

INDEPENDENT AUDITOR'S REPORT

To The Members of Fortis Health Management (South) Limited
Report on the Financial Statements

We have audited the accompanying financial statements of Fortis Health Management (South) 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, 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

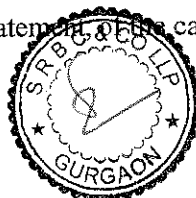
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform 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.



S R B C & CO LLP

Chartered Accountants

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 **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

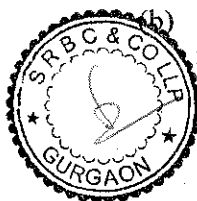


Annexure referred to in our report of even date**Re: Fortis Health Management (South) Limited ('the Company')**

- (i) The Company has not capitalized any fixed assets during the year, hence clause 4 (i) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
- (ii) The Company does not have any stock of inventory, hence clause 4 (ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
- (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, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the sale of services. The activities of the Company do not involve purchase of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in the internal control system of the company 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.
- (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 Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 4(viii) of the Order are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, service tax and other material statutory dues applicable to it. The provisions relating to employees' state insurance, provident fund, investor education and protection fund, wealth tax, sales tax, custom duty, excise duty and cess are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, service 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 provident fund, investor education and protection fund, employees' state insurance, wealth tax, sales tax, custom duty, excise duty and cess are not applicable to the Company.



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- (c) According to the information and explanations given to us, there are no dues of income tax and service tax which have not been deposited on account of any dispute. The provisions relating to provident fund, investor education and protection fund, employees' state insurance, wealth tax, sales tax, custom duty, excise duty and cess 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.
- (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 no funds raised on short-term basis have been used for long-term investment.
- (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.



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- (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 **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



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

	Notes	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4 (i)	500,000	500,000
Reserves and surplus	4 (ii)	(11,962,239)	(6,579,533)
		<u>(11,462,239)</u>	<u>(6,079,533)</u>
Non-current liabilities			
Long term borrowings	4 (iii)	236,770,042	168,219,829
Other long-term liabilities	4 (iv)	20,382,025	-
		<u>257,152,067</u>	<u>168,219,829</u>
Current liabilities			
Trade payables	4 (v)	257,189	286,785
Other current liabilities	4 (vi)	1,097,821	13,913,767
		<u>1,355,010</u>	<u>14,200,552</u>
TOTAL		<u>247,044,838</u>	<u>176,340,848</u>
ASSETS			
Non-current assets			
Non-current investments	4 (vii)	92,374,990	92,374,990
Long term loans and advances	4 (viii)	139,983,639	76,259,321
Other non-current assets	4 (ix)	12,025,422	-
		<u>244,384,051</u>	<u>168,634,311</u>
Current assets			
Trade receivables	4 (x)	2,262,543	2,779,305
Cash and bank balances	4 (xi)	398,244	107,892
Other current assets	4 (xii)	-	4,819,340
		<u>2,660,787</u>	<u>7,706,537</u>
TOTAL		<u>247,044,838</u>	<u>176,340,848</u>

Summary of significant accounting policies

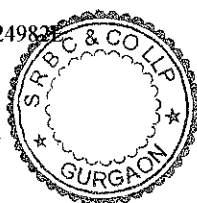
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The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & CO LLP

Firm Registration number: 324982
Chartered Accountants



Sandeep Sharma
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 (South) Limited**

Sandeep Puri

Sandeep Puri
Director

Daljit Singh

Daljit Singh
Director

Place: Gurgaon
Date : May 28, 2014

Fortis Health Management (South) Limited
Statement of profit and loss for the year ended March 31, 2014


	Notes	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
INCOME			
Revenue from operations	4 (xiii)	2,950,080	2,660,090
Other income	4 (xiv)	13,361,580	5,354,823
Total revenue		16,311,660	8,014,913
EXPENDITURE			
Other expenses	4 (xv)	238,479	300,047
Total expenses		238,479	300,047
Earnings before interest, tax, depreciation and amortization (EBITDA)		16,073,181	7,714,866
Finance costs	4(xvi)	21,455,887	13,902,531
Loss for the year		(5,382,706)	(6,187,665)
Loss per share [Nominal value of shares Rs. 10 each (Previous year Rs. 10 each)]	4(xvii)		
Basic and diluted		(107.65)	(123.75)

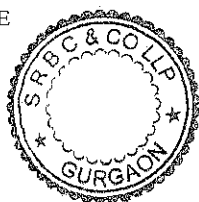
Summary of significant accounting policies 3

