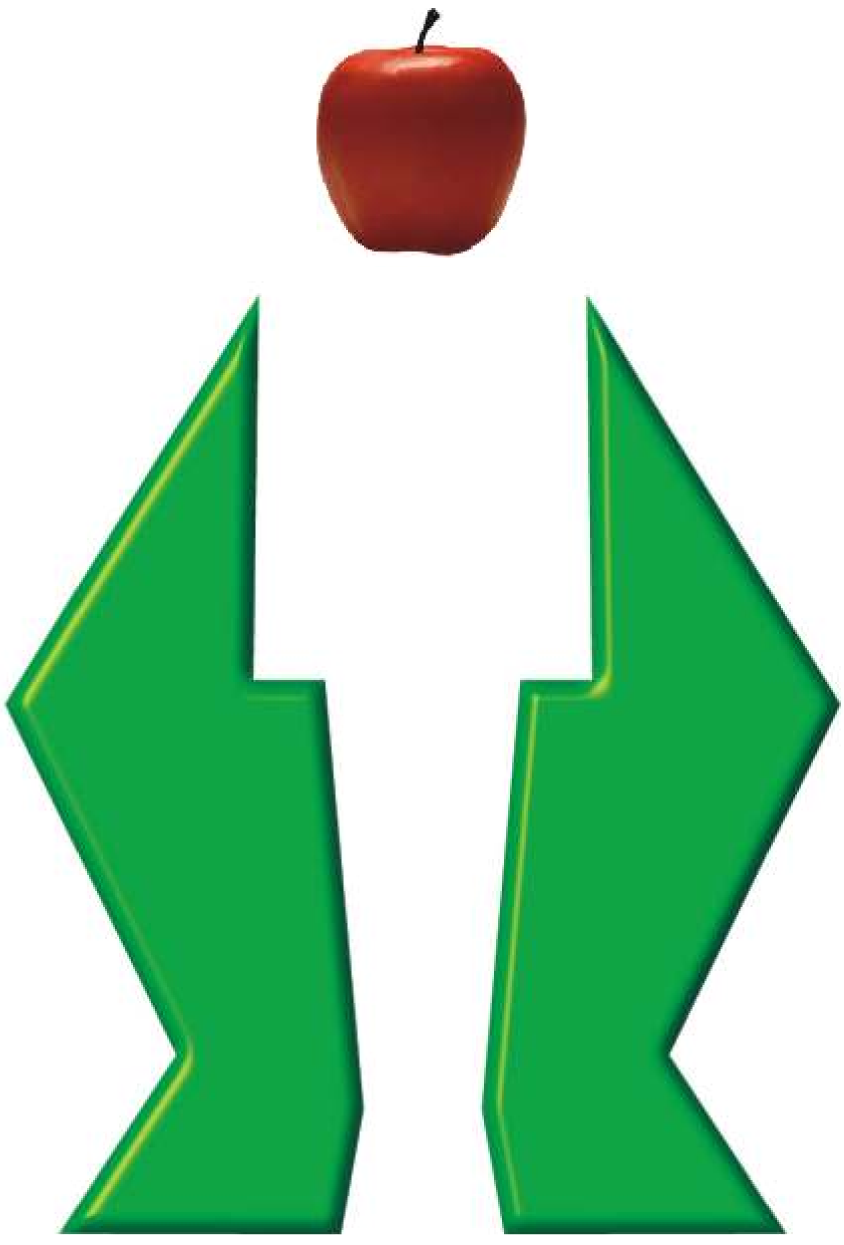
11th Annual Report 2006-07

Fortis Healthcare Limited



Pursuing a healthy path

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Malvinder Mohan Singh, Chairman

Mr. Shivinder Mohan Singh, CEO & Managing Director

Mr. Harpal Singh

Mr. V. M. Bhutani

Dr. Preetinder Singh Joshi

Mr. Gurcharan Das

Justice S. S. Sodhi

Mr. Rajan Kashyap

Lt. Gen. T. S. Shergill

Dr. Yoginder Nath Tidu Maini

Mr. Ramesh L. Adige

DIRECTOR - SECRETARIAL AFFAIRS & COMPANY SECRETARY

Ms. Neerja Sharma

AUDITORS

M/s S.R. Batliboi & Co.
Chartered Accountants
New Delhi

REGISTERED OFFICE

Piccadily House, 275-276, (4th Floor),
Captain Gaur Marg, Srinivas Puri,
New Delhi – 110 065

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present the Eleventh Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

Rs. in Crores

	Year ended March 31, 2007	Year ended March 31, 2006
Total Income	**132.81**	99.98
Total Expenditure	**118.95**	91.14
Operating Profit/(Losses)	**13.86**	8.84
Less: Finance Charges	**49.65**	29.08
Earnings/(Losses) before depreciation and amortization	**(35.79)**	(20.24)
Less: Depreciation	**10.57**	7.34
Earnings/(Losses) for the period	**(46.36)**	(27.58)
Less: Fringe Benefit Tax	**0.32**	0.22
Less: Prior period expenses	**2.01**	0.15
Net Earnings/(Losses)	**(48.69)**	(27.95)

Figures of the previous year ended March 31, 2006 have been regrouped where necessary to confirm to this year's classification.

FINANCIAL PERFORMANCE

For the year, the company recorded total income of Rs.132.81 Crores, 33% higher than the previous year. Operating margins were higher by 1.60% than the previous year. Profit before interest, depreciation and tax was Rs.13.86 Crores, higher than the prior year by 57%. Loss before tax & before extra-ordinary items at Rs. 46.36 Crores and loss after tax & extra-ordinary items was Rs. 48.69 Crores.

OPERATIONS

Fortis Hospital, Mohali

Fortis Hospital, Mohali is the first hospital of the Company and is the cornerstone of the hospital network. It includes a comprehensive cardiac program. Fortis Hospital, Mohali includes three sub-facilities on one campus: (i) a super-speciality cardiac center equipped to provide advanced cardiac treatments for all forms of heart disease; (ii) a general multi-speciality hospital; and (iii) the Fortis Inn Rehabilitation Centre designed to provide "step-down" care to patients based outside Mohali area. It currently has five operating theatres and 214 beds and has capacity for upto 300 beds. Fortis Hospital, Mohali together with FHL's satellite centre contributed 97.03% of the Company's total operating income for the financial year 2006-07.

Fortis Hospital, Mohali, has recorded an overall growth rate of 21.51%, achieving operating revenue of Rs.118.75 Crores as against Rs. 97.73 Crores in the previous year.

During the year under review, Multi-Speciality Hospital revenue recorded an impressive growth rate of 66.27%. Multi-Specialities like Neuro Surgery, Orthopedics, Onco Surgery, Gastroenterology, Plastic Surgery and Advanced Medical Oncology were well established during the year. During the year, 980 Cardiac Surgeries (CTVS), 992 Angioplasties (PTCAS) and 2,748 Angiographies (CAGs) were conducted.

Fortis Hospital, Amritsar

Fortis Hospital, Amritsar is a multi-speciality facility with 37 beds. It serves as a "spoke" hospital for Fortis Hospital, Mohali and has a tele-link connecting it to that hospital. The facility is currently equipped with 2 operating theatres endoscopic suite, a labour room, a nursery and a 24-hour emergency room. It is also supported by a fully equipped intensive care unit with ventilators. Fortis Hospital, Amritsar contributed 2.97% of the Company's total operating income for the financial year 2006-07.

SUBSIDIARIES

In February 2007, the Company acquired a 100% interest in Hiranandani Healthcare Private Limited, which has an agreement to collaborate with Navi Mumbai Municipal Corporation (NMMC) to develop a super-speciality hospital in Navi Mumbai, a suburb of Mumbai, Maharashtra. NMMC has leased the land on which the hospital is located, to HHPL for a period of 25 years, which can be extended further by mutual consent.

The super-speciality hospital, which will have specialization in joint replacement, neuro-surgery, cardiac care and renal care, will have capacity for upto 152 beds. The hospital recently commenced providing OPD services and is expected to commence providing IPD services on the first or second quarter of fiscal 2008. The infrastructure for the hospital is in place, and we estimate that further capital expenditures to commence IPD operations will amount to Rs. 35 Crores. This hospital will provide us with a presence in West India.

As on 31st March, 2007, your Company had four direct subsidiaries viz. Escorts Heart Institute and Research Centre Limited, International Hospital Limited, Oscar Bio-Tech Private Limited and Hiranandani Healthcare Private Limited and further four step down subsidiaries viz. Escorts Hospital and Research Centre Limited, Escorts Heart and Super Speciality Hospital Limited, Escorts Heart Centre Limited and Escorts Heart and Super Speciality Institute Limited.

The consolidated accounts are attached to the accounts of your Company. The copy of the annual report of the subsidiary companies will be made available to shareholders on request and will also be kept for inspection by any shareholder at the registered office of your Company and its subsidiary companies.

SHARE CAPITAL

During the year under review, the Company made Pre-IPO placement of 1,06,70,194 Equity Shares of Rs. 10 each at an average price of Rs.144.04 per share. Consequently, the Paid-up Share Capital of the Company at the end of the financial year 2006-07 was Rs. 180.67 Crores as against Rs. 169.99 Crores at the end of previous financial year.

After the close of the financial year, Company made an initial public offering (IPO) of its Equity Shares in terms of prospectus dated 25th April, 2007. The IPO was for 4,59,96,439 Equity Shares consisting of net issue to public of 4,57,53,963 Equity Shares and a firm allotment of 242,476 Equity Shares to the eligible employees of the Company. The issue price was Rs. 108 per share. The issue received an overwhelming response and post the IPO, the Equity Shares of the Company were listed on the

National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) on 9th May, 2007.

After the close of the year, the Company redeemed 1,45,01,154 Class 'B', 5% Non-Cumulative Redeemable Preference Shares of Rs. 10 each at a premium of Rs. 90 per Share, as per the terms of the issue, out of the proceeds of the IPO.

TRANSFER TO RESERVES

During the year, no amount has been transferred to reserves.

DIVIDEND

In view of the unavailability of distributable profits, your Directors express their inability to recommend any dividend for the year.

PUBLIC DEPOSITS

The Company has not invited any deposits from the Public.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Harpal Singh, Justice S S Sodhi, Mr. V M Bhutani and Mr. Ramesh L Adige retire by rotation and are eligible for re-appointment.

On 7th June, 2007, Mr. Harpal Singh stepped down as the Chairman of the Company. He continues to be a non-executive Director on the Board of the Company. Mr. Malvinder Mohan Singh has been appointed as the Chairman of the Board of Directors in his place effective 7th June, 2007.

Mr. Vinay Kumar Kaul also resigned from the Board of Directors w.e.f. 7th June, 2007.

Your Directors wish to place on record their appreciation for the valuable contribution made by Mr. Harpal Singh as Chairman of the Company as also for the guidance and support provided by Mr. Kaul during his tenure as a Director.

AUDITORS

M/s S.R. Batliboi & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Auditors' Report read alongwith notes to accounts is self-explanatory and therefore does not call for any further comments.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that –

i) in preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

ii) such accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;

iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting any fraud and other irregularities;

iv) the annual accounts have been prepared on going concern basis.

REPORT ON CORPORATE GOVERNANCE

Your Company is committed to benchmark itself with global standards in all areas including appropriate standards for good Corporate Governance. Towards this end, an effective 'Corporate Governance System' has been put in place in the Company. A report on Corporate Governance is attached to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the Listing Agreements with Stock Exchanges is enclosed and forms part of the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS / OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given as an Annexure forming part of the Directors' Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given as an Annexure forming part of the Directors' Report. In terms of Section 219 (1)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding this annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the registered office of the Company.

ACKNOWLEDGMENTS

Your Directors take this opportunity to place on record their appreciation of the contribution, support and cooperation received from the employees, Company's bankers, associates, contractors and suppliers.

On behalf of the Board of Directors

Date : 25th June, 2007 — **Malvinder Mohan Singh**
Place : New Delhi — **Chairman**

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

1. Optimising the usage of AHUs to avoid idle running.
2. Optimum use of boilers. Generally two boilers are used during day time but try to run only one during night time thus saving energy.
3. Optimization of blow-down of Cooling Towers to reduce scaling and improve chiller efficiencies.
4. Increase in spinning time of Washer Extractor to achieve higher efficiency in steam utilization.
5. Use of lights during day and night has been optimized and some independent switches have been provided for lighting so that they can be switched on whenever required.
6. Optimum use of lifts. Where there are two lifts, one to stop during nights depending upon the occupancy.

b) Additional investment and proposals if any, being implemented for reduction of consumption of energy:

NIL

c) Impact of measures at a) & b) :

Saving of energy and reduction in costs.

B. TECHNOLOGY ABSORPTION

1. RESEARCH & DEVELOPMENT (R & D):

NIL

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

a) Efforts in brief, made towards technology absorption, adaptation and innovation :

New Hospital Administration Software launched.

b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. :

This helps in effective cost reduction and providing better services to patients.

c) In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished:

NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports: initiatives taken to increase exports; development of new export markets for products and services; and export plans:

NIL

(b) Total foreign exchange earned and used :

(i)	**Earnings**	: **Rs.** NIL		
(ii)	**Expenditure** :	**CIF Value of Imports**	-	Rs. 4.51 Crores
		Others	-	Rs. 2.13 Crores

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

Your Company is committed to adhering to good corporate governance practices. Good corporate governance enables the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stakeholders. In your Company, the pursuit of achieving good governance is an ongoing process, thereby ensuring transparency, accountability and responsibility in the operations and in interactions with shareholders, employees, government, regulatory bodies, and the community at large. Your Company recognizes good corporate governance as a key driver to sustainable growth and long term value creation. The brand value and reputation of your Company are seen as the most valuable assets. Your Company recognizes its economic, social and environmental responsibilities and continuously strives towards putting in place the best practices in every sphere of its operations.

2. Board of Directors

(i) Composition of the Board

Mr. Malvinder Mohan Singh was appointed as Chairman of the Board of Directors on 7th June, 2007 in place of Mr. Harpal Singh, who stepped down from the position on the same day. Mr. Malvinder Mohan Singh is a Non Executive Chairman. The Independent Directors on the Board are experienced, competent and highly reputed persons from their respective fields. The Independent Directors take active part at the Board and Committee Meetings, which adds value in the decision making process of the Board of Directors.

The composition of the Board of Directors as on 31st March, 2007 was as under:

Name of Director	Category	Number of Directorships held in other Companies***	No. of Board Committees (Other than Fortis Healthcare Ltd.) in which #	
			Chairman	Member
Mr. Harpal Singh*	Executive Chairman	9	3	1
Mr. Shivinder M. Singh**	Managing Director & Promoter	13	–	4
Mr. Malvinder M. Singh**	Non Executive Promoter	13	–	7
Mr. Gurcharan Das	Non Executive Independent Director	5	–	–
Dr. P. S. Joshi	Non Executive Independent Director	5	–	1
Justice S. S. Sodhi	Non Executive Independent Director	–	–	–
Mr. Vinay K. Kaul^	Non Executive Independent Director	10	2	5
Mr. V. M. Bhutani	Non Executive Independent Director	6	2	–
Mr. Ramesh L. Adige	Non Executive Director	1	–	–
Mr. Rajan Kashyap	Non Executive Independent Director	–	–	–
Lt. Gen. T. S. Shergill	Non Executive Independent Director	–	–	–
Dr. Yoginder Nath Tidu Maini	Non Executive Independent Director	–	–	–

* Stepped down as Chairman of the Company w.e.f. 7th June, 2007 but continues to be Non-Executive Director on the Board of the Company. Mr. Malvinder Mohan Singh was appointed as the Chairman of the Board of Directors on the same date in place of Mr. Harpal Singh.

** Promoters

^ Mr. Vinay K. Kaul resigned from the Board of Directors w.e.f. 7th June, 2007.

*** excluding private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956.

Membership in Audit Committee and Shareholders' Grievance Committee.

(ii) Attendance of each director at the Board Meetings and last Annual General Meeting

During the year ended 31st March, 2007, eight Board Meetings were held on: (i) 7th April, 2006 (ii) 26th June, 2006 (iii) 5th August, 2006 (iv) 30th August, 2006 (v) 25th September, 2006 (vi) 31st October, 2006 (vii) 29th January, 2007 (viii) 20th March, 2007.

The Annual General Meeting of the Company was held on 30th August, 2006. The attendance of each Director at the Board Meetings held during the year and at the last Annual General Meeting (AGM) was as under: -

Sl. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM
1.	Mr. Harpal Singh	7	Yes
2.	Mr. Shivinder M. Singh	8	Yes
3.	Mr. Malvinder M. Singh	4	No
4.	Mr. Gurcharan Das	–	No
5.	Dr. P. S. Joshi	4	Yes
6.	Justice S. S. Sodhi	2	No
7.	Mr. Vinay K. Kaul	7	No
8.	Mr. V. M. Bhutani	8	Yes
9.	Mr. Ramesh L. Adige	2	No
10.	Mr. Rajan Kashyap	3	No
11.	Lt. Gen. T. S. Shergill	6	No
12	Dr. Yoginder Nath Tidu Maini	–	No

3. Audit Committee

(i) Broad Terms of Reference

Terms of Reference of the Audit Committee are as per Section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreements of the Stock Exchanges that inter-alia, include overseeing financial reporting processes, reviewing periodic financial results, reviewing with the management the financial statements and adequacy of internal control systems, reviewing the adequacy of internal audit function, discussions with the Internal and Statutory Auditors about the scope of audit including the observations of the auditors and discussion with them on any significant findings. The Company Secretary acts as the Secretary of the committee.

(ii) Composition of the Committee

As on 31st March, 2007, the following Directors were the members of the Audit Committee: -

Sl. No.	Names of Members	Designation	Category
1.	Mr. Vinay K. Kaul*	Chairman	Non Executive Independent Director
2.	Mr. Harpal Singh	Member	Executive Non Independent Director
3.	Mr. V. M. Bhutani	Member	Non Executive Independent Director
4.	Lt. Gen. T. S. Shergill	Member	Non Executive Independent Director
5.	Dr. P. S. Joshi	Member	Non Executive Independent Director

* Mr. Vinay K. Kaul ceased to be the Chairman/member of the Committee w.e.f. 7th June, 2007 in view of his resignation from the Board of Directors. Mr. V.M. Bhutani has been appointed as the Chairman from the even date.

** Mr. Malvinder Mohan Singh and Mr. Rajan Kashyap were appointed as members w.e.f. 7th June, 2007

All these Directors possess knowledge of Corporate Finance/Accounts/Company Law/Industry.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2007, five meetings were held on (i) 26th June, 2006 (ii) 5th August, 2006 (iii) 25th September, 2006 (iv) 30th October, 2006 (v) 20th March, 2007.

The Committee approved and recommended the Annual Accounts for the year 2005-06 in its meeting held on 5th August, 2006.

The attendance at the Committee Meetings during the year under review, was as under: -

Sl. No.	Names of Members	No. of Meetings attended
1.	Mr. Vinay K. Kaul	5
2.	Mr. Harpal Singh	4
3.	Mr. V. M. Bhutani	4
4.	Lt. Gen. T. S. Shergill	3
5.	Dr. P. S. Joshi	1

4. Remuneration Committee

(i) Broad Terms of Reference

The Remuneration Committee has been constituted in accordance with Schedule XIII of the Companies Act and Clause 49 of the listing agreement. The Committee has been entrusted with the power of deciding and approving remuneration including revisions thereto, from time to time, in respect of managerial personnel, including the Managing Director(s), Whole-time Director(s) and Chairman. The Company Secretary acts as the Secretary of the Committee.

(ii) Composition of the Committee

Remuneration Committee of the Company as on 31st March, 2007 comprised of:

Sl. No.	Names of Members	Designation	Category
1.	Mr. Vinay K. Kaul*	Chairman	Non Executive Independent Director
2.	Dr. P. S. Joshi	Member	Non Executive Independent Director
3.	Mr. Gurcharan Das	Member	Non Executive Independent Director

* Mr. Vinay K. Kaul ceased to be the Chairman/member of the Committee w.e.f. 7th June, 2007 in view of his resignation from the Board of Directors. Dr. P.S. Joshi been appointed as the Chairman from the even date.

** Mr. Malvinder Mohan Singh was appointed as member w.e.f. 7th June, 2007.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2007, two meetings of the Remuneration Committee were held on (i) 13th September, 2006 (ii) 30th October, 2006.

The attendance at the abovementioned meetings during the year under review was as under: -

Sl. No.	Names of the Members	No. of Meetings attended
1.	Mr. Vinay K. Kaul	2
2.	Dr. P. S. Joshi	2
3.	Mr. Gurcharan Das	–

(iv) Details of Remuneration paid to the Directors for the year ended 31st March, 2007 (Amount in Rs.)

Sl. No.	Name of Director	Salary	Benefits *	Commission	Sitting Fee	Total
1	Mr. Harpal Singh	^	–	–	–	^
2.	Mr. Shivinder M. Singh	#	–	–	–	#
3.	Mr. Malvinder M. Singh	–	–	–	60,000	60,000
4.	Mr. Gurcharan Das	–	–	–	10,000	10,000
5.	Dr. P. S. Joshi	–	–	–	90,000	90,000
6.	Justice S. S. Sodhi	–	–	–	50,000	50,000
7.	Mr. Vinay K. Kaul	–	–	–	2,25,000	2,25,000
8.	Mr. V. M. Bhutani	–	–	–	1,60,000	1,60,000
9.	Mr. Ramesh L. Adige	–	–	–	40,000	40,000
10.	Mr. Rajan Kashyap	–	–	–	55,000	55,000
11.	Lt. Gen T. S. Shergill	–	–	–	1,20,000	1,20,000
12.	Dr. Yoginder Nath Tidu Maini	–	–	–	–	–

\# Company has made an application to the Central Government, Ministry of Corporate Affairs, seeking its approval for payment of Rs. 1.8 Crores (excluding Provident Fund and Superannuation Fund) as remuneration to Mr. Shivinder Mohan Singh, CEO & Managing Director, for the financial year 2006-07.

^ Company has not paid any remuneration to Mr. Harpal Singh, Chairman, during the financial year 2006-07.

5. Shareholders' / Investors' Grievance Committee

(i) Composition

The Committee as on 31st March, 2007 comprised of:

Sl. No.	Names of Members	Designation	Category
1.	Mr. Vinay K. Kaul*	Chairman	Non Executive Independent Director
2.	Mr. Shivinder M. Singh	Member	Executive Non Independent Director
3.	Mr. Harpal Singh	Member	Executive Non Independent Director
4.	Mr. Ramesh L. Adige	Member	Non Executive Director
5.	Mr. Rajan Kashyap	Member	Non Executive Independent Director

* Mr. Vinay K. Kaul ceased to be the Chairman/member of the Committee w.e.f. 7th June, 2007 in view of his resignation from the Board of Directors. Dr. P.S. Joshi has been appointed as the Chairman from the even date.

(ii) The Company Secretary acts as the Secretary to the Committee.

(iii) Functions

The Committee specifically looks into redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of shares, ensures expeditious share transfer process and all incidental matters thereto.

(iv) Meetings and Attendance

During the financial year ended 31st March, 2007, only one meeting was held on 31st October, 2006.

