

# B S R & Co. LLP

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Fortis Health Management (East) Limited

Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the financial statements of Fortis Health Management (East) Limited ("the Company"), which comprise the balance sheet as at 31 March 2019 and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and except for the effects/possible effects of the matters described in "Basis for Qualified Opinion" paragraphs of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Qualified Opinion

1. The matters stated below were also subject matter of qualification in predecessor auditor's audit opinion on the financial statements as at 31 March 2018:

As explained in Note 36 of the financial statements, pursuant to certain events/transactions in Fortis Healthcare Limited ('Intermediate Holding Company') and Fortis Hospitals Limited (the 'Holding Company'), the erstwhile Audit and Risk Management Committee (the "ARMC") of the Intermediate Holding Company had initiated an independent investigation by an external legal firm and special audits by professional firms on matters relating to systematic lapses/override of internal controls as described in Note 36 of the financial statements. The report has since been submitted and is subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation report.

Additionally, different regulatory authorities are currently undertaking their own investigations, details of which are described in Note 36 of the financial statements and stated below:

- SEBI has initiated an investigation in respect of the various issues. On 17 October 2018, 21 December 2018 and 19 March 2019, SEBI passed Orders ("Orders") and further investigations by regulatory authorities is continuing. In its Orders, SEBI observed that certain inter-corporate deposits ("ICDs") made by the Holding Company, with certain identified entities were so structured that they seem to be prima facie fictitious and fraudulent in nature resulting, in inter alia, diversion of funds from the Fortis Group for the ultimate benefit of erstwhile promoters (and certain entities controlled by them) resulting in a misrepresentation in the financial statements of the Fortis Group ('Group') in an earlier period. Further, SEBI issued certain interim directions inter alia directing the Intermediate Holding Company and Holding Company to take all necessary steps to recover Rupees

40,300 Lacs along with the due interest from erstwhile promoters and various other entities, as mentioned in the Orders. It has also directed the erstwhile promoter and the said entities to repay the sums due. The aforesaid ICDs were fully provided for in the books as at 31 March 2018. SEBI, in its Orders also directed erstwhile promoters and the said entities that pending completion of the investigation and till further order, they shall not dispose off or alienate any of their assets or divert any funds, except for the purposes for meeting expenses of day to day business operations, without any prior permission of SEBI. Erstwhile promoters have also been directed not to associate themselves with the affairs of the Intermediate Holding Company in any manner whatsoever, till further directions. The initial directions issued by SEBI have been confirmed by SEBI in their order dated 19 March 2019.

- Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under Section 217(1)(a) of the Companies Act, 2013, inter alia, has initiated an investigation and has been seeking information in relation to the Intermediate Holding Company, its material subsidiaries, joint ventures and associates to which as informed to us the Intermediate Holding Company and the Holding Company have responded.

Since, the investigation and enquiries carried out by regulators as aforesaid are currently ongoing, need for additional procedures/ enquiries, if any, and an overall assessment of the impact of the investigations on the financial statements of the Company is yet to be concluded.

Based on investigations carried out by an external legal firm, Orders by SEBI and other information available currently, as per the management all identified/required adjustments/ disclosures arising from the findings in the Investigation Report and the Orders by SEBI, were made in the financial statements of the Company for the year ended 31 March 2018.

No additional adjustments/ disclosures were required to be made in the financial statements for the year ended 31 March 2019 in respect of the above.

As explained in Note 31(D) of the financial statements, related party relationships prior to loss of control of erstwhile promoters/directors in the year ended 31 March 2018 were identified by the management taking into account the information available with the management and including the findings and limitations in the Investigation Reports. In this regard, specific declarations from the erstwhile directors/promoters, especially considering the substance of the relationship rather than the legal form, were not available. Therefore, the possibility cannot be ruled out that there may be additional related parties of erstwhile promoters/directors whose relationships may not have been disclosed to the Group and, hence, not known to the Management.

Due to the ongoing nature of the various regulatory inquiries/investigations, we are unable to comment on the adjustments/ disclosures which may become necessary as a result of further findings of the ongoing regulatory investigations on the financial statements including completeness/accuracy of the related party transactions which relate to or which originated before 31 March 2018, the regulatory non-compliances, if any, and the consequential impact, if any, on the financial statements.