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: 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 (South) Limited**


Sandeep Puri
Director


Deep Singh
Director

Place: Gurgaon
Date : May 28, 2014

Fortis Health Management (South) Limited
Cash flow statement for the year ended March 31, 2014

	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
A. Cash flow from operating activities		
Loss before tax	(5,382,706)	(6,187,665)
Adjustments for:		
Interest income	(13,361,580)	(5,354,823)
Interest expense	21,454,763	13,885,677
Operating profit before working capital changes	2,710,477	2,343,189
Movements in working capital :		
Decrease/ (Increase) in trade receivables	516,762	(2,689,991)
Increase in short term loans and advances	-	(834,370)
(Decrease)/ Increase in trade payables, other liabilities and provisions	(348,433)	1,412,078
Cash generated from operations	2,878,806	230,906
Direct taxes paid	(1,664,978)	-
Net cash from operating activities (A)	1,213,828	230,906
B. Cash flows from investing activities		
Loans given to subsidiary	(36,300,000)	(39,509,006)
Loans given to joint venture	(24,440,000)	(25,250,000)
Repayment of loans to subsidiary	3,500,000	-
Purchase of investments in subsidiary and joint venture	-	(1,020,000)
Interest received	1,336,158	744,489
Net cash used in investing activities (B)	(55,903,842)	(65,034,517)
C. Cash flows from financing activities		
Proceeds from long-term borrowings	58,053,104	-
Repayment of long-term borrowings	(2,000,000)	-
Proceeds from short-term borrowings	-	65,639,829
Interest paid	(1,072,738)	(1,388,568)
Net cash from financing activities (C)	54,980,366	64,251,261
Net increase/ (decrease) in cash and cash equivalents (A + B + C)	290,352	(552,350)
Total cash and cash equivalents at the beginning of the year	107,892	660,242
Cash and cash equivalents at the end of the year	398,244	107,892
Components of cash and cash equivalents:		
Balances with scheduled banks on current accounts	398,244	107,892
Total	398,244	107,892

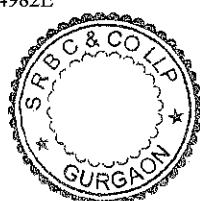
Summary of significant accounting policies

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As per our report of even date

For SRBC & CO LLP
Firm Registration number: 324982E
Chartered Accountants

Sandeep Sharma
per Sandeep Sharma
Partner
Membersip No :93577



Place: Gurgaon
Date : May 28, 2014

For and on behalf of the board of directors of
Fortis Health Management (South) Limited

Sandeep Puri
Sandeep Puri
Director

Darshan Singh
Darshan Singh
Director

Place: Gurgaon
Date : May 28, 2014

1. Nature of operations

Fortis Health Management (South) Limited (the 'Company' or 'FHM(S)L') was incorporated on April 11, 2011 to carry on the business of providing consultancy for establishment, promotion, maintenance, management, operation and conduct of healthcare and related services.

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 and accumulated losses of ₹ 11,962,239. 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

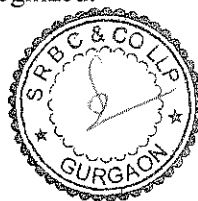
The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. 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 accumulated 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.
- ii) 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

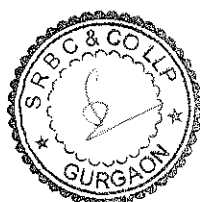
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an amalgamation in the nature of purchase is their fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost less accumulated 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 recognised 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 recognised 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.

iii) 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, amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

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

h. Leases

Where the Company is the lessee

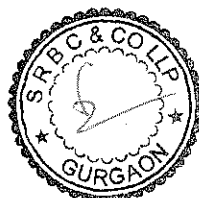
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

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.

The inventories of medical consumables in OPD business are expensed off on purchase.

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.

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.

l. 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.

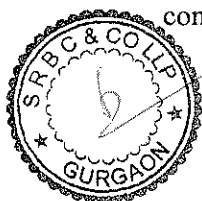
ii) Conversion

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).

m. 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.

n. Retirement benefits and other employee benefits:

i) 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 year using projected unit credit method.

ii) 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.

iii) 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.

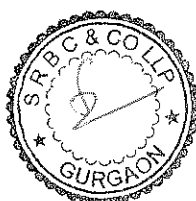
Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be 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

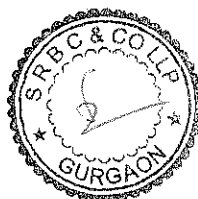
As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the 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'.



