278,176	10,791,939	11,185,331	2,591,874	46,123,122
<b>Depreciation</b>													
At April 1, 2012	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	349,668	2,142,402	69,518	172,464	145,065	2,879,117	260	-	-	-	-	-	2,879,377
At March 31, 2013	349,668	2,142,402	69,518	172,464	145,065	2,879,117	260	-	-	-	-	-	2,879,377
Charge for the year	631,651	4,768,281	103,056	191,330	186,287	5,880,605	41,933	3,050	8,482	174,634	1,324,042	29,582	7,462,328
At March 31, 2014	981,319	6,910,683	172,574	363,794	331,352	8,759,722	42,193	3,050	8,482	174,634	1,324,042	29,582	10,341,705
<b>Net block</b>													
At March 31, 2013	2,942,726	10,733,960	908,518	367,372	920,041	15,872,617	54,065	-	-	-	-	-	15,926,682
At March 31, 2014	2,311,075	5,965,679	805,462	176,042	733,754	9,992,012	2,003,425	475,400	269,694	10,617,305	9,861,289	2,562,292	35,781,417



**Fortis Health Management (East) Limited**  
**Notes to financial statements for the year ended March 31, 2014**

	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
<b>4(x) Long-term loans and advances</b>		
<b>Unsecured, considered good</b>		
Security deposits	6,000,000	6,000,000
Advances recoverable in cash or in kind or for value to be received	2,640,873	7,168,029
Advance income tax	524,273	-
Capital advances	242,672	-
	<b>9,407,818</b>	<b>13,168,029</b>
<b>4(xi) Inventories (valued at lower of cost and net realisable value)</b>		
Medical consumables and drugs	791,588	747,718
	<b>791,588</b>	<b>747,718</b>
<b>4(xii) Trade receivables</b>		
<b>Outstanding for a period exceeding six months (from the date they are due for payment)</b>		
Unsecured, considered good	265,167	-
Considered doubtful	858,976	-
	<b>1,124,143</b>	<b>-</b>
<b>Other receivables</b>		
Unsecured, considered good	1,909,554	4,639,597
	<b>1,909,554</b>	<b>4,639,597</b>
Provision for bad and doubtful receivables	858,976	-
	<b>2,174,721</b>	<b>4,639,597</b>
<b>4(xiii) Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Balances with banks	6,104,349	804,972
- on current accounts	100,306	542,663
Cash in hand	<b>6,204,655</b>	<b>1,347,635</b>
<b>4(xiv) Short term loans and advances</b>		
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received	5,316,213	6,132,104
	<b>5,316,213</b>	<b>6,132,104</b>
<b>4(xv) Other current assets</b>		
<b>Unsecured, considered good</b>		
Accrued operating income	8,352,674	1,951,975
	<b>8,352,674</b>	<b>1,951,975</b>



**Fortis Health Management (East) Limited**  
**Notes to financial statements for the year ended March 31, 2014**

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>(in ₹)</b>	<b>(in ₹)</b>
<b>4(xvi) Revenue from operations</b>		
<b>Sale of services</b>		
In patient	74,796,784	23,686,053
Out patient	14,253,819	5,257,068
	<b>89,050,603</b>	<b>28,943,121</b>
Less: Trade discounts	829,189	415,685
	<b>88,221,414</b>	<b>28,527,436</b>
<b>Other operating income</b>		
Income from rent (refer note 6 (c))	2,775,000	943,800
Other Income	26,317	-
	<b>2,801,317</b>	<b>943,800</b>
	<b>91,022,731</b>	<b>29,471,236</b>
<b>4(xvii) Purchase of medical consumables and drugs</b>		
Purchase of medical consumables and drugs	11,628,485	4,470,398
	<b>11,628,485</b>	<b>4,470,398</b>
<b>4(xviii) Increase in inventories of medical consumables and drugs</b>		
Inventory at the beginning of the year	747,718	-
Inventory at the end of the year	791,588	747,718
	<b>(43,870)</b>	<b>(747,718)</b>
<b>4(xix) Employee benefits expense</b>		
Salaries, wages and bonus	13,442,471	4,708,310
Gratuity expense (refer note 7)	94,000	96,000
Leave encashment	277,679	130,000
Contribution to provident and other funds	1,251,483	506,198
Staff welfare expenses	373,529	10,376
	<b>15,439,162</b>	<b>5,450,884</b>