2. As explained in Note 38 of the financial statements, the Company identified certain instances as a part of the medical service arrangement with another company ('service provider'), where unauthorised invoicing was done by the said service provider which were not recorded in the Company's books. This has resulted in understatement of 'Other Operating Revenue' recorded in the books of the Company. Management based on inquiries and procedures performed, has quantified a revenue loss of Rs. 117.36 (in 000's) and Rs. 283.39 (in 000's) for financial year 2017-18 and 2018-19 respectively. Subsequent to the year end, the Company has terminated the said arrangement and adjusted the loss quantified against the amount payable to the said service provider. However, in the absence of adequate documentation supporting the inquiries and procedures

performed by the Management leading to insufficient audit trail, we are unable to comment on the evaluation performed by the management, its impact on 'Other Operating Revenue' and its consequential impact on the financial statements, if any.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Material Uncertainty Related to Going Concern**

Attention is drawn to Note 37 of the financial statements, wherein it is stated that the Company has decided to discontinue its operations at its existing hospital premises with effect from 30 June 2019. Further, as explained in Note 35 of the financial statements, the Company has incurred losses in the current and previous years and for now there are no firm business plans as regards its future. These events or conditions, along with other matter set forth in Note 35 of the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Based on the continued financial and operation support from its Ultimate Holding Company, the Company has prepared its financial statements on a going concern basis.

### **Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's Director's report but does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material

misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical

requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Other Matter

The comparative financial information for the year ended 31 March 2018 prepared in accordance with Ind AS included in these financial statements were audited by the predecessor auditor who expressed a qualified opinion thereon as per their report dated 27 September 2018.

Our opinion on the financial statements is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, which is subject to the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs of our Audit report, and the material weakness described in the "Basis for Qualified Opinion" paragraph in our separate report on the Internal Financial Controls over Financial Reporting.
- 2.(A) As required by Section 143(3) of the Act, we report that:
  - i. We have sought, and except for the matters described in "Basis for Qualified Opinion" paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. Except for the effects/ possible effects of the matters described in "Basis for Qualified Opinion" paragraph above, in our opinion, proper books of account as required by law relating to preparation of the aforesaid financial statements have been kept so far as it appears from our examination of those books.
  - iii. The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the cash flow statement dealt with by this Report are in agreement with the books of account.
  - iv. Except for effects/ possible effects of the matters described in "Basis for Qualified Opinion" paragraph above, in our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
  - v. The matters described in "Basis for Qualified Opinion" and "Material Uncertainty Related to Going Concern" paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
  - vi. On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
  - vii. The qualification relating to maintenance of accounts and other matters connected therewith are as stated in "Basis for Qualified Opinion" paragraph above.
  - viii. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. Except for the effects/ possible effects of matters described in the "Basis for Qualified Opinion" section above, the Company does not have any pending litigation which would impact its financial position. Refer Note 27 of the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note 26 of the financial statements.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company. Refer Note 26 of the financial statements.
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditor's Report under section 197(16):

The Company has not paid or provided any managerial remuneration and hence reporting under section 197(16) of the Act is not applicable.

*For B S R & Co. LLP*  
*Chartered Accountants*  
Registration Number: 101248W/W-100022



**Rajesh Arora**  
*Partner*  
Membership No: 076124  
UDIN:19076124AAAABF5669

Place: Gurugram  
Date: 31 October 2019



**Annexure A referred to in our Independent Auditor's Report to the members of Fortis Health Management (East) Limited on the financial statements for the year ended 31 March 2019**

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management and on the basis of our examination of the records of the Company, the Company does not hold any immovable property. Accordingly, clause 3(i)(c) of the Order is not applicable.
- (ii) The inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and nature of its business. As informed to us, no material discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not given any loan, or provided any guarantee or security or made any investment as specified under Section 185 and 186 of the Companies Act, 2013.
- (v) According to the information and explanation given to us, the Company has not accepted any deposits covered under Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under.
- (vi) According to the information and explanation given to us, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act for activities carried out by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, service tax, employees' state insurance, income tax, goods and service tax (GST), cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

As explained to us, the Company did not have any dues on account of duty of customs, duty of excise, sales tax and value added tax.