The attendance at the abovementioned meeting during the year under review was as under: -

Sl. No.	Names of the Members	No. of Meetings attended
1.	Mr. Harpal Singh	1
2.	Mr. Shivinder M. Singh	1
3.	Mr. Ramesh L. Adige	1
4.	Mr. Vinay K. Kaul	1
5.	Mr. Rajan Kashyap	1

As on 31st March, 2007, the Company did not have any pending investor grievance.

6. General Body Meetings

Dates and time of last three Annual General meetings held are given below: -

Financial Year	Date	Time	Address	Whether any special resolution passed
2003 – 04	30th September, 2004	4.00 P.M.	B-9, Maharani Bagh, New Delhi	Yes
2004 – 05	29th September, 2005	3.00 P.M.	B-9, Maharani Bagh, New Delhi	No
2005 – 06	30th August, 2006	10.00 A.M.	B-9, Maharani Bagh, New Delhi	Yes

There were no matters required to be dealt with / passed by the Company through postal ballot, in any of the aforesaid meetings, as required under the provisions of Section 192A of the Companies Act, 1956.

There is no matter proposed to be dealt with / passed by the Company through postal ballot in the ensuing Annual General Meeting.

7. Disclosures

(i) There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives, conflicting with Company's interest. Suitable disclosure as required by the Accounting Standard (AS18) has been made in the Annual Report.

(ii) There are no pecuniary relationships or transactions of non-executive directors vis-ã-vis the Company that have a potential conflict with the interests of the Company.

(iii) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets.

(iv) The Company has complied with the non-mandatory requirements relating to the remuneration committee to the extent detailed above.

(v) As on 31st March, 2007, the shareholding of Non-Executive Directors in the Company was as under:

Sl. No.	Name of Directors	No. of Shares held
1.	Mr. Malvinder Mohan Singh	6,394
2.	Mr. Vinay K. Kaul	103
3.	Mr. V. M. Bhutani	5,102
4.	Mr. Gurcharan Das	10,000
5.	Dr. P. S. Joshi	25,000
6.	Lt. Gen. T. S. Shergill	–
7.	Mr. Rajan Kashyap	–
8.	Mr. Ramesh L. Adige	–
9	Justice S. S. Sodhi	–
10.	Dr. Yoginder Nath Tidu Maini	–

Disclosures regarding appointment or re-appointment of Directors:

According to the Articles of Association of the Company, four Directors, Mr.Harpal Singh, Justice S. S. Sodhi, Mr. V. M. Bhutani and Mr. Ramesh L. Adige, will be retiring by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-election. Given below are the abbreviated resumes of the aforesaid Directors pursuant to Clause 49 of the listing Agreement.

(i) Mr. Harpal Singh, graduated with a B.A. (Honours) degree in Economics from St. Stephen's College, Delhi and holds a B.S degree in Economics and a Master's degree in public affairs from the University of California at Hayward, U.S.A. Mr. Harpal Singh has had diverse experience of over 30 years in the corporate sector and has held senior positions in various TATA group companies, Hindustan Motors Limited, Mahindra and Mahindra Limited and Shaw Wallace. Further, Mr. Harpal Singh is and has been on the boards of many premier educational institutions, including the Doon School and the Shriram School, and is a member of the Senate of Baba Farid University of Health Sciences, Faridkot, Punjab. Mr. Harpal Singh has also been a member of several Government committees and is presently a member of the Punjab Chief Minister's Advisory Committee on Industrial Growth and Development of Relevant Infrastructure. Mr. Harpal Singh is presently a member of the Confederation of Indian Industries ("CII") National Committee on Healthcare and the CII National Committee on Primary and Secondary Education and Chairman of the CII Punjab State Council. Mr Singh is also a member of the India-UK Round Table and is an invitee speaker in many fora. Further Mr. Singh is a member of the Board of the Public Health Foundation of India and is also the Co-Chairman of the India- US Strategic Working Group on Healthcare. He joined the Company on 12th August, 1999. As on the date of this Report, Mr.Harpal Singh holds 58,003 Equity Shares of Rs. 10 each in the Company.

Mr. Harpal Singh holds directorships on the Board of Ranbaxy Laboratories Limited, Fortis Financial Services Limited, SRL Ranbaxy Limited, Escorts Heart Centre Limited, Escorts Heart Institute and Research Centre Limited, International Hospital Limited, Escorts Hospital and Research Centre Limited, Fortis Clinical Research Limited and Religare Enterprises Limited.

Mr. Harpal Singh is the member of Audit Committee and Chairman of Shareholders'/Investors' Grievance and Share Transfer Committee of Ranbaxy Laboratories Limited, Chairman of Audit Committee of International Hospital Limited and Escorts Hospital and Research Centre Limited and Chairman of Share Transfer Committee of Fortis Financial Services Limited.

(ii) Justice S.S. Sodhi graduated with a B.A. (Honours) degree in Economics from Punjab University and is a Barrister at Law from Lincolns Inn, London. Justice S.S. Sodhi was the Chairperson of the Telecom Regulatory Authority of India from 1997 until 2000. Further, he has been a practicing advocate at the High Court of Punjab and Haryana for 10 years. He is a member of the Punjab Superior Judicial Service. Justice S.S. Sodhi has also held the positions of Registrar (Research) at the Supreme Court of India, Legal Remembrancer to the Government of Punjab and Registrar of the High Court of Punjab and Haryana. Additionally, Justice S.S. Sodhi has been a Judge of the High Court of Punjab and Haryana, Chief Justice of the High Court of Allahabad and the Lok Pal Punjab. As on the date of this Report, he holds 4,000 Equity Shares of Rs. 10 each in the Company. Justice Sodhi is also a Director on the Board of Directors of Fidelity Trustee Company Private Limited.

(iii) Mr. V. M. Bhutani graduated with an honours degree in Commerce from Delhi University. Mr. Bhutani is a member of ICAI. He has worked for over 27 years with Ranbaxy Laboratories Limited and has been on the Board of Ranbaxy group Companies overseeing taxation, finance and capital market functions. He was also a Non-Executive Director of Central Bank of India from 2002 to 2005. He was also a member of the Advisory Committee on Mutual Fund of the SEBI. As on the date of this Report, Mr. Bhutani holds 9,102 Equity Shares of Rs. 10 each in the Company.

Mr. V. M. Bhutani holds directorships on the Board of Fortis Healthcare Holdings Limited, Oscar Investments Limited, Bhutani Fiscal Management Limited, Ranbaxy Holding Company, Ranbaxy Healthcare Private Limited, A-1 Book Company Private Limited, R C Nursery Private Limited, Liquid Investment & Financial Services India (P) Limited, International Hospital Limited, Shimal Research Laboratories Limited, Checon Shivalik Contact Solutions Private Limited, DSE Financial Services Limited, Hospitalia Eastern Private Limited and Hospitalia Information Systems Private Limited.

Mr. Bhutani is the Chairman of Audit Committee and Shareholders'/Investors' Grievance Committee of Oscar Investments Limited and a Member of Audit Committee of International Hospital Limited.

(iv) Mr. Ramesh L. Adige graduated with honours in Engineering from BITS, Pilani and has a post graduate degree from the Faculty of Management Studies, University of Delhi. Mr. Adige heads the Corporate Affairs and Global Corporate Communications function at Ranbaxy Laboratories Limited (RLL) and works in the area of Corporate Policy, Strategic and Perspective Planning and External Relations. He has over 32 years of experience with expertise in the fields of Corporate Policy, Public Policy, Strategic and Perspective Planning. He is RLL's representative in various pharma bodies and an active participant in the CII and FICCI. He was with Fiat India Limited as a Whole-time Director (Corporate Affairs) and has been the President of the Governing Council of the Automotive Research Association of India. He is also playing a very active role in furthering Indo-US relations through participation in TPF meetings both in Washington DC and in New Delhi. As on the date of this Report, he holds 800 Equity Shares of Rs. 10 each in the Company. Mr. Ramesh L. Adige is also a Director on the Board of Directors of Ranbaxy Laboratories Limited.

8. Code of Conduct

The Board of Directors has adopted the Code of Conduct for the Directors and Senior Management Personnel. This Code is a comprehensive code applicable to all employees including Directors and members of the Senior Management.

9. Means of Communication

The Annual, Half yearly and Quarterly results shall be submitted to the Stock Exchange(s) in accordance with Listing Agreement and also published in the newspapers as per the requirements of the Listing Agreement.

All vital information relating to the Company and its performance, including quarterly results etc. is being posted on Company's website **www.fortishealthcare.com**.

10. General Shareholders' Information

(i) Annual General Meeting

Date & Time : Thursday, 27th September, 2007 at 10.30 A.M.

Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010

(ii) Book Closure

Friday, 21st September, 2007 to Thursday, 27th September, 2007 (both days inclusive)

(iii) Financial Calendar

(a) First Quarter Results – End of July, 2007

(b) Second Quarter Results – End of October, 2007

(c) Third Quarter Results – End of January, 2008

(d) Results for the year ending 31st March 08 – By end of June, 2008

(iv) Listing on Stock Exchanges

After the close of the current financial year, the Company made an initial public offering (IPO) of its Equity Shares in terms of the Prospectus dated 25th April, 2007. The IPO was for 4,59,96,439 Equity Shares consisting of net issue to public of 4,57,53,963 Equity Shares and a firm allotment of 242,476 Equity Shares to the eligible employees of the Company. The issue price per share was Rs. 108. The issue received an overwhelming response. Post the IPO, the Equity Shares of the Company were listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) on 9th May, 2007.

(v) Stock Code

Bombay Stock Exchange Ltd.	532843
National Stock Exchange of India Ltd.	FORTIS
ISIN Number	INE061F01013

The Company has paid the listing fee of the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. for the financial year 2007-08.

(vi) Market Price Data

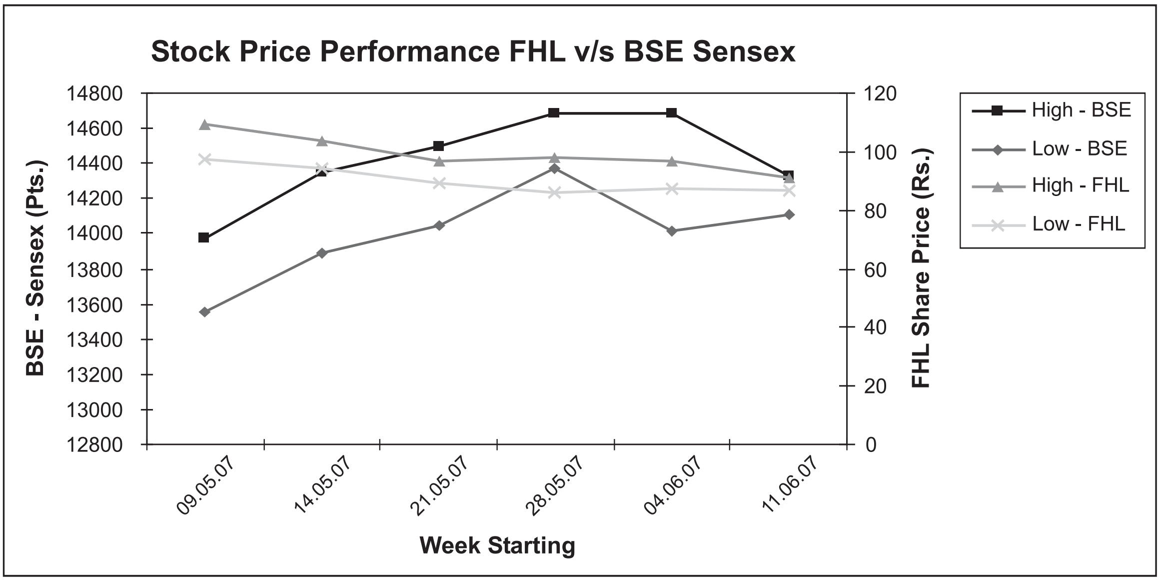
The Equity Shares of the Company were listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. on 9th May, 2007.

Weekly High and Low Quotations of Shares traded on BSE*

Week Starting	BSE Sensex		FHL Share (Rs.)	
	High	**Low**	**High**	**Low**
09.05.07	13,976.79	13,554.34	109.10	97.25
14.05.07	14,352.98	13,885.46	103.50	94.20
21.05.07	14,500.64	14,046.06	97.00	89.50
28.05.07	14,682.10	14,368.40	97.85	86.05
04.06.07	14,683.36	14,010.61	97.00	87.60
11.06.07	14,326.55	14,112.53	90.90	86.40

* during the period from 9th May, 2007 till 15th June, 2007

Performance in comparison to broad based indices (BSE Sensex)



(vii) Registrar/Transfer Agent

The Company has appointed M/s Intime Spectrum Registry Ltd., Mumbai as Registrars and Share Transfer Agents of the Company. The address for communication is:

Intime Spectrum Registry Ltd.
A-40, 2nd Floor, Naraina Industrial Area
Phase-II, Near Batra Banquet Hall,
New Delhi - 110 028
Tel No. : +91 11 4141 0592 - 4
Fax No. : +91 11 4141 0591
Email : delhi@intimespectrum.com

(viii) Share Transfer System

The Shares are accepted for registration of Transfer at the Registered Office of the Company in addition to the office of Registrar and Share Transfer Agents (RTA), M/s Intime Spectrum Registry Limited (ISRL). ISRL is fully equipped to undertake the activities of Share Transfers and redressal of Shareholders' grievances. ISRL processes the Shares for transfer and places before the Shareholders'/Investors' Grievance Committee set up for the purpose for its approval thereto. The Committee meets as and when required for approving share transfers and other related activities. This Committee also looks into Shareholders'/Investors' grievances.

(ix) Distribution of Shareholding as on 15th June, 2007

Share holding of nominal value (Rs.)	No. of Shareholders	%age of Shareholders	Share Amount (Rs.)	%age of Shareholding
Upto 2500	88,956	79.876	8,88,58,840	3.920
2501 to 5000	18,962	17.027	6,11,47,870	2.698
5001 to 10000	1,911	1.716	1,52,88,500	0.674
10001 to 20000	702	0.630	1,05,55,910	0.466
20001 to 30000	224	0.201	57,50,130	0.254
30001 to 40000	106	0.095	38,01,340	0.168
40001 to 50000	121	0.109	57,86,950	0.255
50001 to 100000	187	0.168	1,48,01,780	0.653
100001 and above	198	0.178	2,06,06,74,010	90.912
Total	**1,11,367**	**100.00**	**2,26,66,65,330**	**100.00**

(x) Shareholding Pattern as on 15th June, 2007

Category	No. of Shares held	% of Share-holding
Promoters and Promoter Group	16,87,49,422	74.45
Mutual Funds and UTI	50,62,382	2.23
Banks, Financial Institutions	61,717	0.03
FII's/Foreign Companies	2,21,90,086	9.79
Indian Body Corporates	69,75,720	3.08
NRIs/Foreign Nationals	24,99,190	1.10
Indian Public	2,03,50,158	8.98
Others	7,77,858	0.34
Total	**22,66,66,533**	**100.00**

(xi) Dematerialization of Shares

The Company's Equity Shares have been allotted ISIN (INE061F01013) both by the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

20,10,96,767 Equity Shares representing 88.72% of the paid up Equity Capital of the Company had been de-materialized as on 15.06.2007.

(xii) Lock-in of Equity Shares

After the close of the year under report, Company had made an Initial Public Offering of its 4,59,96,439 Equity Shares in April, 2007.

4,53,33,307 pre-issue Equity Shares representing 20% of the post-issue paid up capital of the Company, held by the promoters, are locked-in for 3 years till 3rd May, 2010 and 13,53,36,787 pre- issue Equity Shares representing 59.71% of the post-issue paid up capital of the Company are locked-in for 1 year, till 3rd May, 2008, as per SEBI (DIP) Guidelines, 2000.

In addition 2,42,476 Equity Shares allotted on firm allotment basis to the eligible employees of the Company are also locked-in for 1 year as per SEBI (DIP) Guidelines, 2000.

(xiii) The Company has not issued any GDRs/ADRs/warrants or any convertible instruments.

(xiv) Hospital Locations

Company has following Hospitals:

Hospital	Location
Fortis Hospital, Mohali	Sector 62, Phase VIII, SAS Nagar, Mohali, Punjab - 160 062
Fortis Hospital, Amritsar	Nagpal Towers, SCO 128, District Shopping Centre,Ranjit Nagar, Amritsar - 143 001

(xv) Address for Correspondence

Secretarial Department,
Fortis Healthcare Limited
Escorts Heart Institute & Research Centre Limited,
Okhla Road, New Delhi - 110025
Tel. No. : +91 11 2682 5000
Fax No. : +91 11 4162 8435
Email : neerja.sharma@fortishealthcare.com
Website : www.fortishealthcare.com

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure & Developments

The steady and aggressive growth of the economy has provided a huge impetus to India's healthcare sector. Growth rates have been steep, with both private players and the government evincing keen interest to promote the growth of this sector with a view to provide quality healthcare to all Indians. The past few years have also seen the emergence of India as a credible healthcare delivery destination, with a strong backbone of clinical talent, contemporary infrastructure and very cost effective delivery. India is witnessing a steady increase of overseas patients particularly from Bangladesh, Nepal, Afghanistan, Uzbekistan, Kazakistan, Middle East, Africa, parts of Europe, UK and USA. So it is hardly surprising that healthcare is widely seen as being India's next big growth story.

As per the World Health Organization's estimates, China had a ratio of two beds for every 1,000 people in 2002, whereas India, in 2006, managed just about 1.1 beds per thousand population. To get to where China was in 2002, India needs six more years, subject to an addition of about 1.2 million more beds and an investment of about $90 Billion (Rs. 3,68,910 Crores). A big portion of this investment, estimated at over 80%, would have to come from the private sector for the creation of tertiary care infrastructure as the Government will continue to focus on the improvement of the country's primary and secondary healthcare delivery.

The Indian healthcare sector is poised to grow at a compounded annual growth rate of 15 per cent, according to the Ernst & Young healthcare survey. Nearly 90 per cent of this growth will come from the private sector. Further, private hospitals in the country are expected to have revenue earnings of $35.9 Billion (Rs. 147,154.1 Crores) in 2012 compared to $15.5 Billion (Rs. 63,534.5 Crores) in 2006. Correspondingly, along with a shift in emphasis from socialized to privatized healthcare, the share of the private sector in India's healthcare industry is set for a quantum increase in the coming decade.

In the last few years, India has witnessed the announcement of aggressive growth plans by many healthcare organizations; it has also seen new entrants making a foray into the Indian healthcare space. This trend is fast leading to the adoption of good management practices, including focus on quality and service excellence. Entry of new and reputed players augurs well for Indian healthcare as it will accelerate the development of the market and raise delivery standards.

Opportunities & Threats

The Government of India has identified healthcare as a priority sector for focused attention. It plans to increase the spending on Healthcare from 0.9% of GDP to 2 – 3% of GDP. Recently enacted tariff and non tariff measures by the government are not only going to make quality healthcare available to more people but also going to make it affordable. However, experts believe that the real impetus to Healthcare growth would come when healthcare insurance products are made available to the common man, thereby enabling access to quality healthcare. Additionally, it is important that the government extends infrastructure status & benefits to this sector as this will spur investment in creation of infrastructure.

Healthcare spending is on an upward track due to a number of reasons. The first is that India lags behind most nations on all key indicators of healthcare delivery e.g., per capita spend, beds per 1000 people, nurses/doctors per 1000 people, insurance penetration etc. Secondly, as Indians become more affluent, there is a greater propensity to spend on health; health is typically accorded a very high priority by Indians across the spectrum. Another reason is that people are becoming increasingly aware of the need to focus on preventative health and the need to gain access to quality facilities.

Access to quality healthcare in the private sector till now has largely been restricted to the affluent class, essentially due to the high cost of delivery. However, this is changing dramatically with the advent of health insurance as a preferred tool to finance most healthcare expenditures. Health insurance is destined to grow exponentially in the coming years with large players entering the market with a wider choice of product offerings & schemes. However, a rapidly growing health insurance sector will generate both increased business for the hospitals and also put significant pressure on the players to keep the prices of services competitive.

The shift in disease profile from infectious diseases to lifestyle diseases is expected to raise cost per treatment. In a study recently done it has been determined that the average spend on lifestyle diseases is Rs. 40,500 per inpatient treatment, whilst that on an infectious disease is just Rs. 5,520. India's disease profile is also expected to follow the same profile pattern as in the developed economies. Based on demographic trends and disease profile, lifestyle diseases comprising cardiovascular, diabetes, orthopaedics, asthma & cancer have become the most important segments and inpatient spending is expected to rise from 39% to nearly 50% of the total healthcare expenditure over the next few years. Research has shown that Indians have a high propensity for cardiac disease and that approximately 50% of all cardiac patients across the world be Indians by the year 2015. The Indian healthcare sector will, therefore, have to gear up to not only develop preventative strategies but will need to deal with this massive disease burden in coming years.

India's position as a destination for medical value travel (or medical tourism as it is loosely referred to) will strengthen significantly in coming years. This will help improve delivery standards and boost revenues.

However, a sector which is so dependant on high future investments and where quality of care is imperative for success, the absence of standard operational and financial benchmarks is a lacuna that needs to be addressed if informed decision-making and performance measurement is to happen. In this arena, Fortis has partnered with leading management consultants to create an operating system which will standardize all operating processes in hospitals so as to ensure a uniformly high level of patient service excellence and efficient management of hospital infrastructure. The system is being designed in a manner so as to ensure quick replicability and scalability.

Another area of focus for the organization is the creation of an efficient purchase supply chain management. This project will seek to develop and implement a strategy for leveraging the buying power of the organization to deliver economies in the purchase of medical and non-medical supplies as well as services. It will also develop organizational capability in this vital area to ensure on going focus in the area of operational excellence.

Healthcare is a capital intensive business with long gestation periods. Real estate and project costs will play an important role in determining the viability of new projects. In consideration of the fact that Fortis is managing a number of hospital projects, it has embarked on a 'Capex Optimisation' initiative. This initiative is expected to deliver considerable savings during the execution of projects, thereby improving viability. It will also create internal competence in the area of project management.

Finally, Quality Human Resource availability is the next big challenge for India's healthcare sector. With a low supply and high demand for doctors, nurses and paramedical staff, the war for talent is expected to intensify further, resulting in mounting payroll costs. There is a need to create an enabling environment for private investment in creation of medical education infrastructure by deregulation of the education sector.

Operational Performance

Fortis Hospital network, directly and through its subsidiaries and Operation and Management arrangements, offers a range of super-speciality & speciality healthcare services, such as cardiac care, orthopedics, neuro-sciences, diabetes, pulmonology, renal sciences, oncology, mother and child care, general surgery, cosmetic surgery, ophthalmology, dentistry, ENT, dermatology etc. Fortis Hospital, Mohali, Escorts Heart Institute and Research Centre Ltd (EHIRCL), Delhi, Fortis Hospital, Noida and Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj are also "centers of excellence" in various super specialities such as cardiac care, orthopedics, neuro-sciences, renal sciences, diabetes, pulmonology and serve as hubs for the spoke hospitals. The spokes are high end multi-speciality hospitals which cater to the needs of the local area. In addition, our 16 satellite and heart command centers concentrate on varying levels of cardiac care.

The Fortis Cardiac Care Program is one of the largest Cardiac care programs in the world. Fortis Hospital, Mohali, EHIRCL, Delhi, Fortis Hospital, Noida, Escorts Hospital, Faridabad and Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj operate the Cardiac care program as a super-speciality program.