Fortis Health Management (South) Limited
Notes to Financial Statements for the year ended March 31, 2014

	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
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4(i): Share capital

Authorised shares (Nos.):

5,000,000 (Previous year 5,000,000) equity shares of ₹ 10 each

Total authorised share capital

50,000,000	50,000,000
50,000,000	50,000,000

Issued, subscribed and fully paid up shares (Nos.):

50,000 (Previous year 50,000) equity shares of ₹ 10 each

Total issued, subscribed and fully paid up share capital

500,000	500,000
500,000	500,000

(a) Reconciliation of 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 ₹
Outstanding at the beginning and 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 per share. Each holder of equity shares is entitled to one vote per share. During the year ended March 31, 2014, the amount of dividend recognised as distributions to equity shareholders was ₹ Nil. 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 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

Name of shareholder	March 31, 2014		March 31, 2013	
	Number	Value ₹	Number	Value ₹
Fortis Hospitals Ltd*, the holding company	50,000	500,000	50,000	500,000

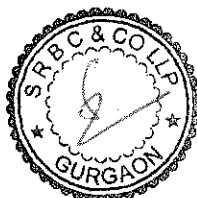
*including 6 equity shares held by its nominees.

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

Name of shareholder	March 31, 2014		March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Fortis Hospitals Ltd*, the holding company	50,000	100%	50,000	100%

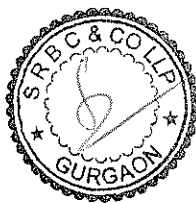
*including 6 equity shares held by its nominees.

As per records of the Company, including its register of share holders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.



Fortis Health Management (South) Limited
Notes to Financial Statements for the year ended March 31, 2014

	March 31, 2014	March 31, 2013
	(in ₹)	(in ₹)
4 (ii) : Reserves and surplus		
Deficit in the statement of profit and loss		
Balance as per last financial statements	(6,579,533)	(391,868)
Add: loss for the year	(5,382,706)	(6,187,665)
Net deficit in the statement of profit and loss	(11,962,239)	(6,579,533)
4 (iii) : Long term borrowings		
Unsecured		
From holding company*	236,770,042	168,219,829
	236,770,042	168,219,829
* Loan from the holding company carries interest rate of 10% and is repayable on March 31, 2016.		
4 (iv) : Other long-term liabilities		
Interest accrued but not due on borrowings	20,382,025	-
	20,382,025	-
4 (v) : Trade payables		
Trade Payables (refer note 6 for details of dues to micro and small enterprises)	257,189	286,785
	257,189	286,785
4 (vi) : Other current liabilities		
Interest accrued but not due on borrowings	-	12,497,109
Statutory payables	1,097,821	1,416,658
	1,097,821	13,913,767



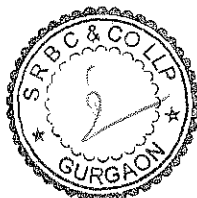
Fortis Health Management (South) Limited
Notes to Financial Statements for the year ended March 31, 2014

	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
4(vii) : Non current investments		
Trade investments (Valued at cost unless stated otherwise)		
Unquoted equity investments:		
a) Investment in joint venture		
51% share (Previous year 51%) in the partnership firm		
Fortis Cauvery	30,600,000	30,600,000
b) Investment in subsidiary		
545,624 (Previous year 545,624) equity shares of Rs 10 each , fully paid up in		
Lalitha Healthcare Private Limited	61,774,990	61,774,990
	92,374,990	92,374,990
Aggregate amount of unquoted investments	92,374,990	92,374,990
Details of investments in partnership firm - Fortis Cauvery:		
Name of the partners	Share in profits (%)	Share in profits (%)
Fortis Health Management (South) Limited	51%	51%
Dr. Chandrashekar G.R.	25%	25%
Dr. Sarala Chandrashekar	24%	24%
Total capital of the firm: Rs. 60,000,000		
4(viii) : Long term loans and advances		
Unsecured, considered good		
Loan to subsidiary	86,569,409	50,135,006
Loan to joint venture - partnership firm in which the Company is a partner	50,874,937	25,250,000
Advance income tax	2,539,293	874,315
	139,983,639	76,259,321
4(ix) : Other non-current assets		
Interest accrued and not due on loans and deposits	12,025,422	-
	12,025,422	-
4(x): Trade receivables		
Outstanding for a period exceeding six months (from the date they are due for payment)		
Other receivables		
Unsecured, considered good	2,262,543	2,779,305
	2,262,543	2,779,305
4(xi) : Cash and bank balances		
Balances with banks		
- On current accounts	398,244	107,892
	398,244	107,892
4 (xii): Other current assets		
Unsecured, considered good		
Interest accrued and due on loans and deposits	-	4,819,340
	-	4,819,340