Also refer note 21 of the standalone financial statements, wherein it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court judgment on the provident fund matter, management has not recognized and deposited any additional provident fund with respect to previous years.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, GST, cess and other statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, GST, provident fund, employee state insurance and value added tax which have not been deposited by the Company with the appropriate authorities on account of any dispute as at 31 March 2019.
- (viii) The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) or term loans during the year. Accordingly, provisions of paragraph 3(ix) of the Order are not applicable.
- (x) As explained in note 36 of the financial statements:
- (a) At this juncture the Board is unable to make a determination on whether a fraud has occurred on the Company in respect of the matters covered in the investigation by the external legal firm, considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report.
- (b) Various regulatory authorities are currently undertaking their own investigation, and it is likely that they may make a determination on whether any fraud or any other non-compliance/illegalities have occurred in relation to the matters addressed in the Investigation Report.

Further, as mentioned in note 38 of financial statements, during the year, the Company observed certain instances of unauthorised invoicing by one of the vendors of the Company providing pathology services in the hospital premises. Based on internal procedures carried out, management concluded that the Company has suffered a revenue loss of Rupees 117.35 (in 000's) and Rupees 283.39 (in 000's) for financial year 2017-18 and 2018-19 respectively. Subsequent to the year end, the Company has adjusted the loss quantified against the amount payable to the concerned service provider.

Subject to above, and according to the information and explanations given to us, no material fraud by the Company and on the Company by its officers or employees has been noticed or reported during the year.

- (xi) The Company has not paid or provided managerial remuneration and hence reporting under clause 3(xi) of the Order is not applicable.
- (xii) According to the information and explanations given to us, the Company is not a nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) Except for the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" section of our Audit Report, all transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details have been disclosed in the financial statements, as required by the applicable accounting standards.



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- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

*For B S R & Co. LLP*  
*Chartered Accountants*  
Firm Registration No.: 101248W/W-100022



**Rajesh Arora**  
*Partner*  
Membership No.: 076124  
UDIN: 19076124AAAABH2669

Place: Gurugram  
Date: 31 October 2019

**Annexure B to the Independent Auditor's report on the financial statements of Fortis Health Management (East) Limited for the year ended 31 March 2019**

**Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

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

### **Qualified opinion**

We have audited the internal financial controls with reference to financial statements of Fortis Health Management (East) Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, except for the effects/ possible effects of the material weakness described below on the achievement of the objectives of the control criteria, to the best of our information and according to the explanations given to us, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

We have considered the material weaknesses identified and reported in "Basis of Qualified Opinion" below in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company for the year ended 31 March 2019 and these material weaknesses have, inter alia, affected our opinion on the said financial statements and we have issued a qualified opinion on the said financial statements.

### **Basis for Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2019:

- a) As explained in "Basis for Qualified Opinion" section of our Audit Report on the financial statements for the year ended 31 March 2019, pursuant to certain events/transactions in earlier years, the erstwhile Audit and Risk Management Committee (the "ARMC") of the Holding Company had initiated an independent investigation by an external legal firm and special audits by professional firms on matters relating to systemic lapses and override of controls. The report has since been submitted and is subject to limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation report. Further, the investigation by different regulatory authorities in these matters is still ongoing and an overall assessment of the impact of the investigations is yet to be concluded. Pending final outcome of the regulatory investigations and enquiries, completeness of identification of deficiencies cannot be ascertained.
- b) As explained in note 38 of the financial statements, the Company did not have an appropriate internal control system with respect to recording of 'Other Operating Revenue' in regard to the medical service arrangements entered by the Company with service providers. This could potentially result in understatement of Other Operating Revenue and financial loss to the Company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.