The hospitals conduct high-end Cardio Thoracic & Vascular Surgery procedures across age groups from the new born - congenital heart surgeries like the arterial switch, tetrology of fallot, BT Shunt etc. - to the Geriatric age group – valve surgeries, cardiac remodelling aneurysm repairs besides coronary artery bypass graft. During the year, the network Hospitals did over 5,500 surgeries in this area of specialization besides over 18,800 cardiac interventions.

Neuro-science is another super-speciality which is the focus area of the group. The network hospitals conduct high-end surgery programs - Supra major procedures which include excision of large spinal tumors and brain tumors, correction of blood vessel supply network system anomalies, decompression and reconstruction brain surgeries, carotid stenting for improving the blood supply to the brain and other minimal invasive surgeries of the brain and spinal cord. Other major surgeries include procedures for decompression of the spinal cord and craniotomies. The network Hospitals did around 700 surgeries in this area of specialization during the year.

Also, Fortis has one of the largest Joint Replacement Programs in the country. All kinds of Knee & Hip replacement surgeries are carried out across facilities in Mohali, Noida & Vasant Kunj. The network Hospitals did around 1,500 joint replacements during the year 2006-07.

The network of Hospitals witnessed growth with the extension of the network by the following O&M contracts and introduction of new medical programmes during the year:

Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj was launched in July, 06. It is a super-speciality hospital with "centers of excellence" in cardiac care, joint replacement, renal care, pulmono-thoracic surgery, and diabetic care besides providing a wide range of services in different specialities. It has six operating theaters and has a capacity for up to 200 beds.

Fortis La Femme was inaugurated on 28th March, 07, as *North India's first 'All Woman Hospital'.* Fortis La Femme was originally only a "birthing" facility. Suitable modification in infrastructure and inclusion of specialist doctors was undertaken to convert it into a 'women's hospital' with focus on birthing, neonatal care, and women's diseases with special emphasis on cosmetic surgery, gynecology, gynaecological surgery, cancer screening and women's health.

Khyber Medical Institute, Srinagar: Khyber is a multi-speciality hospital in J&K with a focus on non-invasive cardiac care and gastroenterology, and also provides cardiac emergency services. The facility currently has one operating theater and 30 beds. There are plans to introduce general medicine, general surgery, nephrology, endocrinology and rheumatology specialities to the hospital and scale up to a 100 bed facility.

Financial Performance

For the year, the company recorded consolidated total income of Rs.525.40 Crores, 77% higher than the previous year. Operating margins were higher by 2.39% than the previous year and profit before interest, depreciation and tax was Rs. 61.52 Crores, higher than the prior year by 122%. Loss before tax & before extra-ordinary items at Rs. 88.29 Crores and loss after tax & minority interest was Rs. 98.12 Crores.

Human Resources

Human Resource Management is a key focus area for the Company and there is a constant endeavour to attract and retain good talent. The Company invests in the development needs of its employees through various ongoing training initiatives and programmes. During the year, the Company undertook the design and implementation of HR Standard Operating Procedures in all functional areas of Human Resources with a view to build capability to replicate within the Company.

Keeping in view the business needs, the Company embarked upon some focus initiatives in the area of Physician Management, i.e. Code of Ethics for Doctors and designing and implementing the service conditions for Physician Management.

With a view to enhance clinical excellence as we grow in our reach to the patients, the Company inducted a significant number of renowned senior Doctors in several Super-Specialities. In addition to the above, we developed and implemented a training strategy and agenda across the Company and worked on the functional development of a Human Resource Information System.

Internal Control Systems

The Company has a proper and adequate system of internal controls. This ensures that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly.

An extensive programme of internal audits and management reviews supplement the process of internal control. The internal control system has been designed so as to ensure that the financial & other records are reliable for preparing financial and other statements and for maintaining accountability of assets and facilitate accurate and timely completion of financial statements & management report and ensure compliance with statutory laws, regulations and company policies. The Company also has an extensive budgetary control mechanism, whereby the management regularly reviews actual performance with reference to the budgets and forecasts.

The Company's Audit Committee, which has Independent, Non Executive & professionally qualified Directors as members, interacts with the Statutory Auditors and Internal Auditors. The Committee mainly deals with accounting matters, financial reporting and adequacy of internal controls.

Outlook

Given the huge shortfall between demand and supply, the healthcare sector is expected to witness high growth in the coming years. There will be a continuing requirement of high-end quality care. The Fortis network is well positioned to meet these emergent requirements.

Cautionary Statement

Statements in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include Government regulations, litigation, tax laws and significant changes in the political and economic environment in India.

AUDITORS' REPORT

To
The Members of Fortis Healthcare Limited

1. We have audited the attached Balance Sheet of Fortis Healthcare Limited as at March 31, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. 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;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   v. On the basis of the written representations received from the Directors as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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, 2007;

      b) in the case of the profit and loss account, of the loss for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

New Delhi
June 25, 2007

Annexure referred to in paragraph [4] of our report of even date

Re: Fortis Healthcare Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies have been identified on such verification. The frequency of physical verification, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets.

(c) There was no substantial disposal 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 Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed, 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. Hence, clauses 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(e) As informed, 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. Hence, clauses 4 (iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iv) As per the information and explanations given to us, certain items of inventory and fixed assets, due to their unique, specialized or proprietary nature, are purchased without inviting comparative quotations. Read with the above, in our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, that need to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five Lacs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as informed, the Central Government has not prescribed 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) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited during the year with the appropriate authorities.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

(x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. *The Company has incurred cash losses in the current and immediately preceding financial year.*

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank 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 any guarantee for loans taken by others from banks or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that *funds raised on short-term basis have been used for long-term investment and at the close of the year, such usage amounted to Rs. 6,212 Lacs approximately.*

(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 through a 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 course of our audit.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

New Delhi
June 25, 2007

BALANCE SHEET AS AT MARCH 31, 2007

	Schedules	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**20,767.01**	17,099.99
Share Application Money Pending Allotment		**–**	26,000.45
Reserves & Surplus	2	**37,447.58**	156.00
		58,214.59	43,256.44
Loan Funds			
Secured Loans	3	**24,658.93**	38,630.88
Unsecured Loans	4	**16,180.69**	6,904.35
		40,839.62	45,535.23
Deferred Payment Liabilities	5	**499.33**	1,036.37
TOTAL		**99,553.54**	89,828.04
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	**14,269.32**	10,836.34
Less : Accumulated depreciation and amortisation		**4,063.70**	3,032.97
Net Block		**10,205.62**	7,803.37
Capital Work in Progress including capital advances		**681.95**	2,069.90
		10,887.57	9,873.27
Investments	7	**67,566.83**	67,466.83
Current Assets, Loans & Advances			
Inventories	8	**238.36**	207.46
Sundry Debtors	9	**3,086.89**	1,901.28
Cash & Bank Balances	10	**122.54**	1,286.44
Other Current Assets	11	**212.24**	255.47
Loans & Advances	12	**7,079.79**	2,181.73
		10,739.82	5,832.38
Less : Current Liabilities & Provisions			
Liabilities	13	**3,067.34**	2,172.55
Provisions	14	**430.71**	141.29
		3,498.05	2,313.84
Net Current Assets		**7,241.77**	3,518.54
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	**8.63**	12.71
Profit & Loss Account		**13,848.74**	8,956.69
TOTAL		**99,553.54**	89,828.04
Notes to Accounts	25		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedules		For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
INCOME				
Operating Income	16		12,302.21	9,772.94
Other Income	17		979.31	225.31
TOTAL			13,281.52	9,998.25
EXPENDITURE				
Materials Consumed	18		4,837.91	3,695.24
Personnel Expenses	19		2,638.95	1,845.14
Operating Expenses	20		3,086.60	2,546.01
Selling, General and Administrative Expenses	21		1,331.84	1,028.02
			11,895.30	9,114.41
Profit / (Loss) before Financial Expenses, Depreciation and Amortisation			1,386.22	883.84
Financial Expenses	22		4,964.82	2,908.09
Profit / (Loss) before Depreciation and Amortisation			(3,578.60)	(2,024.25)
Depreciation and Amortisation	6		1,057.04	733.52
Profit / (Loss) before tax & prior period items			(4,635.64)	(2,757.77)
Fringe Benefit Tax			32.47	22.03
Net Profit / (Loss) after tax & before prior period items			(4,668.11)	(2,779.80)
Prior Period Items	23		200.75	15.32
Net Profit / (Loss) for the year			(4,868.86)	(2,795.12)
Add: Balance brought forward from previous year		(8,956.69)		(5,730.62)
Add: Adjustment on account of implementation of Revised AS-15 on Employee Benefits (refer Note 2 (b) of Schedule 25)		(23.19)	(8,979.88)	–
Add: Loss brought forward from the amalgamating company upto March 31, 2004, pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005			–	(192.08)
Add : Loss brought forward from the amalgamating company for the year 2004-2005			–	(238.87)
Profit / (Loss) carried over to Balance Sheet			(13,848.74)	(8,956.69)
Earnings Per Share	24			
Basic [Nominal value of shares Rs. 10/- each (Previous Year Rs. 10/-)]			(2.85)	(3.29)
Computed on the basis of earnings including prior period items				
Diluted [Nominal value of shares Rs. 10/- each (Previous Year Rs. 10/-)]			(2.85)	(3.29)
Computed on the basis of earnings including prior items				
Notes to Accounts	25			

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

Particulars	Year Ended March 31, 2007 Rs. in Lacs	Year Ended March 31, 2006 Rs. in Lacs
A. Cash flow from operating activities		
Net profit / (loss) before tax and prior period items	**(4,635.64)**	(2,757.77)
Add: Prior period items	**(200.75)**	(15.32)
Adjustments for:		
Depreciation and Amortisation	**1,057.04**	733.52
Loss on sale of fixed assets	**9.04**	3.20
Provision for Doubtful Debts	**5.87**	55.66
Bad Debts / Sundry Balances written off	**82.11**	4.10
Arrangement Fee written off	**4.08**	4.08
Foreign Exchange Loss/(Gain)	**(60.61)**	100.17
Interest income	**(290.40)**	(67.40)
Interest expense	**4,834.65**	2,727.48
Operating profit before working capital changes	**805.39**	787.72
Movements in working capital :		
Decrease / (Increase) in sundry debtors	**(1,232.73)**	(1,472.32)
Decrease / (Increase) in inventories	**(30.89)**	(51.94)
Decrease / (Increase) in loans and advances	**(1,480.84)**	(822.60)
Decrease / (Increase) in other current assets	**8.24**	(62.73)
Increase / (Decrease) in current liabilities	**1,072.77**	548.43
Cash used in operations	**(858.06)**	(1,073.44)
Direct taxes (paid)/ refund (including Fringe Benefits Tax)	**(105.38)**	9.71
Net cash from / (used in) operating activities (A)	**(963.44)**	(1,063.73)
B. Cash flows from investing activities		
Purchase of fixed assets	**(2,178.30)**	(4,590.81)
Proceeds from sale of fixed assets	**21.98**	2.25
Fixed Deposits with Banks	**–**	(1,200.00)
Fixed Deposits Matured	**1,200.00**	–
Loans to Subsidiaries (Net)	**(3,936.17)**	297.17
Deposits with other Companies	**(313.80)**	(1,062.94)
Deposits with other Companies received back	**863.00**	–
Purchase of investments	**(100.00)**	(67,466.67)
Interest received	**325.39**	11.94
Net cash from / (used in) investing activities (B)	**(4,117.90)**	(74,009.06)
C. Cash flows from financing activities		
Proceeds from issuance of share capital	**14,958.60**	8,634.55
Proceeds from receipt of share application money	**–**	25,998.45
Refund of share application money	**(0.45)**	–
Proceeds from long-term borrowings	**1,595.67**	1,057.34
Repayment of long-term borrowings	**(15,660.23)**	(448.37)
Proceeds / (Repayments) of short-term borrowings (Net)	**8,930.23**	42,318.36
Arrangement fees paid	**–**	–
Interest paid	**(4,706.38)**	(2,549.80)
Net cash from /(used in) financing activities (C)	**5,117.44**	75,010.53
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**36.10**	(62.26)
Cash and cash equivalents at the beginning of the year	**86.44**	147.85
Add: Cash acquired on amalgamation	**–**	0.85
Total cash and cash equivalents at the beginning of the year	**86.44**	148.70
Cash and cash equivalents at the end of the year	**122.54**	86.44
Components of cash and cash equivalents:		
Cash on Hand	**4.26**	10.00
Balances with Scheduled Banks on Current Accounts	**118.28**	76.44
Total	**122.54**	86.44

Notes:

1. The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Negative figures have been shown in brackets.

As per our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 :

SHARE CAPITAL

			As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
Authorised				
27,20,00,000	(Previous Year 19,80,00,000) Equity Shares of Rs. 10/- each		**27,200.00**	19,800.00
200	(Previous Year 200) Non Cumulative Redeemable Preference Shares of Rs. 100,000/- each		**200.00**	200.00
2,60,00,000	(Previous Year Nil) Non Cumulative Redeemable Preference Shares of Rs. 10/- each		**2,600.00**	–
			30,000.00	20,000.00
Issued & Subscribed				
18,06,70,094	(Previous Year 16,99,99,900) Equity Shares of Rs. 10/- each fully paid up		**18,067.01**	16,999.99
100	(Previous Year 100) 1% Non Cumulative Redeemable Preference Shares of Rs. 1,00,000/- each		**100.00**	100.00
2,60,00,000	(Previous Year Nil) 5% Non Cumulative Redeemable Preference Shares of Rs. 10/- each		**2,600.00**	–

Of the above:

i) 15,43,26,940 Equity Shares (Previous Year 15,43,26,940 Shares) are held by Fortis Healthcare Holdings Limited, the Holding Company.

ii) 5,20,000 Shares of Rs.10 each are allotted as fully paid up pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005, for consideration other than cash.

iii) 1% Non Cumulative Redeemable Preference Shares of Rs. 1,00,000/- each were allotted by the Company on August 04, 2005. These are redeemable in full or in part at par at the option either of the allottee after completion of 3 years from the date of allotment, or by the Company at any time, but not later than 10 years from the date of allotment.

iv) 5% Non Cumulative Redeemable Preference Shares of Rs. 10/- each were allotted by the Company at a premium of Rs. 90/- per share on September 25, 2006. These are redeemable in full or in part at a premium of Rs. 90/- per share at the option either of the allottee after completion of 3 years from the date of allotment, or by the Company at any time, but not later than 5 years from the date of allotment.

		20,767.01	17,099.99

SCHEDULE 2 :

RESERVES & SURPLUS

		As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
Amalgamation Reserve (Pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005)		**156.00**	156.00
Securities Premium Account			
Balance as per last account	**–**		
Add : Premium received during the year on issue of shares	**37,701.94**		
Less : Applied towards writing off expenses incurred for issue of shares	**(410.36)**	**37,291.58**	–
		37,447.58	156.00

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 3 :		
SECURED LOANS		
Term Loans from Banks		
(Amount repayable within one year Rs. 21,548.06 Lacs (Previous Year Rs. 35,843.19 Lacs))	**22,775.16**	37,951.16
Term Loan from a Body Corporate	**1,500.00**	–
(Amount repayable within one year Rs. 300 Lacs (Previous Year Rs. Nil))		
Short Term Loans From a Bank		
Bank Overdraft	**168.98**	207.94
Bills Discounted	**104.23**	411.38
Loans For Vehicles	**110.56**	60.40
(Amount repayable within one year Rs. 52.83 Lacs (Previous Year Rs. 25.39 Lacs))		
	24,658.93	38,630.88

Notes :

1. Term loan from Bank amounting to Rs. 2,045.16 Lacs (Previous Year Rs. 2,951.16 Lacs) is secured by first charge by way of hypothecation of all present and future moveable properties of the Company which inter alia include plant & machinery , medical equipments, computers, furniture and fixtures and other fixed assets installed / stored at Mohali, Punjab or kept at any other hospital site (excluding vehicles hypothecated against specific loans).
2. Term loan from Bank amounting to Rs. 20,730.00 Lacs (Previous Year Rs. 30,000.00 Lacs) is secured by pledge of 18,00,000 shares of Escorts Heart Institute & Research Center Limited (EHIRCL) and is also secured by Personal Guarantee of the Managing Director & another Director of the Company.
3. Term loan from Bank amounting to Rs. Nil (Previous Year Rs. 500.00 Lacs) is secured by second charge by way of hypothecation of movable Fixed Assets of the Company and further secured by pledge of 7,50,000 Shares of Ranbaxy Laboratories Limited (RLL) held by Ranbaxy Holding Company (RHC) and is also secured by Personal Guarantee of the Managing Director & another Director of the Company.
4. Working capital loan from Bank amounting to Rs. 168.98 Lacs is secured by first charge on current assets both present & future of the Company situated at Fortis Hospital Mohali and is also secured by Corporate Guarantee from Ranbaxy Holding Company (RHC).
5. Bill discounted from Bank amounting to Rs. 104.23 Lacs (Previous Year Rs. 411.38 Lacs) is secured by second charge on all present and future fixed assets of the Company on pari passu basis with other lenders and is also secured by Corporate Guarantee from Ranbaxy Holding Company (RHC).
6. Term loan from a Body Corporate amounting to Rs. 1,500.00 Lacs (Previous Year Rs. Nil) is secured by first charge by way of hypothecation on specific equipments of Rs.1,958.57 Lacs.
7. Loans for Vehicles amounting to Rs. 110.56 Lacs (Previous Year Rs. 60.40 Lacs) are secured by hypothecation of respective vehicles.

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 4 :		
UNSECURED LOANS		
Term Loans from Banks	**14,500.00**	6,000.00

(Amount repayable within one year Rs. 14,500.00 Lacs (Previous Year Rs. 6,000.00 Lacs))

Out of the above:

i) Term Loan of Rs. 3,000.00 Lacs (Previous Year Rs. 3,000.00 Lacs) is obtained on Personal Guarantee of Managing Director.

ii) Term Loan of Rs. Nil (Previous Year Rs. 3,000.00 Lacs) is obtained by pledge of 15,73,000 Shares of Ranbaxy Laboratories Limited (RLL) held by Ranbaxy Holding Company (RHC).

iii) Term Loan of Rs. 2,500.00 Lacs (Previous Year Rs. Nil) is obtained by pledge of 12,82,100 Shares of Ranbaxy Laboratories Limited (RLL) held by Oscar Investments Limited.

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 4 :		
UNSECURED LOANS (Contd.)		
Bank Overdraft	**1,357.40**	–
Bank Overdraft facility of Rs. 1,357.40 Lacs (Previous Year Rs. Nil) is obtained on Personal Guarantee of the Managing Director & another Director of the Company.		
From a Subsidiary - Short term	**73.29**	904.35
From Bodies Corporate	**250.00**	–
	16,180.69	6,904.35

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 5 :		
DEFERRED PAYMENT LIABILITY		
Deferred Payment Credit	**499.33**	998.66
(Amount payable to HUDA towards land purchased at Gurgaon)		
(Amount repayable within one year Rs. 249.67 Lacs (Previous Year Rs. 499.33 Lacs))		
Interest Accrued & Due on Deferred Payment Credit	**–**	37.71
	499.33	1,036.37

Fortis

SCHEDULES TO THE ACCOUNTS

SCHEDULE 6 :

FIXED ASSETS

(Rs. in Lacs)

	GROSS BLOCK					DEPRECIATION & AMORTISATION					NET BLOCK	
	As at April 1, 2006	Additions	Additions on account of Amalgamation	Deletions/ Adjustments	**As at March 31, 2007**	As at April 1, 2006	For the year	Additions on account of Amalgamation	Deletions/ Adjustments	**As at March 31, 2007**	**As at March 31, 2007**	As at March 31, 2006
Intangible Assets												
Technical Know How Fees	201.42	–	–	–	**201.42**	201.42	–	–	–	**201.42**	**–**	–
Software	157.99	115.42	–	–	**273.41**	121.60	29.72	–	–	**151.32**	**122.09**	36.39
Tangible Assets												
Freehold Land	1,858.35	–	–	–	**1,858.35**	–	–	–	–	**–**	**1,858.35**	1,858.35
Plant & Machinery	1,565.60	110.52	–	–	**1,676.12**	460.89	159.59	–	–	**620.48**	**1,055.64**	1,104.71
Medical Equipments	4,363.53	2,678.51	–	3.93	**7,038.11**	1,243.55	499.18	–	1.42	**1,741.31**	**5,296.80**	3,119.98
Furniture & Fittings	288.77	194.37	–	–	**483.14**	119.17	78.05	–	–	**197.22**	**285.92**	169.60
Computers	391.92	147.87	–	9.73	**530.06**	247.11	85.71	–	8.96	**323.86**	**206.20**	144.81
Office Equipments	119.20	43.23	–	–	**162.43**	25.36	8.46	–	–	**33.82**	**128.61**	93.84
Vehicles	221.39	140.55	–	43.66	**318.28**	62.24	28.96	–	15.93	**75.27**	**243.01**	159.15
Leasehold Improvements	1,668.17	59.83	–	–	**1,728.00**	551.63	167.37	–	–	**719.00**	**1,009.00**	1,116.54
Total	10,836.34	3,490.30	–	57.32	**14,269.32**	3,032.97	1,057.04	–	26.31	**4,063.70**	**10,205.62**	7,803.37
Capital Work in Progress (including Capital Advances of Rs. 25.81 Lacs) (Previous Year Rs. 5.87 Lacs)	–	–	–	–	**–**	–	–	–	–	**–**	**681.95**	2,069.90
Grand Total	10,836.34	3,490.30	–	57.32	**14,269.32**	3,032.97	1,057.04	–	26.31	**4,063.70**	**10,887.57**	9,873.27
Previous Year	7,823.07	2,616.05	406.15	8.93	**10,836.34**	2,247.50	733.52	55.43	3.48	**3,032.97**	**9,873.27**	5,670.71

Notes:

(1) Freehold land is pending registration in the name of the Company.