Fortis Health Management (South) Limited
Notes to Financial Statements for the year ended March 31, 2014

	March 31, 2014 (in ₹)	March 31, 2013 (in ₹)
4 (xiii) : Revenue from operations		
Income from royalty	2,950,080	2,660,090
	2,950,080	2,660,090
4 (xiv) : Other income		
Interest on loan to subsidiary and joint venture	13,361,580	5,354,823
	13,361,580	5,354,823
4 (xv) : Other expenses		
Legal and professional fee	13,298	44,542
Payment to auditor		
As auditor :		
- Audit fee	224,720	224,720
- Out of pocket expenses	-	25,124
Rates and taxes	461	5,661
	238,479	300,047
4 (xvi): Finance costs		
Interest expense		
- On loan from holding company	21,454,763	13,885,677
Bank charges	1,124	16,854
	21,455,887	13,902,531
4 (xvii) : Loss per share		
Loss as per the statement of profit and loss	(5,382,706)	(6,187,665)
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 company of Fortis Healthcare Limited) Fortis Healthcare Limited (holding company of Fortis Hospitals Limited) Fortis Hospitals Limited
(c)	Subsidiary	Lalitha Healthcare Private Limited
(d)	Joint Venture	Fortis Cauvery
(e)	Individuals having control over voting power	Mr. Malvinder Mohan Singh Mr. Shivinder Mohan Singh

Transactions during the year:

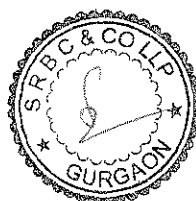
(in ₹)

Particulars	2013-14			2012-13		
	Holding company	Subsidiary company	Joint Venture	Holding company	Subsidiary company	Joint Venture
Investments during the year:						
Fortis Cauvery	-	-	-	-	-	1,020,000
Lalitha Healthcare Private Limited	-	-	-	-	-	-
Loan taken :						
Fortis Hospitals Limited	70,550,213	-	-	65,639,829	-	-
Loan repaid :						
Fortis Hospitals Limited	2,000,000	-	-	-	-	-
Loan given :						
Lalitha Healthcare Private Limited	-	39,934,403	-	-	39,509,006	-
Fortis Cauvery	-	-	25,624,937	-	-	25,250,000
Loan received back :						
Lalitha Healthcare Private Limited	-	3,500,000	-	-	-	-
Interest income :						
Lalitha Healthcare Private Limited	-	8,525,796	-	-	4,038,226	-
Fortis Cauvery	-	-	4,835,784	-	-	1,316,597
Interest expense :						
Fortis Hospitals Limited	21,454,763	-	-	13,885,677	-	-
Royalty income during the year:						
Fortis Cauvery	-	-	2,950,080	-	-	2,660,090

Balance outstanding at the year end :

(in ₹)

Particulars	2013-14			2012-13		
	Holding company	Subsidiary company	Joint Venture	Holding company	Subsidiary company	Joint Venture
Borrowings						
Fortis Hospitals Limited	236,770,042	-	-	168,219,829	-	-
Other long-term liabilities						
Fortis Hospitals Limited	20,382,025	-	-	-	-	-
Other current liabilities						
Fortis Hospitals Limited	-	-	-	12,497,109	-	-
Long term loans and advances						
Lalitha Healthcare Private Limited	-	86,569,409	-	-	50,135,006	-
Fortis Cauvery	-	-	50,874,937	-	-	25,250,000
Short term loans and advances						
Fortis Cauvery	-	-	2,262,543	-	-	2,779,305
Other non-current assets						
Lalitha Healthcare Private Limited	-	7,674,350	-	-	-	-
Fortis Cauvery	-	-	4,351,072	-	-	-
Other current assets						
Lalitha Healthcare Private Limited	-	-	-	-	3,634,403	-
Fortis Cauvery	-	-	-	-	-	1,184,937



6. Details of dues to Micro and Small 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.

7. Previous year figures

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 (South) Limited**



Sandeep Puri

Director


Harjit Singh
Director

Place: Gurgaon

Date: May 28, 2014

Place: Gurgaon

Date: May 28, 2014