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

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to financial statements based on the criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

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

### **Meaning of Internal Financial controls with Reference to Financial Statements**

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



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**Inherent Limitations of Internal Financial controls with Reference to Financial Statements**

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

*For B S R & Co. LLP*

*Chartered Accountants*

Registration Number: 101248W/W-100022



**Rajesh Arora**

*Partner*

Membership No. 076124

UDIN:19076124AAAABF5669

Place: Gurugram  
Date: 31 October 2019

**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**BALANCE SHEET AS AT 31 MARCH 2019**

Particulars	Notes	As at 31 March 2019 (Rupees in '000)	As at 31 March 2018 (Rupees in '000)
<b>ASSETS</b>			
<b>A. Non-current assets</b>			
(a) Property, plant and equipment	4	15,455.17	17,246.64
(b) Other Intangible assets	5	-	1,006.54
(c) Financial assets			
(i) Other financial assets	6	-	5,273.41
(d) Deferred tax assets	7	-	-
(e) Non-current tax assets (Net)	8(i)	6,278.16	4,608.12
(f) Other non-current assets	8(ii)	-	112.59
<b>Total non-current assets (A)</b>		<b>21,733.33</b>	<b>28,247.30</b>
<b>B. Current assets</b>			
(a) Inventories	9	836.70	902.23
(b) Financial assets			
(i) Trade receivables	10	3,151.32	6,790.08
(ii) Cash and cash equivalents	11	19,302.29	13,427.22
(iii) Other financial assets	6	6,738.76	1,087.24
(c) Other current assets	8(ii)	-	727.29
<b>Total current assets (B)</b>		<b>30,029.07</b>	<b>22,934.06</b>
<b>Total assets (A+B)</b>		<b>51,762.40</b>	<b>51,181.36</b>
<b>EQUITY AND LIABILITIES</b>			
<b>A. Equity</b>			
(a) Equity share capital	12	500.00	500.00
(b) Other equity		(101,869.89)	(84,310.10)
<b>Total equity (A)</b>		<b>(101,369.89)</b>	<b>(83,810.10)</b>
<b>Liabilities</b>			
<b>B. Non-current liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	13	103,547.88	92,144.94
(ii) Other financial liabilities	14	11,649.14	11,402.94
(b) Provisions	15	-	1,427.00
<b>Total non-current liabilities (B)</b>		<b>115,197.02</b>	<b>104,974.88</b>
<b>C. Current liabilities</b>			
(a) Financial liabilities			
(i) Trade payables	16	31,315.23	26,937.34
(ii) Other financial liabilities	14	3,832.44	364.87
(b) Provisions	15	-	1,000.00
(c) Other current liabilities	17	2,787.60	1,714.37
<b>Total current liabilities (C)</b>		<b>37,935.27</b>	<b>30,016.58</b>
<b>Total liabilities (B+C)</b>		<b>153,132.29</b>	<b>134,991.46</b>
<b>Total equity and liabilities (A+B+C)</b>		<b>51,762.40</b>	<b>51,181.36</b>

See accompanying notes forming part of the financial statements

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In terms of our report attached.

For BSR & Co. LLP  
Chartered Accountants  
Firm Registration Number : 101248W/W-100022

Rajesh Arora  
Partner

Membership No 076124

Place : Gurugram

Date : 31 October 2019

For and on behalf of the Board of Directors  
FORTIS HEALTH MANAGEMENT (EAST) LIMITED