(2) Capital work in progress includes Rs. 540.27 Lacs (Previous Year Rs. 350.74 Lacs) relating to expenses incurred during the construction period as per Schedule 6 A.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 6 A :

Expenditure during Construction Period (Pending Capitalization/Allocation)

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
Opening Balance	**350.74**	–
Add:Expenditure incurred during the year		
Personnel Expenses		
Salaries, Wages and Bonus	**68.03**	16.68
Contribution to Provident & Other Funds	**3.87**	0.84
Staff Welfare Expenses	**–**	0.59
Recruitment & Training	**–**	0.44
	71.90	18.55
Operating Expenses		
Power & Fuel	**0.93**	0.39
Housekeeping Expenses including Consumables	**–**	0.06
	0.93	0.45
Selling, General and Administrative Expenses		
Legal & Professional Fee (including Architect fees of Rs. 21.70 Lacs)	**9.29**	27.10
Travel & Conveyance	**10.54**	4.00
Repairs & Maintenance - Others	**–**	0.63
Rates & Taxes	**–**	0.04
Insurance	**–**	0.38
Rent	**7.44**	1.75
Marketing & Business Promotion	**–**	0.54
Miscellaneous Expenses	**–**	1.22
	27.27	35.66
Financial Expenses		
Interest (on borrowings for Land)	**93.30**	296.08
	93.30	296.08
Less:Expenses transferred to Profit & Loss Account	**3.87**	–
Balance carried forward to Balance Sheet	**540.27**	350.74

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 7 :		
INVESTMENTS		
Long Term Investments (At Cost)		
Unquoted, fully paid-up		
A. Trade		
Sunrise Medicare Pvt Ltd. (5,09,366 Equity Shares of Rs.10/- each)	**50.94**	50.94
B. In Subsidiary Company		
Escorts Heart Institute & Research Center Limited (18,00,300 Equity Shares of Rs.10/- each) (Of the above, 40 shares are held by nominee shareholders and 18,00,000 shares are pledged with a Bank as security for term loan)	**58,894.80**	58,894.80
International Hospital Limited (40,21,090 Equity Shares of Rs.100/- each)	**4,021.09**	4,021.09
Oscar Biotech Pvt Limited (4,50,00,000 Equity Shares of Rs.10/- each) (Of the above, 100 shares are held by nominee shareholders)	**4,500.00**	4,500.00
Hiranandani Healthcare Pvt Limited (10,00,000 (Previous Year Nil) Equity Share of Rs.10/- each) (Of the above, 3 shares are held by nominee shareholders)	**100**	–
	67,566.83	67,466.83
Aggregate amount of quoted investments	**–**	–
Aggregate amount of unquoted investments	**67,566.83**	67,466.83

SCHEDULE 8 :		
INVENTORIES (at lower of cost and net realisable value)		
Medical Consumables and Pharmacy Items	**232.66**	202.08
Fuel	**5.70**	5.38
	238.36	207.46

SCHEDULE 9 :		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding Six Months		
Unsecured, Considered Good	**901.58**	609.45
Considered Doubtful	**145.35**	126.88
Other Debts		
Unsecured, Considered Good	**2,185.31**	1,291.83
Considered Doubtful	**–**	16.44
	3,232.24	2,044.60
Less : Provision for Doubtful Debts	**145.35**	143.32
	3,086.89	1,901.28

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 10 :		
CASH & BANK BALANCES		
Cash on Hand	**4.26**	10.00
Cheques on hand	**–**	–
Balances with Scheduled Banks		
– On Current Accounts	**118.28**	76.44
– On Fixed Deposit Accounts	**–**	1,200.00
	122.54	1,286.44
SCHEDULE 11 :		
OTHER CURRENT ASSETS		
Interest Accrued & Not Due on Loans & Deposits	**15.53**	50.52
Accrued Operating Income	**196.71**	204.95
	212.24	255.47
SCHEDULE 12 :		
LOANS & ADVANCES		
Unsecured, Considered good		
Loans to Subsidiaries	**4,257.44**	321.28
Loans to Bodies Corporate & Others	**513.74**	1,062.94
Loans to Employees	**–**	0.12
Advances Recoverable in cash or in kind or for value to be received	**2,080.49**	651.66
Advance Tax and Tax Deducted at Source	**88.68**	17.56
Security Deposits	**139.44**	128.17
Considered Doubtful		
Advances Recoverable in cash or in kind or for value to be received	**–**	1.71
Advance Tax and Tax Deducted at Source	**20.62**	20.62
	7,100.41	2,204.06
Less : Provision for Doubtful Advances	**20.62**	22.33
	7,079.79	2,181.73
Included in Loans & Advances are:		
i) **Dues from Companies under the same Management:**		
SRL Ranbaxy Limited (Maximum amount outstanding during the year Rs. 297.58 Lacs; Previous Year Rs. 74.59 Lacs)	**297.58**	74.59
ii) **Dues from Subsidiaries**		
International Hospital Limited (Maximum amount outstanding during the year Rs. 321.28 Lacs; Previous Year Rs. 321.28 Lacs)	**70.06**	321.28
Oscar Biotech Private Limited (Maximum amount outstanding during the year Rs. 1,024.37 Lacs; Previous Year Rs. Nil)	**1,024.37**	–
Escorts Heart and Super Speciality Institute Limited (Maximum amount outstanding during the year Rs. 6.99 Lacs; Previous Year Rs. 2.88 Lacs)	**6.12**	2.88
Hiranandani Healthcare Private limited (Maximum amount outstanding during the year Rs. 3,163.02 Lacs; Previous Year Rs. Nil)	**3,163.02**	–
iii) **Dues from a Director** (Maximum amount outstanding during the year Rs. 28.67 Lacs; Previous Year Rs.10.98 Lacs)	–	–

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 13 :		
LIABILITIES		
Acceptances	**–**	78.65
Sundry Creditors	**2,395.43**	1,606.76
Book Overdraft	**–**	1.94
Advances from Patients	**169.81**	175.08
Security Deposits	**7.69**	4.74
Interest Accrued but Not Due on Loans	**328.42**	200.15
Other Liabilities	**165.99**	105.23
	3,067.34	2,172.55
Due to small scale industrial undertakings included in Sundry Creditors (as certified by the management)	**–**	–
Due to other than small scale industrial undertakings included in Sundry Creditors	**2,395.43**	1,606.76
Due to Directors & their relatives	**–**	4.05
SCHEDULE 14 :		
PROVISIONS		
Wealth Tax	**1.16**	0.57
Fringe Benefit Tax	**–**	1.78
Gratuity	**226.36**	80.56
Leave Encashment	**203.19**	58.38
	430.71	141.29
SCHEDULE 15 :		
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Arrangement Fees on Term Loan		
Balance Brought Forward	**12.71**	16.79
Incurred during the year	**–**	–
	12.71	16.79
Less : Written off during the year	**4.08**	4.08
	8.63	12.71

SCHEDULES TO THE ACCOUNTS

	For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
SCHEDULE 16 :		
OPERATING INCOME		
In Patient	**11,232.57**	9,060.54
Out Patient	**912.42**	651.68
Service Income from Pathology Laboratory		
Management Fees from Hospitals	**67.73**	45.56
Pharmacy	**195.33**	162.27
	12,408.05	9,920.05
Less: Discounts	**105.84**	147.11
	12,302.21	9,772.94
SCHEDULE 17 :		
OTHER INCOME		
Rehabiliation Centre	**81.91**	96.99
Rent	**26.57**	22.63
Interest	**290.40**	67.40
(Tax Deducted at Source Rs. 50.96 Lacs (Previous Year Rs. 3.47 Lacs))		
Unclaimed Balances and Excess Provisions Written Back	**47.40**	6.00
Equipment Lease Rental (refer Note 5 (b) (ii) of Schedule 25)	**435.61**	–
Exchange Fluctuation Gain	**60.54**	–
Miscellaneous Income	**36.88**	32.29
	979.31	225.31
SCHEDULE 18 :		
MATERIALS CONSUMED		
Medical Consumables and Pharmacy Items:		
Opening Stock	**202.08**	136.91
Add: Stock of Amalgamating Company	**–**	9.72
Add: Purchases	**4,868.49**	3,750.69
Less: Closing Stock	**232.66**	202.08
	4,837.91	3,695.24
SCHEDULE 19 :		
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	**2,305.67**	1,616.15
Gratuity	**53.57**	22.67
Leave Encashment	**27.35**	40.45
Contribution to Provident & Other Funds	**137.11**	81.99
Staff Welfare Expenses	**77.67**	60.22
Recruitment & Training	**37.58**	23.66
	2,638.95	1,845.14

SCHEDULES TO THE ACCOUNTS

	For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
SCHEDULE 20 :		
OPERATING EXPENSES		
Power & Fuel	**357.25**	291.23
Housekeeping Expenses including Consumables	**145.68**	123.02
Patient Food	**126.29**	81.85
Pathology Laboratory Expenses	**144.84**	135.37
Radiology Expenses	**168.46**	14.80
Consultation Fees to Doctors	**449.10**	457.30
Professional Charges to Doctors	**807.09**	649.83
Repairs & Maintenance		
– Building	**26.38**	22.80
– Plant & Machinery	**230.21**	140.59
Rent		
– Hospital Building	**605.85**	604.78
– Equipments	**25.45**	24.44
	3,086.60	2,546.01

SCHEDULE 21 :		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Donations	**28.00**	12.50
Legal & Professional Fee	**202.68**	101.87
Travel & Conveyance	**155.55**	163.99
Repairs & Maintenance - Others	**52.45**	41.43
Rates & Taxes	**171.27**	80.70
Directors' Sitting Fees	**8.10**	9.15
Insurance	**73.95**	51.36
Rent	**98.91**	34.10
Marketing & Business Promotion	**167.03**	178.08
Affiliation Fee	**–**	31.07
Wealth Tax	**1.10**	0.51
Loss on Sale of Assets	**9.04**	3.20
Auditors' Remuneration		
– Audit Fee (including Rs. Nil (Previous Year Rs. 1.56 Lacs) for previous year)	**11.24**	12.06
– Tax Audit Fee (including Rs. Nil (Previous Year Rs. 1.41 Lacs) for previous year)	**3.37**	2.79
– Other Services	**–**	–
– Out of pocket Expenses	**0.33**	0.21
Exchange Fluctuation Loss	**–**	97.02
Bad Debts and Sundry Balances written off	**82.11**	4.10
Provision for Doubtful Debts	**5.87**	55.66
Miscellaneous Expenses	**260.84**	148.22
	1,331.84	1,028.02

SCHEDULES TO THE ACCOUNTS

	For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
SCHEDULE 22 :		
FINANCIAL EXPENSES		
Interest		
– On Fixed Loans	**4,719.03**	2,659.88
– Others	**115.62**	67.60
Finance Charges	**116.74**	171.71
Arrangement Fees Written off	**4.08**	4.08
Bank Charges	**9.35**	4.82
	4,964.82	2,908.09
SCHEDULE 23 :		
PRIOR PERIOD ITEMS		
Material consumed	**28.58**	8.41
Discount on sales	**–**	6.91
Gratuity (refer Note 15 of Schedule 25)	**90.95**	–
Leave Encashment (refer Note 15 of Schedule 25)	**79.94**	–
Staff Welfare Expenses	**0.59**	–
Recruitment & Training	**0.44**	–
Housekeeping Expenses including Consumables	**0.06**	–
Repairs & Maintenance - Others	**0.63**	–
Insurance	**0.38**	–
Marketing & Business Promotion	**0.54**	–
Miscellaneous Expenses	**1.22**	–
Reversal of Management Fees from Hospitals	**4.92**	–
Reversal of Pathology Laboratory Expenses	**(7.50)**	–
	200.75	15.32
SCHEDULE 24 :		
EARNINGS PER SHARE (EPS)		
Net loss as per profit and loss account	**(4,868.86)**	(2,795.12)
Weighted average number of equity shares in calculating basic EPS	**17,11,23,304**	8,50,25,352
Add : Weighted average number of equity shares which would be issued on the allotment of equity shares against share application money pending allotment	**–**	36,429
Weighted average number of equity shares in calculating diluted EPS	**17,11,23,304**	8,50,61,781

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 25: Notes to the Financial Statements

1. Nature of Operations

The Company was incorporated in the year 1996 to set up, manage and operate a chain of multi speciality hospitals and it commenced its commercial operations by setting up the Fortis Heart Institute and Multi-Speciality Hospital at Mohali in the year 2001. Subsequently, the Company has set up / taken over the management of other hospitals in different parts of the country. Subsequent to the close of the year, the Company has successfully completed an Initial Public Offer ("the Issue") of 4,59,96,439 equity shares of Rs. 10 each. Accordingly the Company has become a listed entity effective May 9, 2007, with its shares being traded on both BSE and NSE.

2. Statement of Significant Accounting Policies

(a) Basis of preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company and except for the changes in accounting policies discuss more fully below, are consistent with those used in the previous year.

(b) Changes in Accounting Policies

Adoption of Accounting Standard 15 (Revised) on Employee Benefits

In current year, the Company has voluntarily adopted the Accounting Standard 15 (Revised) which is mandatory from accounting periods starting from December 7, 2006. Accordingly, the basis of actuarial valuation of earned leaves liability has been changed. As a result, the valuation of short term compensated absences forming part of accrued leaves as at March 31, 2006, is higher by Rs. 23.19 Lacs and the same has been adjusted to the opening debit balance of Profit and Loss account as at April 1, 2006. This change does not have any material impact on the loss for the current year.

(c) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relates to the period till such assets are ready to be put to use.

(d) Depreciation

i) Depreciation on Leasehold Improvements is provided over the primary period of lease of 3-14 years or over the useful lives of the respective fixed assets, whichever is shorter.

ii) Depreciation on all other fixed assets is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, whichever is higher.

iii) Individual assets not exceeding Rs. 5,000 are depreciated fully in the year of purchase.

(e) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised 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 Profit and Loss account.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increases the value of the asset beyond its originally assessed standard of performance.

(f) Intangibles

Technical Know-how Fees

Technical Know-how Fees paid to Partner Healthcare System, Boston (USA) is amortized over a period of 3 years from the date of commencement of commercial operations.

Softwares

Cost of Softwares is amortized over a period of 6 years, being the estimated useful life as per the management estimate.

(g) Impairment

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 at the weighted average cost of capital.

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

iii) A previously recognised impairment loss, if any, is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(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 Profit and Loss account on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss account on a straight-line basis over the lease term. Costs, including depreciation are recognised as expense in the Profit and Loss account.

(i) Investments

Investments that are intended to be held for more than a year are classified as Long-term investments. Long-term investments are carried at cost. Provision for diminution in value is made to recognise a decline other than temporary in the value of the investments, wherever required.

(j) Inventories

Inventories are valued as follows:

Medical Consumables, Pharmacy Items and Fuel	Lower of cost and net realizable value. Cost is determined on weighted average basis.

Other consumables, stores and spares, being immaterial in value terms, are being charged to consumption in the year of purchase.

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

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Operating Income

Operating Income is recognised as and when the services are rendered / pharmacy items are sold. Management fee from hospitals is recognised as per the terms of the agreement with respective hospitals.

Rehabilitation Centre Income

Revenue is recognised as and when the services are rendered at the centre.

Equipment Lease Rentals

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

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(l) Deferred Revenue Expenditure

Cost incurred in raising funds (Arrangement fees on Term Loan) is amortised over the period for which the funds are acquired.

(m) Foreign Currency Transactions

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 reported using the closing rate. Non-monetary items that are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arises. Exchange differences on liabilities relating to fixed assets acquired from outside India are added to the cost of such assets.

(n) Retirement and Employee Benefits:

a. Provident Fund

Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the fund.

b. Gratuity

Gratuity liability is 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.

c. Leave Encashment

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made at the end of the year.

d. Actuarial Gains/Losses

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

(o) Income Taxes

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised 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 realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets 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 realised.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the year. 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 balance sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3. Segment Reporting Policy

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 'Segment Reporting'.

4. Related Party Disclosures

Names of Related parties (as certified by the management)

Holding Company	Fortis Healthcare Holdings Limited with effect from March 31, 2006.
Subsidiary Companies	a) Hiranandani Healthcare Private Limited with effect from February 14, 2007. b) International Hospital Limited ('IHL') which was a board subsidiary of the Company since December 20, 2002, has become 99.90% subsidiary of the Company with effect from March 20, 2006. c) Oscar Bio-Tech Private Limited ('OBTPL') with effect from March 20, 2006. d) Escorts Heart Institute and Research Centre Limited ('EHIRCL') with effect from September 29, 2005. e) Escorts Hospital and Research Centre Limited with effect from September 29, 2005. f) Escorts Heart and Super Speciality Institute Limited with effect from September 29, 2005. g) Escorts Heart and Super Speciality Hospital Limited with effect from September 29, 2005. h) Escorts Heart Centre Limited with effect from September 29, 2005. Companies from (e) to (h) above are subsidiaries of 'EHIRCL'.
Associate	Sunrise Medicare Private Limited with effect from January 3, 2006.
Key Management Personnel ("KMP")	Mr. Harpal Singh - Chairman, Mr. Shivinder Mohan Singh - Managing Director
Enterprises owned or significantly influenced by key management personnel or their relatives	SRL Ranbaxy Limited ('SRL'), Ranbaxy Laboratories Limited ('RLL'), Ranbaxy Holding Company ('RHC'), Fortis Nursing Education Society, Religare Enterprises Ltd., Religare Securities Ltd.

	Year 2006-07					Year 2005-06				
Transaction details	**Holding**	**Subsidiaries**	**Associate**	**Key management personnel (KMP)**	**Enterprises owned/ significantly influenced by KMP /their relatives**	**Holding**	**Subsidiaries**	**Associates**	**Key management personnel (KMP)**	**Enterprises owned/ significantly influenced by KMP / their relatives**
Transactions during the year										
Expenses allocated to related parties										
International Hospitals Limited	–	**401.73**	–	–	–	–	364.01	–	–	–
Oscar Bio-Tech Private Limited	–	**287.86**	–	–	–	–	133.45	–	–	–
SRL Ranbaxy Limited	–	–	–	–	**261.09**	–	–	–	–	242.90
Sunrise Medicare Private Limited	–	–	**24.39**	–	–	–	–	9.43	–	–
Operation & Management Fees										
Sunrise Medicare Private Limited	–	–	**62.10**	–	–	–	–	10.40	–	–
Interest Income										
International Hospitals Limited	–	**6.62**	–	–	–	–	–	–	–	–
Sunrise Medicare Private Limited	–	–	**34.83**	–	–	–	–	6.00	–	–
Oscar Bio-Tech Private Limited	–	**33.05**	–	–	–	–	–	–	–	–
SRL Ranbaxy Limited	–	–	–	–	**13.03**	–	–	–	–	–
Fortis Nursing Education Society	–	–	–	–	**15.53**	–	–	–	–	–
Hiranandani Healthcare Private Limited	–	**41.70**	–	–	–	–	–	–	–	–
Interest Expense										
International Hospitals Limited	–	–	–	–	–	–	1.44	–	–	–
Oscar Bio-Tech Private Limited	–	**25.14**	–	–	–	–	3.05	–	–	–
Rehabilitation Centre Income										
International Hospitals Limited	–	–	–	–	–	–	0.35	–	–	–
Pathology Expenses										
SRL Ranbaxy Limited	–	–	–	–	**97.19**	–	–	–	–	81.26
Income from Doctor Share										
Escorts Heart and Super Speciality Institute Limited	–	**2.29**	–	–	–	–	5.11	–	–	–
Expenses for Doctor Share and Radiology										
Escorts Heart and Super Speciality Institute Limited	–	**0.82**	–	–	–	–	5.11	–	–	–
Purchases of Medical consumables and pharmacy items										
Ranbaxy Laboratories Limited	–	–	–	–	**193.33**	–	–	–	–	162.90
Legal & Professional Fee										
Religare Enterprises Limited	–	–	–	–	**284.65**	–	–	–	–	–
Religare Securities Limited	–	–	–	–	**125.73**	–	–	–	–	–
Managerial Remuneration										
Mr. Harpal Singh	–	–	–	–	–	–	–	–	6.58	–
Mr. Shivinder Mohan Singh (refer Note 18.1 of Schedule 26)	–	–	–	**140.88**	–	–	–	–	13.56	–
Sale of Fixed Assets										
International Hospitals Limited	–	**3.00**	–	–	–	–	–	–	–	–
Loan / Advances given during the year										
Fortis Nursing Education Society	–	–	–	–	**250.00**	–	–	–	–	–
Hiranandani Healthcare Private Limited	–	**3,163.02**	–	–	–	–	–	–	–	–
Sunrise Medicare Private Limited	–	–	**63.80**	–	–	–	–	199.94	–	–
Investments made during the year										
Hiranandani Healthcare Private Limited	–	**100.00**	–	–	–	–	–	–	–	–
Subscription of Share Capital										
Fortis Healthcare Holdings Limited	**26,000.00**	–	–	–	–	34,518.00	–	–	–	–
Personal Guarantee for Loans Taken										
Managing Director (refer Note c below)	–	–	–	**5,000.00**	–	–	–	–	38,000.00	–

Transaction details	Year 2006-07					Year 2005-06				
	Holding	Subsidiaries	Associate	Key management personnel (KMP)	Enterprises owned/ significantly influenced by KMP /their relatives	Holding	Subsidiaries	Associates	Key management personnel (KMP)	Enterprises owned/ significantly influenced by KMP /their relatives
Licence User Agreement Fees										
Ranbaxy Holding Company	**–**	**–**	**–**	**–**	**–**	–	–	–	–	1.00
Balance Outstanding at the year end										
Loans / Advances recoverable										
Escorts Heart and Super Speciality Institute Limited	**–**	**6.12**	**–**	**–**	**–**	–	2.88	–	–	–
International Hospitals Limited	**–**	**70.06**	**–**	**–**	**–**	–	321.28	–	–	–
SRL Ranbaxy Limited	**–**	**–**	**–**	**–**	**297.58**	–	–	–	–	74.59
Oscar Bio-Tech Private Limited	**–**	**1,024.37**	**–**	**–**	**–**	–	–	–	–	–
Sunrise Medicare Private Limited	**–**	**–**	**304.20**	**–**	**–**	–	–	208.78	–	–
Fortis Nursing Education Society	**–**	**–**	**–**	**–**	**250.00**	–	–	–	–	–
Hiranandani Healthcare Private Limited	**–**	**3,163.02**	**–**	**–**	**–**	–	–	–	–	–
Unsecured Loans										
Oscar Bio-Tech Private Limited	**–**	**–**	**–**	**–**	**–**	–	904.35	–	–	–
Escorts Heart Institute Research Centre Limited	**–**	**73.29**	**–**	**–**	**–**	–	–	–	–	–
Other Current Assets										
Fortis Nursing Education Society	**–**	**–**	**–**	**–**	**15.53**	–	–	–	–	–
Sundry Debtors										
Sunrise Medicare Private Limited	**–**	**–**	**75.71**	**–**	**–**	–	–	10.40	–	–
Sundry Creditors										
Ranbaxy Laboratories Limited	**–**	**–**	**–**	**–**	**44.06**	–	–	–	–	72.00
Investment										
Escorts Heart Institute Research Centre Limited	**–**	**58,894.80**	**–**	**–**	**–**	–	58,894.80	–	–	–
International Hospitals Limited	**–**	**4,021.09**	**–**	**–**	**–**	–	4,021.09	–	–	–
Oscar Bio-Tech Private Limited	**–**	**4,500.00**	**–**	**–**	**–**	–	4,500.00	–	–	–
Sunrise Medicare Private Limited	**–**	**–**	**50.94**	**–**	**–**	–	–	50.94	–	–
Hiranandani Healthcare Private Limited	**–**	**100.00**	**–**	**–**	**–**	–	–	–	–	–
Corporate Guarantee for Loans Taken										
Ranbaxy Holding Company (excluding 2,323,000 shares of Ranbaxy Laboratories Limited pledged for loans taken by the Company)	**–**	**–**	**–**	**–**	**750.00**	–	–	–	–	750.00
Personal Guarantee for Loans Taken										
Managing Director (refer Note d below)	**–**	**–**	**–**	**43,000.00**	**–**	–	–	–	38,000.00	–

Notes:

a) All figures are in Rs. Lacs.

b) Expenses incurred on behalf of / by related parties, and later reimbursed by / to them have not been considered above.

c) This amount excludes Rs. 341.34 Lacs (Previous Year Rs. 22.60 Lacs) for interest on loan which is also covered under the guarantee given.

d) This amount excludes Rs. 32.88 Lacs (Previous Year Rs. Nil) for interest accrued on loan which is also covered under the guarantee given.