**Fortis Health Management (East) Limited**  
**Notes to financial statements for the year ended March 31, 2014**

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>(in ₹)</b>	<b>(in ₹)</b>
<b>4(xx) Other expenses</b>		
Contractual manpower	683,679	189,594
Power, fuel and water	3,549,944	968,190
Housekeeping expenses including consumables	3,005,752	1,115,119
Patient food and beverages	1,517,756	436,680
Pathology laboratory expenses	9,929,512	3,099,926
Radiology expenses	188,485	92,868
Consultation fees to doctors	10,676,666	3,729,960
Professional charges to doctors	13,168,202	5,174,537
Repairs and maintenance		
- Building	2,102,782	84,112
- Plant and machinery	217,055	106,962
- Others	857,141	216,812
Rent		
- Hospital building (refer note 6 (b))	14,668,020	5,826,464
- Others	41,090	17,948
Legal and professional fee	394,038	3,024,679
Travel and conveyance	658,513	180,064
Rates and taxes	5,465	190,716
Printing and stationary	299,623	121,671
Communication expenses	578,965	269,987
Insurance	25,281	8,427
Marketing & business promotion	507,000	-
Payment to auditor		
As auditor		
-Audit fee	337,080	224,720
-Tax Audit Fee	168,540	-
-Out of Pocket Expenses	32,124	-
Provision for doubtful debts	849,593	-
Miscellaneous expenses	197,306	50,501
	<b>64,659,612</b>	<b>25,129,937</b>
<b>4(xxi) Finance costs</b>		
Interest on finance lease	307,574	25,509
Interest expense - others	3,584,336	690,053
Bank charges	427,219	47,713
	<b>4,319,129</b>	<b>763,275</b>
<b>4 (xxii) Depreciation and amortization expense</b>		
Depreciation of tangible assets	7,462,328	2,879,376
	<b>7,462,328</b>	<b>2,879,376</b>
<b>4 (xxiii) loss per share</b>		
Loss as per statement of profit and loss	(12,442,115)	(8,474,916)
Weighted average number of equity shares in calculating Basic and Diluted loss per share	50,000	50,000



## 5. Related party Disclosures

## Names of related parties and related party relationship

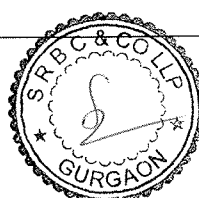
Related Parties where control exists:-		
(a)	Ultimate Holding Company	RHC Holding Private Limited ((holding of Fortis Healthcare Holdings Private Limited)
(b)	Holding Company	Fortis Healthcare Holdings Private Limited (holding of Fortis Healthcare Limited)
		Fortis Healthcare Limited (holding company of Fortis Hospitals Limited)
		Fortis Hospitals Limited (Till October 7, 2012) Fortis Health Management (North) Limited (w.e.f. October 8, 2012)*
(c)	Fellow Subsidiaries (parties with whom transactions have taken place)	SRL Limited (SRL) (Subsidiary of Fortis Healthcare Limited) SRL Diagnostics Private Limited (SRLDPL) (Subsidiary of SRL)
(d)	Individuals having control over voting power	Mr. Malvinder Mohan Singh Mr. Shivinder Mohan Singh

## Transactions during the year:

Transaction details	2013-14	2012-13
	Amount in ₹	Amount in ₹
<b>Pathology laboratory expenses</b>		
SRL Limited (Fellow Subsidiary)	5,483,897	-
SRL Diagnostics Private Limited (Fellow Subsidiary)	3,813,602	889,552
<b>Consultation fees to doctors</b>		
Fortis Hospitals Limited (Holding Company)	235,755	-
<b>Expenses incurred on behalf of company by related party :</b>		
Fortis Healthcare Limited (Holding Company)	-	2,861,440
Fortis Health Management (North) Limited* (Holding Company)	-	1,224,100
<b>Interest expenses on loan taken from</b>		
Fortis Hospitals Limited (Holding Company)	3,581,274	-
Fortis Health Management (North) Limited* (Holding Company)	-	618,411
<b>Loan taken</b>		
Fortis Hospitals Limited (Holding Company)	27,218,411	-
Fortis Health Management (North) Limited* (Holding Company)	-	15,200,000
<b>Purchase of fixed assets</b>		
Fortis Hospitals Limited (Holding Company)	1,332,424	-