*Rajeev Kumar Dua*

Rajeev Kumar Dua  
Director  
DIN 06974102

Place : New Delhi

Date : 31 October 2019

*Ravi Bhatia*

Ravi Bhatia  
Director  
DIN 0008341809

Place : New Delhi

Date : 31 October 2019




**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019**

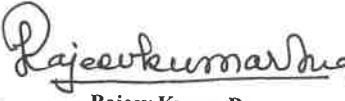
	Notes	Year ended 31 March 2019 (Rupees in '000)	Year ended 31 March 2018 (Rupees in '000)
<b>I</b> Revenue from operations	18	137,116.13	139,656.75
<b>II</b> Other income	19	1,661.78	522.59
<b>III Total income(I+II)</b>		<u>138,777.91</u>	<u>140,179.34</u>
<b>IV Expenses</b>			
(i) Purchases of medical consumable and drugs		15,360.64	15,940.71
(ii) Changes in inventories of medical consumable and drugs	20	65.53	(87.83)
(iii) Employee benefits expense	21	23,360.79	22,092.70
(iv) Finance costs	22	13,833.18	12,121.74
(v) Depreciation and amortisation expense	23	3,396.91	3,879.63
(vi) Other expenses	24	100,451.65	99,092.43
<b>Total Expenses (IV)</b>		<u>156,468.70</u>	<u>153,039.38</u>
<b>V Loss before tax (III-IV)</b>		<u>(17,690.79)</u>	<u>(12,860.04)</u>
<b>VI Tax expense</b>			
(i) Current tax		-	-
(ii) Deferred tax		-	-
<b>Total tax expense (VI)</b>		<u>-</u>	<u>-</u>
<b>VII Loss for the year (V-VI)</b>		<u>(17,690.79)</u>	<u>(12,860.04)</u>
<b>Other comprehensive income</b>			
(i) Items that will not be reclassified to profit or loss			
(a) Remeasurements of the defined benefit plans		131.00	236.00
<b>VIII Total other comprehensive income</b>		<u>131.00</u>	<u>236.00</u>
<b>IX Total comprehensive loss for the year (VII+VIII)</b>		<u>(17,559.79)</u>	<u>(12,624.04)</u>
<b>Earning per equity share :</b>	32		
(i) Basic (in Rupees)		(353.82)	(257.20)
(ii) Diluted (in Rupees)		(353.82)	(257.20)
See accompanying notes forming part of the financial statements	1 - 38		

In terms of our report attached.

For **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration Number : 101248W/W-100022

  
**Rajesh Arora**  
Partner  
Membership No: 076124

For and on behalf of the Board of Directors  
**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**

  
**Rajeev Kumar Dua**  
Director  
DIN 06974102

  
**Ravi Bhatia**  
Director  
DIN 0008341809

Place : Gurugram  
Date : 31 October 2019

Place : New Delhi  
Date : 31 October 2019

Place : New Delhi  
Date : 31 October 2019







**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	Year ended 31 March 2019 (Rupees in '000)	Year ended 31 March 2018 (Rupees in '000)
<b>Cash flows from operating activities</b>		
Loss for the year	(17,690.79)	(12,860.04)
<b>Adjustments for:</b>		
Allowance for doubtful advances	2,074.77	644.46
Allowance for doubtful receivables	2,113.76	1,192.54
Advances written off	691.42	-
Excess provision written back	(694.72)	-
Interest expense	12,998.94	11,518.21
Interest income	(726.62)	(522.59)
Depreciation and amortisation expense	3,396.91	3,879.63
<b>Operating Profit/(Loss) before changes in following assets and liabilities</b>	<b>2,163.67</b>	<b>3,852.21</b>
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade receivables	1,525.00	(3,713.34)
(Increase)/decrease in inventories	65.53	(87.83)
(Increase)/decrease in Other financial assets	(886.37)	1,244.60
Increase/ (Decrease) in trade payables	4,377.89	4,916.65
Increase/ (Decrease) in provisions	(1,601.28)	522.00
Increase/ (Decrease) in financial liabilities	(1,349.81)	(115.26)
Increase/ (Decrease) in other liabilities	4,540.80	(1,155.43)
<b>Cash generated by/ (used) in operations</b>	<b>8,835.43</b>	<b>5,463.60</b>
Income taxes paid/(refund)	(2,361.46)	(2,369.80)
<b>Net cash generated by operating activities (A)</b>	<b>6,473.97</b>	<b>3,093.80</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and Intangibles	(598.90)	(224.04)
<b>Net cash (used in)/generated by investing activities (B)</b>	<b>(598.90)</b>	<b>(224.04)</b>
<b>Net cash (used in)/generated by financing activities (C)</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>5,875.07</b>	<b>2,869.76</b>
Cash and cash equivalents at the beginning of the year	13,427.22	10,557.46
<b>Cash and cash equivalents at the end of the year</b>	<b>19,302.29</b>	<b>13,427.22</b>