5. (a) Assets taken on Operating Lease

(i) Hospital / office premises are obtained on operating lease for 3 to 14 years. 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. All these leases are cancelable in nature. The total lease payments in respect of such leases recognised in the profit and loss account for the year are Rs. 687.99 Lacs (Previous Year Rs. 625.96 Lacs).

(ii) The Company has also taken few Medical Equipments on non-cancelable operating leases for a period of 7 years. There is no escalation clause in the lease agreements. There is no restriction imposed by lease arrangements and the rent is not determined based on any contingency. The total of future minimum lease payments under the non-cancellable operating leases are as under:

(Rs. in Lacs)

	2007	**2006**
Lease payments for the year:	**25.25**	22.04
Minimum lease payments due -		
Not later than one year	**36.81**	25.25
Later than one year but not later than five years	**139.96**	175.43
Later than five years	**0.42**	1.77

(b) Assets given on Operating Lease

(i) The Company has leased out some portion of hospital premises for a period of 9 months to 10 years. 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. All these leases are cancellable in nature. The total lease payments received / receivable in respect of the above leases recognised in the profit and loss account for the year are Rs. 26.08 Lacs (Previous Year Rs. 22.17 Lacs).

(ii) The Company has leased out certain capital assets during the year on operating lease to a Trust managing hospital operations. The lease term is for 3 years and thereafter renewable at the option of the lessor. There are no restrictions imposed by the lease arrangements and the rent is not determined based on any contingency. There is no escalation clause in the lease agreements. The lease arrangement is non-cancellable in nature. The details of the capital assets given on operating lease are as under:

(Rs. in Lacs)

Particulars	**Gross Block as at March 31, 2007**	**Accumulated Depreciation as at March 31, 2007**	**Net Block as at March 31, 2007**
Software	0.17	0.02	0.15
Plant & Machinery	94.88	7.29	87.59
Medical Equipments	2,282.03	177.00	2,105.03
Furniture & Fittings	172.68	51.78	120.90
Computers	92.97	17.18	75.79
Office Equipments	26.25	1.33	24.92
Vehicles	32.46	2.57	29.89
Total	**2,701.44**	**257.17**	**2,444.27**

The total of future minimum lease payments received / receivable under the non-cancellable operating leases are as under:

(Rs. in Lacs)

	March 31, 2007
Lease payments received for the year:	**435.61**
Minimum lease payments receivable -	
Not later than one year	**607.50**
Later than one year but not later than five years	**759.37**
Later than five years	**–**

6. The Company has deferred tax liability of Rs. 932.47 Lacs on timing differences in depreciation and other differences in block of fixed assets as per the tax books and financial books and deferred tax assets of Rs. 2,585.95 Lacs on unabsorbed depreciation as at March 31, 2007. The deferred tax liability being less than the deferred tax assets, in context of block of assets, has not been provided for at the year end.

Also, in accordance with Accounting Standard 22 ‘Accounting for Taxes on Income’, issued by the Institute of Chartered Accountants of India, in view of the losses incurred by the Company during the year and large amount of accumulated losses carried forward at the close of the year, deferred tax assets on timing differences and on carried-forward losses and unabsorbed depreciation have not been accounted for in the books since it is not virtually certain whether the Company will be able to take advantage of such losses / depreciation.

	2007	2006
		(Rs. in Lacs)
7. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital Advances of Rs. 25.81 Lacs (Previous Year Rs. 5.87 Lacs))	**278.05**	839.09
8. Contingent liabilities (not provided for) in respect of:		
a) Claims against the Company not acknowledged as debts (in respect of compensation demanded by the patients / their relatives for negligence). The cases are pending with various Consumer Disputes Redressal Commissions. As per the management, these claims are not likely to devolve on the Company due to their frivolous nature.	**343.25**	188.43
b) Arrears demanded by Punjab State Electricity Board (PSEB) in respect of cost of wire used at the time of releasing the power connection at Mohali Hospital in 2001, against which Rs. 1.73 Lacs has been deposited under protest. As per the management, this claim is not likely to devolve on the Company as all the old dues have already been paid.	**5.17**	–
c) Unredeemed Bank Guarantees executed in favour of lessor as security for hospital land and building taken on lease.	**139.53**	139.53
d) Unredeemed Bank Guarantees executed in favour of Excise and Taxation Department, Mohali for sales tax purposes.	**0.30**	0.30
e) Unredeemed Bank Guarantees executed in favour of Commissioner of Value Added Tax, Delhi for Delhi Value Added Tax registration purpose.	**1.00**	–

9. The Company has incurred losses of Rs. 4,868.86 Lacs during the current year and has accumulated losses of Rs. 13,848.74 Lacs as at March 31, 2007, which has resulted in erosion of a portion of the Company's net worth. The cash loss component out of total loss of Rs. 4,868.86 Lacs is Rs. 3,811.82 Lacs which includes borrowing cost of Rs. 3,747.66 Lacs relating to the investment in a subsidiary. In view of above and the additional funds raised by the Company through the Issue subsequent to the close of the year to meet the cost of development and construction of new hospital by a subsidiary, to refinance the funds availed for the acquisition of investment in a subsidiary and to prepay some short term loans, the accounts have been continued to be prepared on a going concern basis.

10. Sundry debtors' balances for Ex-Servicemen Contributory Health Scheme (ECHS) and Serving Defense Personnel of Rs. 2,297.68 Lacs and Rs. 29.23 Lacs respectively as at the year end remain subject to confirmation. The Company has made the provision for doubtful debts of Rs. 31.48 Lacs against the above which, in the opinion of the management, is adequate. The management does not anticipate any material changes in the balance dues considered good of recovery in the financial statements.

11. The Company has incurred expenses aggregating to Rs. 893.98 Lacs (including Rs. 95.54 Lacs paid / payable to auditors) up to March 31, 2007 in connection with its proposed Issue. In terms of Section 78 of the Companies Act, 1956, the management proposes to adjust the same with the Securities Premium received during the year and the amount to be received against the Issue, and hence, the same has not been expensed off.

12. During the year, the Company has issued 2,60,00,000, 5% Non-Cumulative Redeemable Preference Shares of Rs. 10 each at a premium of Rs. 90 per share, to its holding company, Fortis Healthcare Holdings Limited on a preferential basis. As per the terms and conditions of issue, these Preference Shares are to be redeemed at a premium of Rs. 90 per share. Since sufficient balance is lying in the Securities Premium Account to meet this liability, no amount has been accrued towards Premium on Redemption of Preference Shares.

13. Pursuant to the filing of Red Herring Prospectus on March 29, 2007 with Securities Exchange Board of India (SEBI) in respect of the Issue and after filing of other necessary information with the regulatory authorities, the Company has allotted 4,59,96,439 equity shares at Rs. 108 (including premium of Rs. 98 per share) subsequent to the close of the year. As a result, the paid-up share capital of the Company has increased from Rs. 18,067.01 Lacs divided into 18,06,70,094 equity shares of Rs. 10 each, to Rs. 22,666.65 Lacs divided into 22,66,66,533 equity shares of Rs. 10 each.

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

A. Defined Contribution Plan

	2007	2006
		(Rs. in Lacs)
Contribution to Provident Fund	**129.91**	81.99

B. Defined Benefit Plan

The company has a defined benefit gratuity plan. Every 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 employee, which is unfunded.

The following table summaries the components of net benefit expenses recognised in the profit and loss account.

(Rs. in Lacs)

Particulars		Gratuity (Unfunded)
Profit and Loss account		
Net employee benefit expenses (recognized in Personnel Expenses)		
Current Service cost		**65.80**
Interest Cost on benefit obligation		**13.72**
Expected return on plan assets		**–**
Actuarial loss/(gain) recognised in the year		**(11.45)**
Past Service Cost		**–**
Net benefit expense		**68.07**
Balance sheet		
Details of Provision for Gratuity at March 31, 2007		
Present value of defined benefit obligation		**226.36**
Fair value of plan assets		**–**
Surplus/(deficit) of funds		**(226.36)**
Net asset/ (liability)		**(226.36)**
Changes in present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation		**(171.51)**
Current Service cost		**(65.80)**
Interest Cost on benefit obligation		**(13.72)**
Benefits paid		**13.22**
Actuarial (loss)/ gain recognised during the year		**11.45**
Closing defined benefit obligation		**(226.36)**
The Principal assumptions used in determining gratuity obligation for the company's plan are shown below:		
Discount rate	8%	
Expected rate of return on plan assets	–	
Expected rate of salary increase	10%	
Mortality table referred	LIC (1994-96) duly modified	
Withdrawal Rate / Employee Turnover Rate	**Age**	
	Upto 30 years	**3%**
	Upto 44 years	**2%**
	Above 44 years	**1%**

Notes:

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

b) Since AS-15 (Revised) on 'Employee Benefits' is applicable w.e.f. April 1, 2006, the disclosures as mentioned in (B) above are given only for the current year ended March 31, 2007.

c) Rs. 14.50 Lacs out of the net benefit expenses, as above, has been allocated to other companies.

15. Gratuity and Leave Encashment under Schedule 23 of Prior Period Items represent the impact of changes in actuarial assumptions as at March 31, 2006, for valuation of Employee Benefits in accordance with the Accounting Standard 15 (Revised).

16. As per the information available with the Company regarding the status of the suppliers, there are no amounts / dues / balances that are required to be disclosed as per the provisions of the Micro, Small & Medium Enterprises Development Act, 2006.

17. Particulars of Unhedged Foreign Currency Exposure: **(Rs. in Lacs)**

Particulars	March 31, 2007	March 31, 2006
Import Creditors	–	Rs. 78.65 Lacs (Euro 143,045 @ closing rate of 1 Euro = Rs. 54.98)
ECB Loan (Principal Amount)	Rs. 2,045.16 Lacs (USD 4,687,500 @ closing rate of 1 USD = Rs.43.63)	Rs. 2,951.16 Lacs (USD 6,562,500 @ closing rate of 1 USD = Rs.44.97)
ECB Loan (Interest Accrued but not due)	Rs. 56.75 Lacs (USD 1,30,064 @ closing rate of 1 USD = Rs. 43.63)	Rs. 71.95 Lacs (USD 159,994 @ closing rate of 1 USD = Rs.44.97)
Professional Fees	Rs. 342.06 Lacs (USD 784,000 @ closing rate of 1 USD = Rs. 43.63)	–

18. **Supplementary Statutory Information** **(Rs. in Lacs)**

18.1	**Directors' Remuneration**	**2007**	**2006**
	Salaries, Wages & Bonus	**98.00**	17.22
	Gratuity (refer note a below)	**5.90**	–
	Leave Encashment (refer note a below)	**24.02**	–
	Contribution to Provident & Other Funds	**12.96**	1.20
	Perquisites	**–**	1.72
	Total	**140.88**	**20.14**

a) The amount of Gratuity & Leave Encashment for the previous year has not been included above as not ascertainable separately.

b) Directors remuneration represents remuneration payable to Managing Director of the Company for the current year. Due to insufficiency of the effective capital as prescribed in Schedule XIII of the Companies Act, 1956, the Company has applied for the Central Government approval for the above mentioned remuneration.

(Rs. in Lacs)

18.2	**Expenditure in Foreign Currency (considered on accrual basis)**	**2007**	**2006**
	Affiliation Fees	**–**	31.07
	Marketing & Business Promotion	**6.86**	–
	Travelling Expenses	**12.44**	7.49
	Professional Fees*	**15.24**	4.39
	ECB Interest	**170.33**	192.23
	Recruitment & Training	**4.68**	–
	Printing & stationery	**3.35**	–
	Total	**212.90**	**235.18**

*excluding Rs. 342.06 Lacs payable to International Legal Counsel, which is to be adjusted against the Securities Premium to be received against the Issue (refer Note 11 of Schedule 25)

(Rs. in Lacs)

18.3	**Value of imports calculated on CIF basis**	**2007**	**2006**
	Capital goods	**450.72**	448.94

18.4	**Materials Consumed (including consumables)**	**% of Total Consumption**		**Value (Rs. in Lacs)**	
		2007	**2006**	**2007**	**2006**
	Indigenous*	**100**	100	**4,880.87**	3,731.93
	Imported	**–**	–	**–**	–
	Total	**100**	**100**	**4,880.87**	**3,731.93**

* Including consumables of Rs. 42.96 Lacs (Previous Year Rs. 36.70 Lacs) 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.

19. Previous year's figures have been regrouped / recasted, wherever necessary to confirm to this year's classification.

In terms of our report of even date attached.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs
& Company Secretary

ANURAG YADAV
Chief Financial Controller

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	76704	State Code	55
Balance Sheet Date	31.03.2007		

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Right Issue
–	–
Bonus Issue	Private Placement (Incl.Share Application Money)
–	3,66,701.94

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
99,55,354.73	99,55,354.73

Sources of Funds

Paid-up Capital (Incl.Share Application Money)	Reserve & Surplus
20,76,700.94	37,44,758.50
Secured Loans	Unsecured Loans (Incl. Deferred Payment Liability)
24,65,893.49	16,68,001.80

Application of Funds

Net Fixed Assets	Investments
10,88,757.01	67,56,682.55
Net Current Assets	Misc. Expenditure
7,24,178.13	862.66
Accumulated Losses	
13,84,874.38	

IV. Performance of Company (Amount in Rs. Thousands)

		Turnover/Income			Total Expenditure
		13,28,152.27			18,11,792.16
+	-	Profit/(Loss) Before Tax	+	-	Profit/(Loss) After Tax
	✓	4,83,639.40		✓	4,86,886.33
+	-	Earning per share in Rs.			Dividend Rate%
	✓	2.85			0.00

V. Generic Names of Three Principal Products/Service of Company (As per monetary terms)

Item Code No. (ITC Code)	– Not Applicable
Product / Service Description	– Healthcare Services

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	Financial year to which Accounts Relate	Holding Company's interest as at close of Financial Year of Subsidiary Company		Net aggregate amount of Subsidiary Company's profits after deducting its losses or vice-versa, so far as it concerns Members of Holding Company which are not dealt within the Company's Account		Net aggregate amount of Subsidiary Company's profits after deducting its losses or vice-versa, so far as it concerns Members of Holding Company which are dealt within the Company's Account		Holding Company's interest as at 31/03/2007 incorporating Changes Since Close of Financial year/Period of Subsidiary Company
		(i) Shareholding (No. of Shares)	(ii) Extent of holding %	For the Current Financial Year (Rs. in Lacs)	For the Previous Financial Year (Rs. in Lacs)	For the Current Financial Year (Rs. in Lacs)	For the Previous Financial Year (Rs. in Lacs)	
International Hospital Limited	31/03/2007	40,21,090	99.90	(471.60)	(35.65)	–	–	
Oscar Bio-Tech Private Limited	31/03/2007	4,50,00,000	100.00	(717.05)	(17.02)	–	–	
Hiranandani Healthcare Private Limited (Note 2 & 3)	31/03/2007	10,00,000	100.00	(37.90)	Not Applicable	–	Not Applicable	
Escorts Heart Institute and Research Centre Limited	31/03/2007	18,00,300	90.00	934.37	269.77	–	–	
Escorts Hospital and Research Centre Limited (Note 1)	31/03/2007	Step Subsidiary	90.00	155.54	62.46	–	–	
Escorts Heart Centre Limited (Note 1)	31/03/2007	Step Subsidiary	90.00	(0.28)	(0.61)	–	–	
Escorts Heart and Super Speciality Institute Limited (Note 1)	31/03/2007	Step Subsidiary	74.35	(197.87)	(173.97)	–	–	
Escorts Heart and Super Speciality Hospital Limited (Note 1&2)	31/03/2007	Step Subsidiary	90.00	–	–	–	–	

Notes :

1. Held through Escorts Heart Institute and Research Centre Limited
2. The Company had not commenced operations during the Financial Year ending 31st March 2007
3. The Profit/Loss figures of the company has been considered from the date it become subsidiary of Fortis Healthcare Limited.

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

Dated : June 25, 2007
Place : New Delhi

ABSTRACTS OF FINANCIALS OF SUBSIDIARY COMPANIES AS ON MARCH 31, 2007

(Rs. in Lacs)

Particulars	International Hospital Limited	Escorts Heart Institute & Research Centre Limited	Escorts Heart and Super-Speciality Institute Limited *	Escorts Heart Centre Limited*	Escorts Hospital and Research Centre Limited *	Escorts Heart and Super-Speciality Hospital Limited (*& **)	Oscar Bio-Tech Private Limited	Hiranandani Healthcare Private Limited ***
Capital	4,025.12	200.03	1,570.11	197.00	2,200.00	915.00	4,500.00	100.00
Reserves & Surplus	–	22,289.99	396.00	–	2,300.00	–	–	–
Total Assets (including debit balance of Profit & Loss Account)	10,288.37	33,440.61	6,213.67	528.69	6,302.70	1,343.00	10,031.99	4,173.41
Total Liabilities	10,288.37	33,440.61	6,213.67	528.69	6,302.70	1,343.00	10,031.99	4,173.41
Details of Investment (except in case of investment in subsidiaries)	–	–	–	–	–	–	–	–
Turnover	6,876.65	24,612.73	2,664.38	–	4,879.18	–	370.04	0.02
Profit/(Loss) before Taxation	(443.82)	1,639.25	(395.25)	(0.47)	356.72	–	(705.68)	(37.75)
Provision for Taxation	28.25	601.05	(129.11)	(0.16)	183.90	–	11.37	0.15
Profit/(Loss) after Taxation	(472.07)	1,038.20	(266.14)	(0.31)	172.82	–	(717.05)	(37.90)

* Held through Escorts Heart Institute and Research Centre Limited.

** The Company had not commenced operations during the Financial Year ending 31st March 2007.

***The Profit/Loss figures of the Company has been considered from the date it become subsidiary of Fortis Healthcare Limited.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF FORTIS HEALTHCARE LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FORTIS HEALTHCARE LIMITED FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

1. We have audited the attached consolidated Balance Sheet of Fortis Healthcare Limited ("FHL" or the "Company"), its subsidiaries and associate (collectively, the "Fortis Group") as at March 31, 2007, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements' and Accounting Standard (AS) 23 'Accounting for Investments in Associates in Consolidated Financial Statements'.

4. We did not audit the financial statements of certain subsidiaries of the Company, whose financial statements reflect total assets of Rs. 60,252.95 Lacs as at March 31, 2007, total revenues of Rs. 39,365.51 Lacs and net cash flows amounting to Rs. 2,406.29 Lacs for the year then ended/for the period subsequent to their acquisition during the year.

   The financial statements and other financial information of these subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

5. *The auditors of Escorts Heart Institute and Research Centre Limited ("EHIRCL", a subsidiary), A. F. Ferguson & Co. ("AFF") have drawn attention to the following matters-*

   - *the position of the Company's land under leasehold arrangements with the Delhi Development Authority (Refer Note 11 of Schedule 26 to the consolidated financial statements) ; and*
   - *certain demands aggregating to Rs. 20,600 Lacs (net of demands raised twice in respect of certain years) raised on the Company by the Income tax authorities (Refer Note 12 of Schedule 26 to the consolidated financial statements).*

   As per the audit report dated June 25, 2007 on the consolidated financial statements of EHIRCL issued by AFF, these matters are pending in appeals at various stages, the eventual outcome of which cannot presently be estimated. Therefore AFF is unable to express an opinion at this stage in respect of these matters.

6. *The audit report issued by AFF on the consolidated financial statements of EHIRCL also contains a qualification with regard to net deferred tax assets amounting to Rs. 1,104.74 Lacs as at March 31, 2007 (including Rs. 968.22 Lacs recognized upto the previous year) recognized at Escorts Heart and Super Specialty Institute Limited (a step subsidiary of FHL), although there is no evidence to indicate virtual certainty of realizing such deferred tax assets. The same was the subject matter of qualification by AFF in the previous year as well.*

Subject to our comments in paragraph 5 above, the impact whereof on the Fortis Group's reserves is presently not ascertainable, had the impact of our comments in paragraph 6 above been considered, the net loss for the year attributable to the shareholders of Fortis Healthcare Limited would have been Rs. 10,003.09 Lacs instead of Rs. 9,811.59 Lacs and the Accumulated losses as at the year end would have been Rs. 21,647.00 Lacs instead of Rs. 21,328.82 Lacs.

Subject to our comments in paragraphs 5 and 6 above and based on our audit and on consideration of the reports of the other auditors on the separate financial statements and on other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements of the Fortis Group give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Fortis Group as at March 31, 2007;

(b) in the case of the Consolidated Profit and Loss Account, of the net losses of the Fortis Group for the year then ended; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Fortis Group for the year then ended.