## Balance outstanding at the year end :

	2013-14	2012-13
	Amount in ₹	Amount in ₹
<b>Trade payable</b>		
SRL Limited (Fellow Subsidiary)	522,772	-
SRL Diagnostics Private Limited (Fellow Subsidiary)	447,732	-
<b>Other current liabilities</b>		
Fortis Healthcare Limited (Holding Company)	2,988,278	3,294,670
Fortis Hospitals Limited (Holding Company)	8,982,779	-



**Fortis Health Management (East) Limited****Notes to financial statements for the year ended March 31, 2014**

Fortis Health Management (North) Limited* (Holding Company)	-	1,224,100
<b>Interest accrued and not due</b>		
Fortis Hospitals Limited (Holding Company)	3,373,452	-
<b>Interest accrued and due</b>		
Fortis Health Management (North) Limited* (Holding Company)	-	618,411
<b>Unsecured Loan</b>		
Fortis Hospitals Limited (Holding Company)	42,418,411	-
Fortis Health Management (North) Limited* (Holding Company)	-	15,200,000

\* Fortis Health Management (North) Limited (FHMNL) was the holding company till March 31, 2013. FHMNL has merged with Fortis Hospitals Limited and the Scheme of Amalgamation has been approved and sanctioned by the Hon'ble High Court vide its Order dated July 22, 2013 with the appointed date of April 1, 2012.

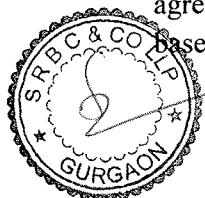
**6. Leases****a) Finance lease: Company as lessee**

The Company has obtained certain fixed assets on finance lease. In all the cases, the agreements are further renewable at the option of the Company. There is no escalation clause in the respective lease agreements. There are no restrictions imposed by lease arrangements and the rent is not determined based on any contingency. The lease is cancellable in nature. The total minimum lease payment during the year is ₹ 3,000,000 (Previous year ₹ 1,191,669) and total finance charges recognized in the statement of profit and loss for the year is ₹ 307,574 (Previous year ₹ 25,509).

Particulars	March 31, 2014	March 31, 2013
	Amount in ₹	Amount in ₹
<b>Minimum lease payments :</b>		
Not later than one year	3,000,000	3,000,000
Later than one year but not later than five years	12,000,000	12,000,000
Later than five years	16,808,331	19,808,331
Sub total	<b>31,808,331</b>	<b>34,808,331</b>
Less: Amounts representing finance charges	16,915,183	17,222,756
Present value of minimum lease payments	<b>14,893,148</b>	<b>17,585,575</b>
<b>Present value of MLP :</b>		
Not later than one year	2,377,595	2,692,426
Later than one year but not later than five years	7,036,732	7,968,508
Later than five years	5,478,821	6,924,640
Present value of minimum lease payments	<b>14,893,148</b>	<b>17,585,574</b>

**b) Operating lease: Company as lessee**

The Company has obtained hospital building on operating lease. In all the cases, the agreements are further renewable at the option of the Company. There is no escalation clause in the respective lease agreements. There are no restrictions imposed by lease arrangements and the rent is not determined based on any contingency. The lease is non-cancellable in nature. The total lease payment in respect of





such leases recognized in the statement of profit and loss for the year is ₹ 14,668,020 (Previous Year ₹ 5,826,464).

Particulars	As at March 31, 2014	As at March 31, 2013
	Amount (in ₹)	Amount (in ₹)
<b>Minimum lease payments :</b>		
Not later than one year	14,668,020	14,668,020
Later than one year but not later than five years	8,556,345	23,224,365
Later than five years	-	-

#### c) Operating lease: Company as lessor

The Company has sub- leased some portion of hospital premises. In this case, the agreements are further renewable at the option of the Company. The lease is cancellable in nature. The total lease income received / receivable in respect of the above leases recognised in the statement of profit and loss for the year are ₹ 2,775,000 (Previous year ₹ 943,800).

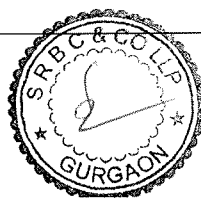
### 7. Disclosures under Accounting Standard - 15 (Revised) on 'Employee Benefits':

#### Defined Benefit Plan

The Company has a defined benefit gratuity plan, where under employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The Company also provides leave encashment benefit to its employees which is unfunded. The following table summaries the components of net benefit expenses recognised in the statement of profit and loss and the amounts recognized in the balance sheet.