For S. R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No: 91813

Place : New Delhi
Date : June 25, 2007

Consolidated Balance Sheet as at March 31, 2007

	Schedules	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**20,767.01**	17,099.99
Share Application Money Pending Allotment		–	26,000.45
Reserves & Surplus	2	**37,447.58**	156.00
		58,214.59	43,256.44
Minority Interest		**1,935.09**	1,904.17
Loan Funds			
Secured Loans	3	**35,571.62**	48,194.96
Unsecured Loans	4	**23,648.11**	11,651.16
		59,219.73	59,846.12
Deferred Payment Liabilities	5	**499.33**	1,036.37
TOTAL		**119,868.74**	106,043.10
APPLICATION OF FUNDS			
Goodwill arising on consolidation		**38,171.00**	42,660.01
(Refer Note 6 of Schedule 26)			
Fixed Assets			
Gross Block	6	**66,068.10**	58,212.87
Less : Accumulated depreciation and amortisation		**25,478.63**	21,926.74
Net Block		**40,589.47**	36,286.13
Capital Work in Progress including capital advances		**10,259.35**	9,124.55
		50,848.82	45,410.68
Investments	7	**44.19**	53.96
Deferred tax assets	8	**1,943.68**	1,518.34
(Refer Note 5 of Schedule 26)			
Current Assets, Loans & Advances			
Inventories	9	**1,083.84**	1,024.75
Sundry Debtors	10	**8,824.75**	6,777.84
Cash & Bank Balances	11	**3,068.05**	1,674.43
Other Current Assets	12	**914.36**	808.24
Loans & Advances	13	**9,480.06**	6,032.79
		23,371.06	16,318.05
Less : Current Liabilities & Provisions			
Current Liabilities	14	**10,534.16**	7,895.42
Provisions	15	**5,313.30**	3,248.28
		15,847.46	11,143.70
Net Current Assets		**7,523.60**	5,174.35
Miscellaneous Expenditure	16	**8.62**	23.11
(to the extent not written off or adjusted)			
Debit balance in Profit & Loss Account		**21,328.83**	11,202.65
TOTAL		**119,868.74**	106,043.10
Notes to Consolidated Accounts	26		

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

Consolidated Profit & Loss Account for the year ended March 31, 2007

	Schedules		For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
INCOME				
Operating Income	17		51,235.39	29,255.21
Other Income	18		1,305.12	453.06
TOTAL			52,540.51	29,708.27
EXPENDITURE				
Materials Consumed	19		17,727.00	10,357.26
Personnel Expenses	20		13,540.93	6,862.88
Operating Expenses	21		10,443.18	6,548.53
Selling, General and Administrative Expenses	22		4,677.16	3,170.49
			46,388.27	26,939.16
Profits / (Losses) before Financial Expenses, Depreciation and Amortisation			6,152.24	2,769.11
Financial Expenses	23		6,600.43	3,631.06
Profits / (Losses) before Depreciation and Amortisation			(448.19)	(861.95)
Depreciation and Amortisation	6		3,827.61	2,274.72
Amortisation of Goodwill arising on consolidation			4,552.81	2,223.15
Profits / (Losses) before taxes & prior period items			(8,828.61)	(5,359.82)
Current income tax			868.37	254.14
Deferred tax charge/ (credit)			(263.82)	(434.01)
Fringe Benefit Tax			123.39	85.86
Net Profits / (Losses) after taxes & before prior period items			(9,556.55)	(5,265.81)
Prior Period Items	24		182.95	15.32
Net Profits / (Losses) before minority interest & share in losses of an associate Company			(9,739.50)	(5,281.13)
Losses/(Profits) attributable to Minority Interest			(62.32)	384.54
Share in (losses)/profits of an associate Company			(9.77)	3.02
Net Profits / (Losses) attributable to the shareholders of Fortis Healthcare Limited			(9,811.59)	(4,893.57)
Add: Balance brought forward from previous year		(11,202.65)		
Add: Adjustment on account of implementation of Revised AS-15 on Employee Benefits (refer Note 10 of Schedule 26)		(314.59)	(11,517.24)	(5,878.13)
Add: Loss brought forward from the amalgamating Company upto March 31, 2004, pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005			–	(192.08)
Add: Loss brought forward from the amalgamating Company for the year 2004-2005			–	(238.87)
Net Profits / (Losses) carried to the Consolidated Balance Sheet			(21,328.83)	(11,202.65)
Earnings Per Share	25			
Basic [Nominal value of shares Rs. 10/- each (Previous Year Rs. 10/-)]			(5.73)	(5.76)
Computed on the basis of earnings including prior period items				
Diluted [Nominal value of shares Rs. 10/- each (Previous Year Rs. 10/-)]			(5.73)	(5.75)
Computed on the basis of earnings including prior items				
Notes to Consolidated Accounts	26			

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

Consolidated Cash Flow Statement For the year ended March 31, 2007

	Particulars	Year Ended March 31, 2007 Rs. in Lacs	Year Ended March 31, 2006 Rs. in Lacs
A.	**Cash flow from operating activities**		
	Net profits / (losses) before taxes and prior period items	**(8,828.61)**	(5,359.82)
	Add: Prior period items	**(182.95)**	(15.32)
	Adjustments for:		
	Depreciation & Amortisation	**8,380.42**	4,497.87
	Loss on sale of fixed assets (Net)	**9.32**	10.63
	Provision for Doubtful Debts	**26.05**	84.07
	Bad Debts / Sundry Balances written off	**134.29**	43.72
	Arrangement Fee written off	**4.08**	4.08
	Miscellaneous expenditure written off	**10.41**	5.26
	Foreign Exchange Loss/(Gain)	**(62.52)**	99.07
	Interest income	**(274.37)**	(73.85)
	Interest expense	**6,352.66**	3,423.56
	Operating profit before working capital changes	**5,568.78**	2,719.27
	Movements in working capital :		
	Decrease / (Increase) in sundry debtors	**(2,117.98)**	(1,501.07)
	Decrease / (Increase) in inventories	**(59.08)**	(197.87)
	Decrease / (Increase) in loans and advances	**(1,311.08)**	(561.01)
	Decrease / (Increase) in other current assets	**(139.71)**	(87.59)
	Increase / (Decrease) in current liabilities	**2,722.30**	(159.00)
	Cash from operations	**4,663.23**	212.73
	Direct taxes (paid)/ refunded (including Fringe Benefits Tax)	**(1,367.87)**	(673.53)
	Net cash from / (used in) operating activities (A)	**3,295.36**	(460.80)
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	**(7,227.68)**	(6,888.20)
	Proceeds from sale of fixed assets	**62.61**	102.46
	Fixed Deposits with Banks	**(4,986.00)**	(1,243.12)
	Fixed Deposits Matured	**4,654.12**	–
	Inter corporate deposits given	**(313.80)**	(1,062.94)
	Inter corporate deposits received back	**863.00**	–
	Outflow on acquisition of subsidiaries	**(100.00)**	(65,114.36)
	Purchase of other investments	**–**	(50.94)
	Interest received	**293.79**	16.64
	Net cash from / (used in) investing activities (B)	**(6,753.96)**	(74,240.46)
C.	**Cash flows from financing activities**		
	Proceeds from issuance of share capital	**14,958.60**	8,634.55
	Proceeds from receipt of share application money	**–**	25,998.45
	Refund of Share Application Money	**(0.45)**	–
	Proceeds from long-term borrowings	**4,062.83**	1,573.99
	Repayment of long-term borrowings	**(19,429.94)**	(3,321.64)
	Proceeds / (Repayments) of short-term borrowings (Net)	**11,151.93**	42,887.13
	Interest paid	**(6,330.75)**	(3,204.24)
	Net cash from /(used in) financing activities (C)	**4,412.22**	72,568.24
	Net increase / (decrease) in cash and cash equivalents (A + B + C)	**953.62**	(2,133.02)
	Cash and cash equivalents at the beginning of the year	**431.31**	161.62
	Add: Cash acquired on acquisition of a subsidiary	**151.24**	2,402.71
	Cash and cash equivalents at the end of the year	**1,536.17**	431.31
	Components of cash and cash equivalents:		
	Cash Balance & Cheques on Hand	**147.10**	73.37
	Balances with Scheduled Banks on Current Accounts	**1,389.07**	357.94
	Total	**1,536.17**	431.31

Notes:

1 The Consolidated Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

2 Negative figures have been shown in brackets.

As per our report of even date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs & Company Secretary

ANURAG YADAV
Chief Financial Controller

SCHEDULES TO THE ACCOUNTS

			As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 1 :				
SHARE CAPITAL				
Authorised				
27,20,00,000	(Previous Year 198,000,000) Equity Shares of Rs. 10/- each		**27,200.00**	19,800.00
200	(Previous Year 200) Non Cumulative Redeemable Preference Shares of Rs. 100,000/- each		**200.00**	200.00
2,60,00,000	(Previous Year Nil) Non Cumulative Redeemable Preference Shares of Rs. 10/- each		**2,600.00**	–
			30,000.00	20,000.00
Issued & Subscribed				
18,06,70,094	(Previous Year 169,999,900) Equity Shares of Rs. 10/- each fully paid up		**18,067.01**	16,999.99
100	(Previous Year 100) 1% Non Cumulative Redeemable Preference Shares of Rs. 100,000/- each		**100.00**	100.00
2,60,00,000	(Previous Year Nil) 5% Non Cumulative Redeemable Preference Shares of Rs. 10/- each		**2,600.00**	–

Of the above:

i) 15,43,26,940 Equity Shares (Previous Year 15,43,26,940 Shares) are held by Fortis Healthcare Holdings Limited, the Holding Company.

ii) 5,20,000 Shares of Rs.10 each were alloted as fully paid up pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005, for consideration other than cash on amalgamation of an erstwhile subsidiary with the Company.

iii) 1% Non Cumulative Redeemable Preference Shares of Rs. 1,00,000/- each were allotted by the Company on August 04, 2005. These are redeemable in full or in part at par at the option either of the allottee after completion of 3 years from the date of allotment, or by the Company at any time, but not later than 10 years from the date of allotment.

iv) 5% Non Cumulative Redeemable Preference Shares of Rs. 10/- each were allotted by the Company at a premium of Rs. 90/- per share on September 25, 2006. These are redeemable in full or in part at a premium of Rs. 90/- per share at the option either of the allotee after completion of 3 years from the date of allotment, or by the Company at any time, but not later than 5 years from the date of allotment.

		As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
		20,767.01	17,099.99
SCHEDULE 2 :			
RESERVES & SURPLUS			
Amalgamation Reserve		**156.00**	156.00
(Pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005 in respect of amalgamation of an erstwhile subsidiary with the Company)			
Securities Premium Account			
Balance as per last account	**–**		
Add : Premium received during the year on issue of shares	**37,701.94**		
Less : Applied towards writing off expenses incurred for issue of shares	**(410.36)**	**37,291.58**	–
		37,447.58	156.00

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 3 :		
SECURED LOANS		
Term Loans from Banks		
(Amount repayable within one year Rs. 22,786.37 Lacs (Previous Year Rs. 36,144.90 Lacs))	**33,110.28**	46,161.46
Interest Accrued & due	**43.89**	36.98
Term Loans from Body Corporates	**1,958.75**	1,157.98
(Amount repayable within one year Rs. 475.33 Lacs (Previous Year Rs. 545.00 Lacs))		
Short Term Loans From Banks		
Working capital demand loan	**57.70**	128.72
Bank Overdraft	**168.98**	207.94
Bills Discounted	**104.23**	411.38
Vehicle Loans	**127.79**	90.50
(Amount repayable within one year Rs. 61.38 Lacs (Previous Year Rs. 34.11 Lacs))	**35,571.62**	48,194.96

Notes :

1. Term loans from Banks amounting to Rs. 6,984.19 Lacs are secured by first charge by way of hypothecation of all present and future moveable properties of the Company and a subsidiary (excluding vehicles hypothecated against specific loans). Rs. 4,939.03 Lacs included in the same in respect of the subsidiary is further secured against first exclusive hypothecation/mortgage of the existing & future immovable assets of the subsidiary.
2. Term loans from body corporates and working capital demand loans from bank include Rs. 458.75 Lacs & Rs. 57.70 Lacs respectively in respect of certain subsidiaries which are secured by way of charge over certain medical equipments of these entities and also over the assets, both present & future, of one of the subsidiaries which is in the process of setting up hospital operations at Jaipur.
3. Term loan from Bank amounting to Rs. 20,730.00 Lacs is secured by pledge of 1,800,000 shares of Escorts Heart Institute & Research Center Limited (EHIRCL) and is also secured by Personal Guarantee of the Managing Director & another Director of the Company.
4. Term loans from Banks amounting to Rs. 5,047.93 Lacs in respect of certain subsidiaries are secured by charge/equitable mortgage on certain movable/immovable properties and inventories of those respective entities.
5. Term loans from Banks amounting to Rs. 348.16 Lacs in respect of a subsidiary are secured against first exclusive hypothecation/ mortgage on certain immovable properties owned by the entity.
6. Working capital loan from Bank amounting to Rs. 168.98 Lacs is secured by first charge on current assets, both present & future, of the Company situated at Fortis Hospital Mohali and is also secured by Corporate Guarantee from Ranbaxy Holding Company (RHC).
7. Bills discounted from Bank amounting to Rs. 104.23 Lacs are secured by second charge on all present and future fixed assets of the Company on pari passu basis with other lenders and are also secured by Corporate Guarantee from Ranbaxy Holding Company (RHC).
8. Term loan from a Body Corporate amounting to Rs. 1,500.00 Lacs is secured by first charge by way of hypothecation on specific equipments of Rs.1,958.57 Lacs.
9. Vehicle loans are secured by hypothecation of the respective vehicles.

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 4 :		
UNSECURED LOANS		
Term Loans from Banks	**14,500.00**	6,000.00
(Amount repayable within one year Rs. 14,500.00 Lacs (Previous Year Rs. 6,000.00 Lacs))		
Out of the above:		
i) Term Loan of Rs. 3,000.00 Lacs is obtained on Personal Guarantee of Managing Director of the Company.		
ii) Term Loan of Rs. Nil (Previous Year Rs. 300,000,000) is obtained by pledge of 1,573,000 Shares of Ranbaxy Laboratories Limited (RLL) held by Ranbaxy Holding Company (RHC).		
ii) Term Loan of Rs. 2,500.00 Lacs is obtained by pledge of 1,282,100 Shares of Ranbaxy Laboratories Limited (RLL) held by Oscar Investments Limited.		
Short Term Loans From Banks	**3,571.96**	1,555.22
Bank Overdraft	**1,357.40**	–
Bank Overdraft facility of Rs. 1,357.40 Lacs is obtained on Personal Guarantee of the Managing Director & another Director of the Company.		
From Bodies Corporate	**4,218.75**	4,095.94
	23,648.11	11,651.16

SCHEDULE 5 :		
DEFERRED PAYMENT LIABILITY		
Deferred Payment Credit	**499.33**	998.66
(Amount payable to HUDA towards land purchased at Gurgaon) (Amount repayable within one year Rs. 249.67 Lacs (Previous Year Rs. 499.33 Lacs))		
Interest Accrued & Due on Deferred Payment Credit	**–**	37.71
	499.33	1,036.37

SCHEDULES TO THE ACCOUNTS

SCHEDULE 6 :

FIXED ASSETS

(Rs. in Lacs)

	GROSS BLOCK					ACCUMULATED DEPRECIATION & AMORTISATION					NET BLOCK	
	As at April 1, 2006	Additions on acquisition of a subsidiary during the year	Additions during the year	Deletions/ Adjustments during the year	**As at March 31, 2007**	As at April 1, 2006	Additions on acquisition of a subsidiary during the year	For the Year	Deletions/ Adjustments	**As at March 31, 2007**	**As at March 31, 2007**	As at March 31, 2006
Intangible Assets												
Technical Know How Fees	201.42	–	–	–	**201.42**	201.42	–	–	–	**201.42**	**–**	–
Licence Fee	3,792.59	–	–	–	**3,792.59**	–	–	277.43	–	**277.43**	**3,515.16**	3,792.59
Software	356.64	–	115.42	–	**472.06**	191.13	–	69.45	–	**260.58**	**211.48**	164.90
Tangible Assets												
Building	11,138.24	411.67	265.50	–	**11,815.41**	2,888.59	7.48	558.73	–	**3,454.80**	**8,360.61**	8,249.65
Leasehold Land	3,414.55	–	–	–	**3,414.55**	–	–	–	–	**–**	**3,414.55**	3,414.55
Freehold Land	2,982.47	–	464.43	–	**3,446.90**	–	–	–	–	**–**	**3,446.90**	2,982.47
Leasehold Improvements	1,668.17	–	1,592.51	–	**3,260.68**	551.63	–	204.54	–	**756.17**	**2,504.51**	1,116.54
Plant & Machinery	8,132.98	–	1,405.60	23.81	**9,514.77**	3,229.60	–	605.67	18.82	**3,816.45**	**5,698.32**	4,903.38
Medical Equipments	23,109.36	–	3,225.54	140.62	**26,194.28**	12,835.56	–	1,700.84	126.88	**14,409.52**	**11,784.76**	10,273.80
Furniture & Fittings	1,121.66	–	285.40	3.48	**1,403.58**	673.56	–	142.51	1.67	**814.40**	**589.18**	448.10
Computers	1,112.49	–	216.28	12.97	**1,315.80**	773.41	–	154.42	11.79	**916.04**	**399.76**	339.69
Office Equipments	267.61	–	75.45	3.24	**339.82**	95.20	–	19.92	1.88	**113.24**	**226.58**	172.41
Vehicles	914.69	2.56	150.21	171.22	**896.24**	486.64	0.20	94.10	122.36	**458.58**	**437.66**	428.05
Total	**58,212.87**	**414.23**	**7,796.34**	**355.34**	**66,068.10**	**21,926.74**	**7.68**	**3,827.61**	**283.40**	**25,478.63**	**40,589.47**	**36,286.13**
Capital Work in Progress including capital advances (Refer note 4 below)											**10,259.35**	9,124.55
Grand Total	**58,212.87**	**414.23**	**7,796.34**	**355.34**	**66,068.10**	**21,926.74**	**7.68**	**3,827.61**	**283.40**	**25,478.63**	**50,848.82**	**45,410.68**
Previous Year	**14,175.13**	**39,614.96**	**4,869.71**	**446.93**	**58,212.87**	**2,489.41**	**17,379.33**	**2,274.72**	**216.72**	**21,926.74**	**45,410.69**	**12,218.37**

Note:

(1) Freehold land at FHL includes Rs. 1,858.35 Lacs (Previous year Rs. 1,858.35 Lacs) which is pending registration in the name of the Company.

(2) Leasehold Land at Escorts Heart Institute and Research Centre Limited includes Rs.398.22 Lacs (Previous Year Rs. 398.22 Lacs), for which, during the year, Delhi Development Authority has determined all allotment letters / lease deeds, and for which, the Company has filed appeal in the Delhi High Court. Repossession of land has been stayed by an interim stay order passed by the Delhi High Court.

(3) Plant and Machinery at Escorts Heart and Super Speciality Institute Limited includes Rs.19.24 Lacs (Previous Year Rs. 19.24 Lacs) being the cost of independent feeder installed by Punjab State Electricity Board, (PSEB), ownership of which vests with PSEB.

(4) Capital work in progress includes Rs. 1,231.44 Lacs (Previous Year Rs. 474.79 Lacs) relating to expenses incurred during the construction period, pending capitalization/ allocation as per Schedule 6A.

(5) Previous year additions to Gross Block include Rs.406.15 Lacs in respect of amalgamation of an erstwhile subsidiary with the Company pursuant to the order of the Hon'ble High Court of Delhi dated October 07, 2005.

SCHEDULES TO THE ACCOUNTS

SCHEDULE 6 A :

Expenditure during Construction Period (Pending Capitalization/Allocation)

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
Opening Balance	**474.79**	–
Add: Additions on acquisition of subsidiaries during the year	**478.06**	115.01
Add: Expenditure incurred during the year		
Personnel Expenses		
Salaries, Wages and Bonus	**104.50**	22.32
Contribution to Provident & Other Funds	**3.87**	0.84
Staff Welfare Expenses	**–**	1.12
Recruitment & Training	**–**	0.08
	108.37	24.36
Operating Expenses		
Power & Fuel	**7.96**	1.18
Consultation Fees to Doctors	**72.41**	–
Housekeeping Expenses including Consumables	–	0.06
Rent	**6.98**	–
	87.35	1.24
Selling, General and Administrative Expenses		
Legal & Professional Fee	**9.50**	27.26
Travel & Conveyance	**13.24**	4.61
Repairs & Maintenance - Others	**–**	0.89
Rates & Taxes	**0.85**	0.05
Insurance	**–**	0.48
Rent	**80.42**	2.04
Marketing & Business Promotion	**–**	0.22
Miscellaneous Expenses	**2.04**	2.55
	106.05	38.10
Financial Expenses		
Interest	**93.13**	296.08
	93.13	296.08
Less: Expenses transferred to Profit & Loss Account	**116.31**	–
Balance carried forward to Consolidated Balance Sheet	**1,231.44**	474.79

SCHEDULES TO THE ACCOUNTS

		As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 7 :			
INVESTMENTS			
Investment in Associates (Unquoted, trade)			
509,366 Equity Shares of Sunrise Medicare Pvt Ltd. of Rs. 10 each fully paid up (including goodwill of Rs. 32.40 Lacs)	**50.94**		50.94
Add : Share in post acquisition profits / (losses) upto the beginning of the year	**3.02**		–
Less : Share in profits /(losses) for the current year	**(9.77)**	**44.19**	3.02
		44.19	53.96
SCHEDULE 8 :			
DEFERRED TAX ASSETS			
Deferred tax liability arising on account of:			
Deferred revenue expenditure		**–**	2.93
Accelerated depreciation		**391.24**	517.33
		391.24	520.26
Deferred tax asset arising on account of:			
Effect of expenditure debited to profit and loss account in the current year but not allowed for tax purposes		**696.54**	314.93
On Carry forward business losses and unabsorbed depreciation		**1,631.91**	1,721.64
Others		**6.47**	2.03
		2,334.92	2,038.60
		1,943.68	1,518.34
SCHEDULE 9 :			
INVENTORIES (at lower of cost and net realisable value)			
Medical Consumables and Pharmacy Items		**1,053.05**	982.94
Stores and spares		**18.89**	32.73
Fuel		**11.90**	9.08
		1,083.84	1,024.75
SCHEDULE 10 :			
SUNDRY DEBTORS			
Debts outstanding for a period exceeding Six Months			
Unsecured, Considered Good		**3,488.86**	2,409.15
Considered Doubtful		**232.50**	131.58
Other Debts			
Unsecured, Considered Good		**5,335.89**	4,368.69
Considered Doubtful		**–**	40.17
		9,057.25	6,949.59
Less : Provision for Doubtful Debts		**232.50**	171.75
		8,824.75	6,777.84

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 11 :		
CASH & BANK BALANCES		
Cash Balance & Cheques on Hand	**147.10**	73.37
Balances with Scheduled Banks		
– On Current Accounts	**1,389.07**	357.94
– On Fixed Deposit Accounts	**1,531.88**	1,243.12
	3,068.05	1,674.43
SCHEDULE 12 :		
OTHER CURRENT ASSETS		
Interest Accrued on Loans & Deposits	**17.20**	50.80
Accrued Operating Income	**897.16**	757.44
	914.36	808.24
SCHEDULE 13 :		
LOANS & ADVANCES		
Unsecured, Considered good		
Loans to Bodies Corporate & Others	**513.74**	1,062.94
Loans to Employees	**26.12**	27.01
Advances Recoverable in cash or in kind or for value to be received	**3,925.44**	1,308.10
Advance Tax and Tax Deducted at Source	**4,629.70**	3,316.80
Security Deposits	**385.06**	317.94
Considered Doubtful		
Advances Recoverable in cash or in kind or for value to be received	**–**	1.71
Advance Tax and Tax Deducted at Source	**20.62**	20.62
	9,500.68	6,055.12
Less : Provision for Doubtful Advances	**20.62**	22.33
	9,480.06	6,032.79

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2007 Rs. in Lacs	As at March 31, 2006 Rs. in Lacs
SCHEDULE 14 :		
CURRENT LIABILITIES		
Acceptances	**–**	78.65
Sundry Creditors	**8,505.59**	6,132.38
Book Overdraft	**–**	1.94
Advances from Patients	**782.91**	660.02
Security Deposits	**119.41**	30.56
Interest Accrued but Not Due on Loans	**496.56**	496.85
Other Labilities	**629.69**	495.02
	10,534.16	7,895.42
SCHEDULE 15 :		
PROVISIONS		
Wealth Tax	**2.39**	1.53
Fringe Benefit Tax	**146.46**	36.40
Current Tax	**2,981.54**	2,185.82
Gratuity & Leave Encashment	**2,182.91**	1,024.53
	5,313.30	3,248.28
SCHEDULE 16 :		
MISCELLANEOUS EXPENDITURE **(To the extent not written off or adjusted)**		
Arrangement Fees on Term Loan		
Balance Brought Forward	**12.70**	16.78
Incurred during the year	**–**	–
	12.70	16.78
Less : Written off during the year	**4.08**	4.08
	8.62	12.70
Preliminary Expenses		
Balance Brought Forward	**10.41**	–
Add: Preliminary expenses on acquisition of subsidiary during the year	**–**	15.67
Incurred during the year	**–**	–
	10.41	15.67
Less : Written off during the year	**10.41**	5.26
	–	10.41
	8.62	23.11

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
SCHEDULE 17 :		
OPERATING INCOME		
In Patient	**49,329.95**	28,277.28
Out Patient	**4,132.51**	2,229.01
Management Fees from Hospitals	**396.56**	45.56
Income from satellite centres	**489.37**	245.30
Pharmacy	**279.36**	204.63
	54,627.75	31,001.78
Less: Discounts	**3,392.36**	1,746.57
	51,235.39	29,255.21
SCHEDULE 18 :		
OTHER INCOME		
Rehabilitation Centre	**81.91**	96.99
Rent	**190.09**	186.14
Interest	**274.37**	73.85
Unclaimed Balances and Excess Provisions written back	**75.87**	6.00
Equipment Lease Rental (refer Note 4 of Schedule 26)	**435.61**	–
Exchange Fluctuation Gain (Net)	**60.48**	–
Miscellaneous Income	**186.79**	90.08
	1,305.12	453.06
SCHEDULE 19 :		
MATERIALS CONSUMED		
Medical Consumables and Pharmacy Items:		
Opening Stock	**982.94**	800.18
Add: Stock of Amalgamating Company	**–**	9.72
Add: Purchases	**17,797.11**	10,530.30
Less: Closing Stock	**1,053.05**	982.94
	17,727.00	10,357.26
SCHEDULE 20 :		
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	**12,163.74**	6,129.28
Contribution to Provident & Other Funds	**635.72**	327.69
Staff Welfare Expenses	**676.90**	349.78
Recruitment & Training	**64.57**	56.13
	13,540.93	6,862.88

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
SCHEDULE 21 :		
OPERATING EXPENSES		
Contractual Manpower	**669.67**	287.59
Power & Fuel	**1,841.52**	1,007.64
Housekeeping Expenses including Consumables	**550.68**	329.98
Patient Food	**777.11**	395.16
Pathology Laboratory Expenses	**646.39**	430.84
Radiology Expenses	**168.46**	14.80
Consultation Fees to Doctors	**1,487.86**	1,084.47
Professional Charges to Doctors	**2,524.12**	1,884.07
Repairs & Maintenance		
– Building	**104.19**	67.57
– Plant & Machinery	**1,041.01**	405.69
Rent		
– Hospital Building	**605.85**	604.78
– Equipments	**26.32**	35.94
	10,443.18	6,548.53
SCHEDULE 22 :		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Donations	**60.72**	27.50
Legal & Professional Fee	**711.75**	439.48
Travel & Conveyance	**557.34**	349.47
Repairs & Maintenance - Others	**454.20**	236.82
Rates & Taxes	**290.98**	131.53
Directors' Sitting Fees	**10.75**	10.90
Insurance	**454.75**	465.28
Rent	**337.69**	145.00
Marketing & Business Promotion	**417.62**	344.06
Affiliation Fee	**–**	31.07
Wealth Tax	**1.10**	0.51
Loss on Sale of Fixed Assets (Net)	**9.32**	10.63
Exchange Fluctuation Loss	**–**	97.02
Bad Debts and Sundry Balances written off	**134.29**	43.72
Provision for Doubtful Debts	**26.05**	84.07
Miscellaneous expenditure written off	**10.41**	5.26
Miscellaneous Expenses	**1,200.19**	748.17
	4,677.16	3,170.49

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year Ended March 31, 2007 Rs. in Lacs	For the Year Ended March 31, 2006 Rs. in Lacs
SCHEDULE 23 :		
FINANCIAL EXPENSES		
Interest		
– On Fixed Loans	**5,823.23**	3,327.24
– Others	**529.43**	96.32
Finance Charges	**153.02**	171.71
Arrangement Fees Written off	**4.08**	4.08
Bank Charges	**90.67**	31.71
	6,600.43	3,631.06
SCHEDULE 24 :		
PRIOR PERIOD ITEMS		
Material consumed	**28.58**	8.41
Discount on sales	**–**	6.91
Gratuity & Leave Encashment (Refer Note 10 of Schedule 26)	**203.82**	–
Reversal of Management Fees from Hospitals	**4.92**	–
Staff Welfare Expenses	**0.59**	–
Recruitment & Training	**0.44**	–
Housekeeping Expenses including Consumables	**0.06**	–
Repair & Maintenance - Others	**0.63**	–
Insurance	**0.38**	–
Marketing & Business Promotion	**0.54**	–
Miscellaneous Expenses	**1.22**	–
Expenses Reversal	**(58.23)**	–
	182.95	15.32
SCHEDULE 25 :		
EARNINGS PER SHARE (EPS)		
Net loss as per consolidated profit and loss account	**(9,811.59)**	(4,893.57)
Weighted average number of equity shares used for calculating basic EPS	**171,123,304**	85,025,352
Add : Weighted average number of equity shares which would be issued on the allotment of equity shares against share application money pending allotment	**–**	36,429
Weighted average number of equity shares used for calculating diluted EPS	**171,123,304**	85,061,781

SCHEDULE 26: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF FORTIS HEALTHCARE LIMITED FOR THE FINANCIAL YEAR 2006-07

A. BACKGROUND

Fortis Healthcare Limited ("FHL" or the "Company") was incorporated in the year 1996 to set up, manage and operate a chain of multi-speciality hospitals and it commenced commercial operations by setting up the Fortis Heart Institute and Multi-speciality Hospital at Mohali in the year 2001. Subsequently, the Company has set up/taken over the management of various other hospitals in different parts of the country.

Subsequent to the close of the year, the Company has successfully completed an Initial Public Offer ("the Issue") of 4,59,96,439 equity shares of Rs. 10 each. Accordingly the Company has become a listed entity effective May 9, 2007, with its shares being traded on both BSE and NSE.

B. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of Consolidated Financial Statements

The consolidated financial statements ("CFS") have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. The CFS have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Group and except for the changes in accounting policies discussed more fully below, are consistent with those used in the previous year.

(b) Changes in Accounting Policies

Adoption of Accounting Standard 15 (Revised) on Employee Benefits

In current year, the Group has voluntarily adopted the Accounting Standard 15 (Revised) which is mandatory from accounting periods starting from December 7, 2006. In accordance with the transitional provisions of the Revised standard, the additional liability arising on adoption of the standard (excluding the amount considered as a prior period item, being the increase in the employee benefits liability as at March 31, 2006 on account of changes in actuarial assumptions used as at that date) has been adjusted to the opening debit balance of the Profit and Loss account as at April 1, 2006. However, this change does not have any material impact on the loss for the current year.

(c) Principles of Consolidation

The CFS relate to FHL and its subsidiaries and associate (hereinafter collectively referred to as the "Fortis Group"). In the preparation of the CFS, investments in subsidiaries and associates are accounted for in accordance with the requirements of AS 21 (Consolidated Financial Statements) and AS 23 (Accounting for Investments in Associates in Consolidated Financial Statements), issued by the Institute of Chartered Accountants of India ("ICAI"). The CFS are prepared on the following basis:

i) Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses. The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship comes into existence.

ii) The difference between the cost to the Company of its investment in the subsidiary and its proportionate share in the equity of the subsidiary as at the date of acquisition of stake is recognized as Goodwill or Capital Reserve, as the case may be. Goodwill is amortized over a period of 10 years, being the best management estimate of its expected useful life.

iii) Minorities' interest in net profits/losses of the subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same are accounted for by the Holding Company.

iv) Investments in Associates are accounted for using the equity method. The excess of cost of investment over the proportionate share in equity of the Associate as at the date of acquisition of stake is identified as Goodwill and included in the carrying value of the Investment in the Associate. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such Associates are not accounted for unless the accumulated losses (not accounted for by the Company) are recouped.

v) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. Differences in accounting policies are disclosed separately.

vi) The financial statement of the group entities used for the purpose of consolidation are drawn up to the same reporting date as that of the Company i.e. the year ended March 31, 2007.

(d) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for their intended use are also included in costs to the extent they relate to the period till such assets are ready to be put to use.

(e) Depreciation

i) Except as stated in para (ii), (iii) and (iv) below, depreciation on all fixed assets within the Fortis Group is provided for using the Straight Line Method at the higher of the rates arrived at as per the useful lives of the assets as estimated by the management and those prescribed under Schedule XIV of the Companies Act, 1956.

ii) Depreciation on Leasehold Improvements is provided for over the primary lease period of 3-14 years or over the estimated useful lives of the respective fixed assets, whichever is shorter.

In respect of one of the subsidiaries of the Company, depreciation on Leasehold Improvements is provided for on a straight line basis at the rate applicable to Factory Buildings under Schedule XIV of the Companies Act, 1956. (60% of the total net block of Leasehold Improvements of the Fortis Group aggregating Rs. 2,504.52 Lacs as at March 31, 2007).

iii) No amortization is being made in respect of Leasehold Land, these being long term leases.

iv) In respect of certain subsidiaries, depreciation is being provided for as under-

- Depreciation on fixed assets is provided for on the written down value method as per the rates prescribed under Schedule XIV to the Companies Act, 1956. (36% of the total net block of Fixed Assets (excluding leasehold and freehold land) of the Fortis Group aggregating Rs. 33,728.04 Lacs as at March 31, 2007).
- Cost of independent feeder, though incurred by a subsidiary, but ownership of which belongs to Punjab State Electricity Board, is being amortized over a period of 5 years.

v) Individual assets purchased with a cost not exceeding Rs. 5,000 are depreciated fully in the year of purchase.

(f) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised 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 Profit and Loss account.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its originally assessed standard of performance.

(g) Intangibles

Technical Know-how Fees

Technical Know-how Fees paid to Partner Healthcare System, Boston (USA) has been amortized over a period of 3 years from the date of commencement of commercial operations by the Company.

Softwares

Except to the extent stated below, cost of Software is amortized over a period of 6 years, being the estimated useful life as per the best management estimates. In respect of one of the subsidiaries of the Company, software is amortized over a period of five years (42 % of net block of software of the Fortis Group aggregating Rs. 211.48 Lacs on as at March 31, 2007).

License Fees

License fee capitalized as an Intangible asset denotes the amount paid by a subsidiary to a registered society for acquiring the right to receive a share of the gross billings generated from the operations of the hospital in respect of which it has entered into an O&M Agreement. The license fee is being amortised over a period of 10 years, being the best management estimate of the useful life of the intangible asset, on a pro- rata basis from the date of commencement of commercial operations at the hospital.

(h) Impairment

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 at the weighted average cost of capital.

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

iii) A previously recognized impairment loss, if any, is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(i) Leases

Where a group entity is the lessee

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

Where a group entity is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight line basis over the lease term. Costs, including depreciation, are recognized as expense in the Profit and Loss Account.

(j) Investments

Investments that are intended to be held for more than a year are classified as Long-term investments. Long-term investments are carried at cost. Provision for diminution in value is made to recognise a decline other than temporary in the value of the investments, wherever required.

(k) Inventories

Inventories are valued as follows:

(i) Medical Consumables, Pharmacy Items & Fuel	Valued at lower of cost and net realizable value. Cost is determined on Weighted average basis except for certain subsidiaries where it is determined on FIFO basis (13 % of total Medical Consumables, Pharmacy items & Fuel inventories of Fortis Group aggregating Rs. 1,064.95 Lacs as at March 31, 2007).
(ii) Stores and Spares	Valued at lower of cost (determined on FIFO basis) and net realizable value, except for an entity within the group where these being immaterial in value terms are charged off to the profit & loss account on purchase.

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

(l) 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.

Operating Income

Operating Income is recognized as and when the services are rendered/ pharmacy items are sold. Management fee from hospitals is recognized as per the terms of the agreements with respective hospitals.

Rehabilitation Centre Income

Revenue is recognised as and when the services are rendered at the centre.

Rental Income and Equipment Lease Rentals

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

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Income from satellite centres

Income from satellite centres is recognized on an accrual basis in accordance with the terms of respective agreements entered into in respect thereof.

(m) Miscellaneous Expenditure

Costs incurred in raising funds (Arrangement fees on Term Loan) is amortised over the period for which the funds are acquired.

Preliminary and pre operative expenses are charged off to the income statement in the year in which incurred, except in respect of one of the subsidiaries of the Company, where these are being amortized over a period of five years from the commencement of commercial operations.

(n) Foreign Currency Transactions

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 reported using the closing rate. Non-monetary items that are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise. Exchange differences on liabilities relating to fixed assets acquired from outside India are added to the cost of such assets.

(o) Employee Benefits

(i) Contributions to Provident and Other Funds

The entities comprised within the Fortis Group make contributions to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective fund is due. There are no other obligations other than the contribution payable to the fund.

In respect of one of the subsidiaries, contributions to Superannuation Fund, being a defined benefit scheme, are charged to the Profit and Loss Account on the basis of entitlements of the employees covered under the scheme.

(ii) Gratuity

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

(iii) Leave Encashment

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made at the end of the year.

(iv) Actuarial Gains/Losses

Actuarial gains/losses are immediately taken to the Profit and Loss Account and are not deferred.

(p) Income Taxes

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised 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 realised. In situations where the group entity has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the group entities re-assess deferred tax assets. Previously unrecognised deferred tax assets are recognised only 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 realised.

(q) Earnings Per Share

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

(r) Provisions

A provision is recognized 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 their 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.

(s) Cash and Cash Equivalents

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

C. OTHER SIGNIFICANT NOTES

1. Composition of the Group

The list of Subsidiaries and Associate considered in the preparation of the consolidated financial statements of Fortis Healthcare Limited is as under-

Name of the Group Company	**Country of Incorporation**	**Proportion of ownership interest as at March 31, 2007**	Proportion of ownership interest as at March 31, 2006
a) Subsidiaries			
Oscar Biotech Private Limited (Refer Note (a) below)	India	100.00%	100.00%
International Hospital Limited (Refer Note (b) below)	India	99.90%	99.90%
Escorts Heart Institute and Research Centre Limited (Refer note (c) below)	India	90.00%	90.00%
Hiranandani Healthcare Private Limited (Refer note (d) below)	India	100.00%	–
b) Associate			
Sunrise Medicare Private Limited (Refer note (e) below)	India	5.00%	5.00%

a) Oscar Biotech Private Limited ("OBPL") became a wholly owned subsidiary of the Company consequent to purchase of 100% stake in the entity from a Promoter Group Company on March 20,2006.

b) International Hospital Limited ("IHL") became a Board Controlled subsidiary of FHL effective December 20, 2002. In March 2006, FHL acquired a majority stake in IHL, resulting in IHL becoming a majority owned subsidiary of FHL.

c) Escorts Heart Institute and Research Centre Limited ("EHIRCL") became a subsidiary of the Company effective September 29, 2005. Accordingly, the consolidated financial statements of the Fortis Group include a consolidation of the consolidated financial statements of EHIRCL and its following subsidiaries (hereinafter collectively referred to as the "Escorts Group"):

Name of the Company	**Country of Incorporation**	**% of voting power held by EHIRCL As at March 31, 2007**	% of voting power held by EHIRCL As at March 31, 2006
Escorts Heart Centre Limited (EHCL)	India	100.00	100.00
Escorts Heart and Super Speciality Institute Limited (EHSSIL)	India	82.61	82.61
Escorts Heart and Super Speciality Hospital Limited (EHSSHL) *	India	100.00	100.00
Escorts Hospital and Research Centre Limited (EHRCL)	India	100.00	100.00

* EHSSHL was incorporated on April 24, 2003 and is yet to commence its commercial operations.

The consolidated financial statements of the Escorts group for the period from September 29, 2005 to March 31, 2006 have been prepared on the following basis-

- Items of income/expenses, other than for taxation, for the period April 1, 2005 to September 30, 2005 have been subtracted from the corresponding items of incomes/expenses for the year ended March 31, 2006. The resultant figures have been increased by proportionate amounts for two days arrived at by pro-rating items of income/expenses.
- Tax expense for the period has been worked out based on the effective tax rate for the year ended March 31, 2006.

d) Pursuant to the Share Purchase Agreement dated February 13, 2007, entered into by the Company, Hiranandani Healthcare Private Limited ("HHPL") has become wholly owned subsidiary of the Company effective February 14, 2007. Accordingly, the consolidated profit and loss account includes a line by line consolidation of the respective income and expense items as appearing in the Profit and Loss Account of HHPL, prepared for the period from February 14, 2007 to March 31, 2007.

e) As a result of the Shareholders' Agreement dated January 3, 2006 entered into with Sunrise Medicare Private Limited ("SMPL") and certain existing shareholders of that entity, FHL has acquired certain rights which confer on it the power to participate in the financial and operating policy decisions at SMPL. Consequently, in the consolidated financial statements, the Company has applied the equity method of accounting for investment in SMPL effective such date.

2. **Contingent Liabilities (not provided for) in respect of :** **(Rs. in Lacs)**

S. No.	Particulars	As at March 31, 2007	As at March 31, 2006
(a)	Claims against the Group not acknowledged as debts (in respect of compensation demanded by the patients/ their relatives for negligence). As per management, these claims are not likely to devolve due to their frivolous nature. Further, some of the subsidiaries have taken professional indemnity/error and omission policies to cover the hospitals, their doctors and staff for any possible liability arising from such claims.	**4,313.44**	4,049.90
(b)	Unredeemed Bank Guarantees executed in favour of lessor as security for hospital land and building taken on lease.	**139.53**	139.53
(c)	In respect of one of the subsidiaries of the Company, Assessment proceeding in the sale tax matter lying with Deputy Commissioner, Trade Tax, Noida is still underway and liability, if any, which may arise on the matter, is not presently reasonably determinable.	**–**	–
(d)	Others	**21.72**	38.03

3. **Capital Commitments** **(Rs. in Lacs)**

Particulars	As at March 31, 2007	As at March 31, 2006
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	**2,185.46**	3,043.78

4. **(a) Assets taken on Operating Lease**

(i) In respect of FHL, Hospital / office premises are obtained on operating lease for periods ranging from 3 to 14 years. 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. All these leases are cancellable in nature. The total lease payments in respect of such leases recognised in the profit and loss account for the year are Rs. 740.98 Lacs (previous year Rs. 653.95 Lacs).

(ii) FHL has also taken few Medical Equipments on non-cancellable operating leases for a period of 7 years. There is no escalation clause in the lease agreements. There is no restriction imposed by lease arrangements and the rent is not determined based on any contingency. The total of future minimum lease payments under the non-cancellable operating leases are as under: **(Rs. in Lacs)**

	As at/ for the year ended March 31, 2007	As at/ for the year ended March 31, 2006
Lease payments for the year	**25.25**	22.04
Minimum Lease Payments due –		
Not later than one year	**36.81**	25.25
Later than one year but not later than five years	**139.96**	175.43
Later than five years	**0.42**	1.77

(iii) In respect of the Escorts Group, certain premises have been taken on operating leases that are renewable on a yearly basis subject to mutual agreement and are cancelable by either party by giving notice for the agreed period as specified in the respective lease agreements. Rent expenses included in profit and loss account for the year towards such operating leases aggregate to Rs.172.73 Lacs (Rs. 87.64 Lacs for the period from September 29, 2005 to March 31, 2006). Similarly, lease charges paid for a vehicle taken on operating lease which is renewable annually amount to Rs.1.32 Lacs (Rs. 0.40 Lacs for the period from September 29, 2005 to March 31, 2006).

(b) Assets given on Operating Lease

(i) FHL has leased out some portion of hospital premises for periods ranging from 9 months to 10 years. 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. All these leases are cancellable in nature. The total lease payments received / receivable in respect of the above leases recognised in the profit and loss account for the year are Rs. 26.08 Lacs (previous year Rs. 22.17 Lacs).

(ii) FHL has leased out certain capital assets during the year on operating lease to a Trust managing hospital operations. The lease term is for 3 years and thereafter renewable at the option of the lessor. There are no restrictions imposed by the lease arrangements and the rent is not determined based on any contingency. There is no escalation clause in the lease agreements. The lease arrangement is non-cancellable in nature. Details of such capital assets given on non-cancellable operating lease are disclosed as under:

(Rs. in Lacs)

Particulars	**Gross Block as at March 31, 2007**	**Accumulated Depreciation as at March 31, 2007**	**Net Block as at March 31, 2007**
Software	0.17	0.02	0.15
Plant & Machinery	94.88	7.29	87.59
Medical Equipments	2,282.03	177.00	2,105.03
Furniture & Fittings	172.68	51.78	120.90
Computers	92.97	17.18	75.78
Office Equipments	26.25	1.33	24.91
Vehicles	32.46	2.57	29.88
Total	**2,701.44**	**257.17**	**2,444.27**

The total of future minimum lease payments received / receivable under the non-cancellable operating leases are as under:

(Rs. in Lacs)

	As at/ for the year ended March 31, 2007	As at/ for the year ended March 31, 2006
Lease payments received during the period	**435.61**	–
Minimum Lease Payments receivable –		
Not later than one year	**607.50**	–
Later than one year but not later than five years	**759.37**	–
Later than five years	**–**	–

(iii) One of the subsidiaries within the Escorts group has given premises on operating leases that are renewable on a periodic basis by either party by giving a notice of one to six months. Rent income included in the Profit and Loss Account for the year towards such operating leases aggregates Rs. 31.83 Lacs (Rs. 8.01 Lacs for the period from September 29, 2005 to March 31, 2006).

Future minimum lease payments under non-cancellable operating lease contracts are as under-

(Rs. in Lacs)

	As at/ for the year ended March 31, 2007	As at/ for the year ended March 31, 2006
Lease income for the year from non-cancellable operating lease	**7.20**	7.20
Minimum Lease Payments –		
Due Not later than one year	**7.20**	7.20
Due later than one year but not later than five years	**6.00**	13.20

5. (a) FHL has a deferred tax liability of Rs. 932.47 Lacs on timing differences in depreciation and other differences in block of fixed assets as per the tax books and financial books and deferred tax assets of Rs. 2,585.95 Lacs on unabsorbed depreciation as at March 31, 2007. The deferred tax liability being less than the deferred tax assets, in context of block of assets, has not been provided for at the year end.

Also, in accordance with Accounting Standard 22 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, in view of the losses incurred by the Company during the year and large amount of accumulated losses carried forward at the close of the year, deferred tax assets on timing differences and on carried-forward losses and unabsorbed depreciation have not been accounted for in the books since it is not virtually certain whether the Company will be able to take advantage of such losses / depreciation.

(b) EHSSIL (a step subsidiary of the Company) commenced its commercial operations from February 1, 2003 and has incurred losses. Since the gestation period in such projects are comparatively longer and the losses reflect mainly depreciation charge and finance cost, the management, based on future projections, is certain that there will be sufficient future taxable income against which the net deferred tax assets of Rs.1,104.74 Lacs (including Rs.968.22 Lacs carried forward from previous year) will be realized.

(c) In view of substantial reduction in the number of patients visiting the hospital resulting in low revenue and mounting losses, EHCL (a step subsidiary of the Company) has shut down the hospital operations in Kanpur with effect from August 31, 2005. After the closure of operations, this Company is moving into the business of managing the operations of the Cardiac Care Units located at various hospitals across the country, with the view to provide exclusive focus and direction to the said unit for achieving higher efficiency. Based on this new business plan, this Company would generate enough revenue to cover up all its brought forward business losses and unabsorbed depreciation. Looking into certainty of future income expected out of new business plan, this Company has created deferred tax asset for brought forward losses and unabsorbed depreciation of Rs.173.84 Lacs (including Rs. 173.32 Lacs brought forward from previous year) as at March 31, 2007.

6. Goodwill appearing in consolidated financial summary statements is after netting off Capital Reserve aggregating Rs. 103.12 Lacs arising on the acquisition of one of the subsidiaries.

7. **Segment Reporting**

As the Group's business activities primarily fall within a single business and geographical segment, there are no additional disclosures to be provided in terms of Accounting Standard 17 'Segmental Reporting'.