Particulars	Gratuity	Gratuity
	(Unfunded)	(Unfunded)
	2013-2014	2012-2013
	(in ₹)	(in ₹)
<b>Statement of profit and loss</b>		
<b>Net employee benefit expenses (recognized in Personnel Expenses)</b>		
Current Service cost	279,000	96,000
Interest Cost on benefit obligation	8,000	-
Expected return on plan assets	-	-
Actuarial loss/(gain) recognised during the year	(193,000)	-
Past Service Cost	-	-
Net benefit expense	94,000	96,000
Actual return on plan assets	-	-
<b>Balance sheet</b>		
<b>Details of Provision for Gratuity as at year end</b>		
Present value of defined benefit obligation	190,000	96,000
Fair value of plan assets	-	-
Surplus/(deficit) of funds	(190,000)	(96,000)
Net asset/ (liability)	(190,000)	(96,000)



**Fortis Health Management (East) Limited**
**Notes to financial statements for the year ended March 31, 2014**

Particulars	Gratuity	Gratuity
	(Unfunded)	(Unfunded)
	2013-2014	2012-2013
	(in ₹)	(in ₹)
<b>Changes in present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	96,000	-
Current Service cost	279,000	96,000
Interest Cost on benefit obligation	8,000	-
Benefits paid	-	-
Actuarial (loss)/ gain recognised during the year	(193,000)	-
Closing defined benefit obligation	190,000	96,000

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

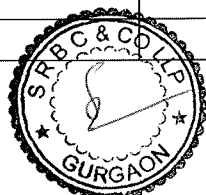
Particulars	As at March 31, 2014	As at March 31, 2013
Discount rate	9.25%	8.00%
Expected rate of return on plan assets	-	-
Expected rate of salary increase	7.50%	7.50%
Mortality table referred	Indian Assured Lives Mortality (2006-08) (modified) ULT	Indian Assured Lives Mortality (2006-08) (modified) ULT
<b>Withdrawal / Employee Turnover Rate</b>		
Up to 30 years	18%	18%
Up to 44 years	6%	6%
Above 44 years	2%	2%

Experience history for the current year and previous year are as follows:

Particulars	Year ended	
	March 31, 2014	March 31, 2013
	(in ₹)	(in ₹)
Defined benefit obligation at the end of the period	(190,000)	(96,000)
Plan assets at the end of the period	-	-
Funded status	(190,000)	(96,000)
Experience gain/ (loss) adjustment on plan liabilities	169,000	-
Experience gain/ (loss) adjustment on plan assets	-	-
Actuarial gain/ (loss) due to change on assumptions	24,000	-

**8. Material consumed (including consumables)**

Particulars	March 31, 2014	March 31, 2014	March 31, 2013	March 31, 2013
	% of total consumption	₹	% of total consumption	₹
Indigenous*	100%	11,831,905	100%	3,869,396
Imported	-	-	-	-
<b>Total</b>	<b>100%</b>	<b>11,831,905</b>	<b>100%</b>	<b>3,869,396</b>



\*Including consumables of ₹ 2,47,290 (Previous year ₹ 146,716) debited to housekeeping expenses.

Note: Material consumption consists of items of various nature and specifications and includes medical consumables, pharmaceuticals etc. Hence, it is not practicable to furnish the item wise details

**9. Commitments**

Description	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Estimated amount of contracts remaining to be executed on capital account and not provided	4,341,956	-

**10. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

During the period ended December 31, 2006, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. The management has confirmed that none of the suppliers have confirmed that they are registered under the provision of the Act. In view of this, the liability of the interest and disclosure are not required to be disclosed in the financial statements.

**11. Previous Year Comparatives**


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

As per the audit report of even date

**For S R B C & Co. LLP**

Firm registration number: 324982E

Chartered Accountants


  
**per Sandeep Sharma**  
Partner

Membership No. 93577



**For and on behalf of the Board of Directors of  
Fortis Health Management (East) Limited**

  
**Ashish Bhatia**  
Director

  
**Anurag Yadav**  
Director

Place: Gurgaon

Date: May 28, 2014

Place: Gurgaon

Date: May 28, 2014