8. **Related Party Disclosures**

(a) Names of Related parties (As certified by the management)

Holding Company	Fortis Healthcare Holdings Limited
Associate	Sunrise Medicare Private Limited
Key Management Personnel ('KMP')	Mr. Harpal Singh - Chairman of FHL Mr. Shivinder Mohan Singh - Managing Director at FHL and EHIRCL, Director at IHL Mr. N. K. Pandey - Manager at EHRCL Mr. Jasbir Grewal - Manager at IHL upto November 30, 2006 Dr. (Lt. Gen.) M. L. Chawla - Manager at EHSSIL Dr. (Lt. Gen.) Harcharan Singh - Manager at EHSSIL upto March 31, 2006
Enterprises owned or significantly influenced by key management personnel or their relatives	SRL Ranbaxy Limited, Ranbaxy Laboratories Limited, Ranbaxy Holding Company, Fortis Nursing Education Society, Religare Enterprises Limited, Religare Securities Limited.

(b) The schedule of Related Party Transactions is given in the annexure attached.

Consolidated Related Party Transaction Schedule

Transaction details	Year 2006-07				Year 2005-06			
	Holding Company	Associate	Key management personnel (KMP)	Enterprises owned/ significantly influenced by KMP/ their relatives	Holding Company	Associate	Key management personnel (KMP)	Enterprises owned/ significantly influenced by KMP/ their relatives
Transactions during the year								
Expenses allocated to related parties								
SRL Ranbaxy Limited	–	–	–	261.09	–	–	–	242.90
Sunrise Medicare Private Limited	–	24.39	–	–	–	9.43	–	–
Operation & Management Fees								
Sunrise Medicare Private Limited	–	62.10	–	–	–	10.40	–	–
Interest Income								
Sunrise Medicare Private Limited	–	34.83	–	–	–	6.00	–	–
SRL Ranbaxy Limited	–	–	–	13.03	–	–	–	–
Fortis Nursing Education Society	–	–	–	15.53	–	–	–	–
Interest Expense								
Ranbaxy Holding Company	–	–	–	101.32	–	–	–	1.27
Income from rendering of medical services								
Ranbaxy Laboratories Limited	–	–	–	4.97	–	–	–	0.21
Pathology Expenses								
SRL Ranbaxy Limited	–	–	–	352.97	–	–	–	248.60
Purchases of Medical consumables and pharmacy items								
Ranbaxy Laboratories Limited	–	–	–	193.33	–	–	–	162.90
Utilisation Charges Received								
Ranbaxy Laboratories Limited	–	–	–	163.52	–	–	–	163.51
Legal & Professional Fee								
Religare Enterprises Limited	–	–	–	284.65	–	–	–	–
Religare Securities Limited	–	–	–	125.73	–	–	–	–
Managerial Remuneration								
Mr. Harpal Singh	–	–	–	–	–	–	6.58	–
Mr. Jasbir Grewal	–	–	31.21	–	–	–	5.98	–
Mr. (Lt. Gen.) Harcharan Singh	–	–	–	–	–	–	10.58	–
Dr. N. K. Pandey	–	–	63.12	–	–	–	–	–
Dr. (Lt.Gen.) M.L.Chawla	–	–	12.42	–	–	–	–	–
Mr. Shivinder Mohan Singh (refer Note 19 of Schedule 26)	–	–	195.88	–	–	–	13.56	–
Rent Expense								
Dr. N. K. Pandey	–	–	12.76	–	–	–	–	–
Loan / Advances given during the year								
Sunrise Medicare Private Limited	–	63.80	–	–	–	199.94	–	–
Fortis Nursing Education Society	–	–	–	250.00	–	–	–	–
Subscription of Share Capital								
Fortis Healthcare Holdings Limited	26,000.00	–	–	–	34,518.00	–	–	–
Personal Guarantee for Loans Taken								
Managing Director (refer Note c below)	–	–	5,000.00	–	–	–	38,000.00	–
Licence User Agreement Fee								
Ranbaxy Holding Company	–	–	–	–	–	–	–	1.00
Balance Outstanding at the year end								
Loans / Advances recoverable								
Sunrise Medicare Private Limited	–	304.20	–	–	–	208.78	–	–
Ranbaxy Laboratories Limited	–	–	–	7.07	–	–	–	6.84
SRL Ranbaxy Limited	–	–	–	297.58	–	–	–	74.59
Fortis Nursing Education Society	–	–	–	250.00	–	–	–	–
Unsecured Loan								
Ranbaxy Holding Company	–	–	–	3,968.75	–	–	–	51.27
Other Current assets								
Fortis Nursing Education Society	–	–	–	15.53	–	–	–	–
Sundry Debtors								
Sunrise Medicare Private Limited	–	75.71	–	–	–	10.40	–	–
Ranbaxy Laboratories Limited	–	–	–	0.04	–	–	–	–
Sundry Creditors								
Ranbaxy Laboratories Limited	–	–	–	44.06	–	–	–	72.00
SRL Ranbaxy Limited	–	–	–	207.85	–	–	–	144.36
Investment								
Sunrise Medicare Private Limited	–	50.94	–	–	–	50.94	–	–
Corporate Guarantee for Loans Taken								
Ranbaxy Holding Company	–	–	–	750.00	–	–	–	750.00
(excluding 2,323,000 shares of Ranbaxy Laboratories Limited pledged for loans taken by the Company)	–	–	–	–	–	–	–	619.32
Personal Guarantee for Loans Taken								
Managing Director (refer Note d below)	–	–	43,000.00	–	–	–	38,000.00	–

Notes:

a) All figures are in Rs. Lacs.

b) Expenses incurred on behalf of / by related parties, and later reimbursed by / to them have not been considered above.

c) This amount excludes Rs. 341.34 Lacs (Previous year Rs. 22.60 Lacs) for interest on loan which is also covered under the guarantee given.

d) This amount excludes Rs. 32.88 Lacs (Previous year Rs. Nil) for interest accrued on loan which is also covered under the guarantee given.

9. **(i) Disclosures under Accounting Standard - 15 (Revised) on 'Employee Benefits' :**

A. Defined Contribution Plan **(Rs. in Lacs)**

Contribution to Provident fund and other fund (Unfunded)	617.75
Contribution to Gratuity Trust (Funded)	6.78

B. Defined Benefit Plan

The following table summaries the components of net employee benefit expenses recognised in the consolidated profit and loss account :

(Rs. in Lacs)

Particulars	Gratuity (Unfunded)
Consolidated Profit and Loss account	
Net employee benefit expenses (recognized in Personnel Expenses)	
Current Service cost	157.47
Interest Cost on benefit obligation	51.50
Expected return on plan assets	–
Actuarial loss/(gain) recognised in the year	18.59
Past Service Cost	–
Net benefit expense	227.56
Consolidated Balance sheet	
Details of Provision for Gratuity at March 31, 2007	
Present value of defined benefit obligation	822.59
Fair value of plan assets	–
Surplus/(deficit) of funds	(822.59)
Net asset/ (liability)	(822.59)
Changes in present value of the defined benefit obligation are as follows:	
Opening defined benefit obligation	(644.21)
Add: Opening defined benefit obligation in respect of a subsidiary acquired during the year	(0.74)
Current Service cost	(157.47)
Interest Cost on benefit obligation	(51.50)
Benefits paid	49.92
Actuarial (loss)/ gain recognised during the year	(18.59)
Closing defined benefit obligation	(822.59)

The Principal assumptions used in determining the gratuity obligation for the Fortis Group are shown below:

Actuarial Assumptions	All group entities excluding the Escorts Group	Escorts Group
1. Discount rate	8%	7.5% - 8%
2. Expected rate of return on plan assets	–	–
3. Expected rate of salary increase	10%	5%
4. Mortality	LIC (1994 - 96) duly modified	
5. Withdrawal rate	**Age**	
	Upto 30 years	3%
	Upto 44 years	2%
	Above 44 years	1%

Notes:

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

b) Since AS 15 (Revised) on 'Employee Benefits' is applicable only w.e.f April 1, 2006, the disclosures as mentioned above are given only for the current year ended March 31, 2007.

c) Rs. 5.75 Lacs out of the net benefit expenses, as above has been allocated to a Company under the same Management.

10. The actuarial valuation for employee benefits as at March 31, 2006, in accordance with Accounting Standard - 15 (Revised), has resulted in an additional charge of Rs. 518.41 Lacs for the Group, including a prior period charge amounting to Rs. 203.82 Lacs on account of changes in the actuarial assumptions (net figure after considering the deferred tax credit aggregating to Rs. 161.51 Lacs on the additional provision and transfer to Minority Interest). Accordingly, Rs. 314.59 Lacs has been accounted for as a charge to Opening balance of Profit and Loss Account as at April 1, 2006.

11. A Civil suit ("Civil Suit") has been filed for declaration and permanent injunction against Escorts Heart Institute and Research Centre Limited (EHIRCL) amongst others in the Delhi High Court seeking amongst others (a) declaration that the amalgamation of Escorts Heart Institute and Research Centre, Delhi, a society registered under the Societies Registration Act, 1860 (EHIRC Delhi) with Escorts Heart Institute and Research Centre, Chandigarh (EHIRC Chandigarh) a society registered under the Societies Registration Act, 1860 and subsequent incorporation of EHIRC Chandigarh Society (post amalgamation) into a Company under Part IX of the Companies Act, 1956 (i.e. EHIRCL) is void, (b) seeking a restoration of charitable status of EHIRC Delhi Society. The Delhi High Court, vide its Order dated September 30, 2005 has, however, only ordered the parties to maintain status quo as of September 30, 2005. The matter is being duly defended in the Court and is pending before the Delhi High Court.

    Delhi Development Authority (DDA) vide its Order dated October 6, 2005 determined the lease deeds and allotment letters of EHIRCL ("DDA Order"). EHIRCL has filed an Original Miscellaneous Petition and Civil Suit in the Delhi High Court seeking a declaration that the DDA Order is illegal and praying for a permanent injunction restraining DDA from dispossessing EHIRCL without due process of law. Delhi High Court has granted a stay restraining DDA from recovering physical possession of the property. The matter is pending in Delhi High Court.

    The Estate Officer of the DDA issued a show cause notice dated November 9, 2005 and initiated eviction proceedings against EHIRCL. The matter was being defended by EHIRCL and the proceedings have been suspended by the Estate Officer in view of the Order in the Letters Patent Appeal ("LPA") mentioned below.

    EHIRCL filed a civil writ petition in the Delhi High Court challenging the show cause notice issued by Estate Officer, which was dismissed by the Hon'ble Single Judge. EHIRCL thereafter filed Letters Patent Appeal (LPA) against the above order before the Delhi High Court. The Division Bench of the Delhi High Court while issuing notice to the Estate Officer passed an interim order in favour of EHIRCL directing that no final order on eviction can be passed by the Estate Officer. The LPA is pending before the Delhi High Court.

    The Delhi High Court in March 2004, amongst other hospitals, made EHIRCL a party to a Public Interest Litigation (PIL) filed in July 2002 (Social Jurist matter), concerning the applicability of certain free bed conditions on certain plots of land allotted to EHIRCL by DDA. The PIL is being defended and the matter is pending in the Delhi High Court.

12. (a) The Income-tax Authorities carried out a survey on August 21, 2003 (certain statutory records of EHIRCL were impounded, which are still in possession of the Authorities), regarding amalgamation of Escorts Heart Institute and Research Centre, Delhi (Delhi Society) with a society at Chandigarh with a similar name (Chandigarh Society), and later on registration of the Amalgamated Society as a Company.

    Pursuant to the survey, the Income-tax Authorities have re-opened the assessments of Chandigarh and Delhi Societies. The Deputy Commissioner of Income-tax, Delhi has completed the reopened assessments of the Delhi Society for four assessment years, i.e., assessment years 1997-98, 1998-99, 1999-2000 and 2000-01, wherein, the exemption availed by the erstwhile Delhi Society by virtue of being an approved scientific research organization has been withdrawn in respect of these years. The past accumulated income upto March 31, 1996 has been brought to tax and the income of the respective years thereafter has been subjected to tax as normal business income, hence raising a cumulative demand of Rs. 10,102 Lacs (including interest of Rs. 5,511 Lacs). The Deputy Commissioner of Income-tax has also assessed the income for assessment year 2001-02, whereby the entire accumulations and allowances made in earlier years have again been brought to tax, raising a further demand of Rs.12,437 Lacs (including interest of Rs.6,946 Lacs). EHIRCL is of the view that the demand raised for the assessment year 2001-02 includes duplication on account of demands raised in the assessment years 1997-98 to 2000-01 and, further, the events taking place in the year 2000 cannot relate back to earlier years.

    (b) EHIRCL challenged the reopening of assessment for the assessment year 1997-98 before the Delhi High Court in a writ petition filed on July 27, 2005. The Hon'ble Court in its interim order dated September 20, 2005 has directed the Assessing Officer to complete the assessments for all these years and has also directed that the operation of assessment orders for assessment years 1997-98, 1998-99, 1999-00 and 2000-01 shall remain suspended till the matter is heard and decided by the Court. EHIRCL has filed appeals before the Commissioner of Income -tax (Appeals) for all these years.

    (c) The Additional Commissioner of Income-tax, Chandigarh, has also raised a demand of tax amounting to Rs. 5,233 Lacs and interest thereon amounting to Rs.2,916 Lacs by treating the excess of assets over liabilities as short term capital gains on registration of the Amalgamated Society as a Company. EHIRCL feels that the above registration does not give rise to transfer of assets and consequent capital gains and, therefore, has preferred an appeal before the Income-tax Appellate Tribunal, Chandigarh, which is pending disposal.

    (d) Regular assessment under section 143(3) of Income-tax Act, 1961, has been completed for assessment year 2004-05 in the case of EHIRCL whereby a demand of Rs.404 Lacs (including interest of Rs.54 Lacs) has been raised. Appeal has been filed before the Commissioner of Income-tax (Appeals) against the disallowances made in the assessment order which is pending disposal.

    The Income-Tax Department has also filed an appeal before the ITAT, New Delhi against the Order of CIT(A) allowing the claim of keyman insurance and holding software development charges as revenue expenses for assessment year 2003-04

    In the view of the management, the eventual outcome of the above matters cannot presently be estimated.

13. Pursuant to a notice under Section 59 of the Delhi Value Added Tax Act, 2004, EHIRCL submitted an application dated September 20, 2005 before the Commissioner of Trade and Taxes ("Commissioner"), New Delhi for determination of whether the Company is liable to pay tax under the provisions of the Delhi Value Added Tax Act, 2004 in respect of medicines, diet,

drugs, implants, devices, consumables etc., which are administered in the course of treatment of patients. The application was made on the basis that the above items are not marketable commodities and, hence, are not goods. The Commissioner, vide his Order dated March 17, 2006 has held that the Company is liable to pay Value Added Tax ("VAT") on the said items. EHIRCL has filed an appeal before the Delhi Value Added Tax Appellate Tribunal against the aforesaid Order of the Commissioner on April 27, 2006, which is pending for disposal. In the meantime, a writ petition challenging the validity of certain provisions of DVAT Act and also order dated September 20, 2005 passed by Commissioner, Trade and Taxes, Delhi was filed before the Hon'ble Delhi High Court, which was admitted on April 4, 2007 and the matter is now pending before the Hon'ble Delhi High Court. The Company has out of an abundant caution, made an estimated provision of Rs.126.11 Lacs in the matter, without considering the items used in composite packages for which no separate bills are raised, although it is of the view that no such liability would arise.

14. (a) The Company has incurred losses of Rs. 4,868.86 Lacs during the current year and has accumulated losses of Rs. 13,848.74 Lacs as at March 31, 2007, which has resulted in erosion of a portion of the Company's net worth. The cash loss component out of total loss of Rs. 4,868.86 Lacs is Rs. 3,811.82 Lacs which includes borrowing cost of Rs. 3,747.66 Lacs relating to the investment in a subsidiary. In view of above and the additional funds raised by the Company through the Issue subsequent to the close of the year to meet the cost of development and construction of new hospital by a subsidiary, to refinance the funds availed for the acquisition of investment in a subsidiary and to prepay some short term loans, the accounts have been continued to be prepared on a going concern basis.

    (b) IHL, one of the subsidiaries of the Company, has incurred loss after tax of Rs. 472.07 Lacs during the year ended March 31, 2007 resulting in accumulated losses of Rs. 2,036.90 Lacs as at March 31, 2007 which represents erosion of more than fifty percent of its net worth. The Company is projecting better performance in forthcoming years based on better utilization of facility on basis of increase in number of patients and resultant cost effectiveness. Considering future projections, the financial statements of that entity have been prepared on a going concern basis.

15. In respect of FHL, Sundry debtors' balances for Ex-Servicemen Contributory Health Scheme (ECHS) and Serving Defense Personnel of Rs. 2,297.68 Lacs and Rs. 29.23 Lacs respectively as at the year end remain subject to confirmation. The Company has made the provision for doubtful debts of Rs. 31.48 Lacs against the above which, in the opinion of the management, is adequate. The management does not anticipate any material changes in the balance dues considered good of recovery in the financial statements.

16. FHL has incurred expenses aggregating to Rs. 893.98 Lacs (including Rs. 95.54 Lacs paid / payable to auditors) up to March 31, 2007 in connection with its Initial Public Offering which got concluded in May 2007. In terms of Section 78 of the Companies Act, 1956, the management proposes to adjust the same with the Securities Premium received during the year and the amount to be received against the Issue subsequent to the close of the year, and hence the same has not been expensed off.

17. During the year, FHL has issued 26,000,000, 5% Non-Cumulative Redeemable Preference Shares of Rs. 10 each at a premium of Rs. 90 per share, to its holding Company, Fortis Healthcare Holdings Limited on a preferential basis. As per the terms and conditions of issue, these Preference Shares are to be redeemed at a premium of Rs. 90 per share. Since sufficient balance is lying in the Securities Premium Account to meet this liability, no amount has been accrued towards Premium on Redemption of Preference Shares.

18. Pursuant to the filing of Red Herring Prospectus on March 29, 2007 with Securities Exchange Board of India (SEBI) in respect of the Public Issue and after filing of other necessary information with the regulatory authorities, the Company has allotted 45,996,439 equity shares at Rs. 108 (including premium of Rs. 98 per share) subsequent to the close of the year. As a result, the paid- up share capital of the Company has increased from Rs. 18,067.01 Lacs divided into 180,670,094 Equity Shares of Rs. 10 each, to Rs. 22,666.65 Lacs divided into 226,666,533 equity shares of Rs. 10 each.

19. In respect of FHL, Directors' remuneration aggregating to Rs. 140.88 Lacs (including Gratuity and Leave encashment) (previous year Rs. 20.14 Lacs) represents remuneration payable to the KMP/Managing Director of the Company for the current year. Due to the insufficiency of the effective capital as prescribed in Schedule XIII of the Companies Act, 1956, the Company has applied for the Central Government approval for the said remuneration.

20. **Particulars of Unhedged Foreign Currency Exposure:** **(Rs. In Lacs)**

Particulars	**As at/for the year ended March 31, 2007**	As at/for the year ended March 31, 2006
Import Creditors	**Rs. 24.21 Lacs (Euro 41,520)**	Rs. 87.51 Lacs (Euro 1,62,745)
ECB Loan (Principal Amount)	**Rs. 2,045.16 Lacs (USD 4,687,500)**	Rs. 2,951.16 Lacs (USD 6,562,500)
ECB Loan (Interest Accrued but not due)	**Rs. 56.75 Lacs (USD 130,064)**	Rs. 71.95 Lacs (USD 159,994)
Professional Fees	**Rs. 342.06 Lacs (USD 784,000)**	–

21. Previous year figures have been regrouped wherever considered necessary. Figures pertaining to the subsidiaries have been reclassified wherever necessary to bring them in line with the Company's financial statements.

In terms of our report of even date attached.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : New Delhi
Date : June 25, 2007

For and on behalf of the Board of Directors

MALVINDER MOHAN SINGH
Chairman

SHIVINDER MOHAN SINGH
Managing Director

NEERJA SHARMA
Director - Secretarial Affairs
& Company Secretary

ANURAG YADAV
Chief Financial Controller

HOSPITALS

Fortis Hospital, Mohali
Super-Speciality in Heart
(A Unit of Fortis Health Care Limited)
Sector 62, Phase - VIII, Mohali 160 062, Punjab, India.

Fortis Hospital, Amritsar
(A Unit of Fortis Healthcare Limited)
SCO No. 128, District Shopping Centre,
Ranjit Avenue, Amritsar 143 001, Punjab, India.

Fortis Hospital, Noida
Super-Speciality in Orthopaedics and Neuro Science
(A Unit of International Hospital Limited)
B-22, Sector-62, Noida 201 301,
Uttar Pradesh, India.

Escorts Heart Institute & Research Centre
(A Unit of Escorts Heart Institute and Research Centre Limited)
Okhla Road, New Delhi 110 025, India.

Fortis Escorts Hospital, Faridabad
(A Unit of Escorts Hospital and Research Centre Limited)
Neelam Bata Road, New Industrial Township,
Faridabad 122 001, Haryana, India.

Fortis Escorts Hospital, Amritsar
(A Unit of Escorts Heart and Super-Speciality Institute Limited)
Majitha - Verka Bypass Road,
Amritsar 143 004, Punjab, India.

Escorts Heart Centre, Chattisgarh
(A Unit of Escorts Heart Institute and Research Centre Limited
in collaboration with Government of Chattisgarh)
Pt. J.N.M. Medical College,
Raipur 492 001, Chattisgarh, India.

Fortis La Femme, New Delhi
(Operated and Maintained by Fortis Healthcare Limited)
S-549, Greater Kailash, Part II,
New Delhi 110 048, India.

Jessa Ram Hospital, New Delhi
(Operated and Maintained by Fortis Healthcare Limited)
WEA, Karol Bagh, New Delhi 110 005, India.

Khyber Medical Institute
(Operated and Maintained by Fortis Healthcare Limited)
Khayam Chowk, Nowpura, Srinagar,
Jammu & Kashmir 190 001, India.

Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj
(Operated and Maintained by Oscar Bio-Tech Pvt. Limited)
Sector B, Pocket 1, Aruna Asaf Ali Marg,
New Delhi 110 070, India.

Fortis Escorts Hospital, Jaipur
(A Unit of Escorts Heart and Super-Speciality Hospital Limited)
Jawaharlal Nehru Marg, Malviya Nagar,
Jaipur - 302 017, Rajasthan, India.

Fortis Hiranandani Hospital
(A Unit of Hiranandani Healthcare Pvt. Ltd.)
Mini Seashore Road,
Sector-10A, Vashi,
Navi Mumbai - 400 703, Maharashtra, India.

OTHER FACILITIES - SATELLITE / HEART COMMAND CENTERS

- Kalyani Hospital, Gurgaon, Haryana
- Goyal Hospital & Research Centre, Jodhpur, Rajasthan
- Sudha Hospital, Kota, Rajasthan
- Orchid Hospital & Heart Centre, New Delhi
- Shanti Mukund Hospital, New Delhi
- Sunder Lal Jain Hospital, New Delhi
- Indian Spinal Injuries Centre, New Delhi
- Kamayani Hospital, Agra, Uttar Pradesh
- Maharaja Agrasain Hospital, New Delhi
- Kalra Hospital, New Delhi
- Arneja Heart Institute, Nagpur, Maharashtra
- Heart Hospital, Patna, Bihar
- Sadbhavna Medical & Heart Institue, Patiala, Punjab
- American International Hospital, Udaipur, Rajasthan
- Saroj Hospital & Heart Institute, Delhi
- Escorts-AMRI Diagnostic Heart Centre, Kabul, Afghanistan

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