**Changes in liabilities arising from financing activities**

Particulars	Long term borrowings	Interest accrued
<b>As at 1 April 2017</b>		
Repayment of borrowings	82,142.85	10,002.09
Finance cost	-	-
Finance cost paid	-	11,518.21
Any other non-cash item	-	-
<b>As at 31 March 2018</b>	10,002.09	(10,002.09)
	<b>92,144.94</b>	<b>11,518.21</b>
<b>As at 1 April 2018</b>		
Repayment of borrowings	92,144.94	11,518.21
Finance cost	-	-
Finance cost paid	-	12,998.94
Any other non-cash item	-	-
<b>As at 31 March 2019</b>	11,402.94	(11,402.94)
	<b>103,547.88</b>	<b>13,114.21</b>

The cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Ind AS 7 on "Statement of Cash Flows"

See accompanying notes forming part of the standalone Ind AS financial statements 1 - 38

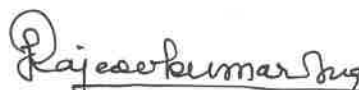
In terms of our report attached

For B S R & Co. LLP  
Chartered Accountants  
Firm Registration Number : 101248W/W-100022

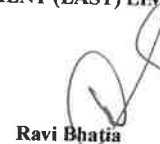


**Rajesh Arora**  
Partner  
Membership No. 076124

For and on behalf of the Board of Directors  
FORTIS HEALTH MANAGEMENT (EAST) LIMITED



**Rajeev Kumar Dua**  
Director  
DIN 06974102



**Ravi Bhatia**  
Director  
DIN 0008341809

Place : Gurugram  
Date : 31 October 2019



Place : New Delhi  
Date : 31 October 2019



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019**

Particular	Equity share capital	Reserve and surplus	(Rupees in '000)
		Retained earnings	Total
<b>As at 1 April 2017</b>	<b>500.00</b>	<b>(71,686.06)</b>	<b>(71,186.06)</b>
(a) Loss for the year	-	(12,860.04)	(12,860.04)
(b) Other comprehensive income for the year, net of income tax	-	236.00	236.00
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(12,624.04)</b>	<b>(12,624.04)</b>
<b>Balance as at 31 March 2018</b>	<b>500.00</b>	<b>(84,310.10)</b>	<b>(83,810.10)</b>
<b>As at 1 April 2018</b>	<b>500.00</b>	<b>(84,310.10)</b>	<b>(83,810.10)</b>
(c) Loss for the year	-	(17,690.79)	(17,690.79)
(d) Other comprehensive income for the year, net of income tax	-	131.00	131.00
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(17,559.79)</b>	<b>(17,559.79)</b>
<b>Balance as at 31 March 2019</b>	<b>500.00</b>	<b>(101,869.89)</b>	<b>(101,369.89)</b>

See accompanying notes forming part of the financial statements

1 - 38

In terms of our report attached.

For **BSR & Co. LLP**  
 Chartered Accountants  
 Firm Registration Number : 101248W/W-100022

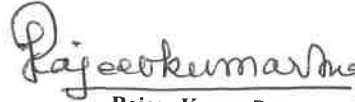



**Rajesh Arora**  
 Partner  
 Membership No: 076124

Place : Gurugram  
 Date : 31 October 2019



For and on behalf of the Board of Directors  
**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**

**Rajeev Kumar Dua**      **Ravi Bhatia**  
 Director                      Director  
 DIN 06974102              DIN 0008341809

Place : New Delhi  
 Date : 31 October 2019



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 1. Corporate Information**

Fortis Health Management (East) Limited ('the Company' or 'FHM(E)L') was incorporated on April 13, 2011 to carry on the business of promotion, maintenance, management, operation and conduct of healthcare and related services and providing consultancy for establishment of healthcare services. FHM(E)L is 100% subsidiary of Fortis Hospitals Limited.

The registered office of the company is located at Escorts Heart Institute and Research Centre, Okhla Road, New Delhi- 110025 and the principal place of business of the company is located at A-25, Block AB, Community Centre, Safdarjung Enclave, New Delhi – 110029.

**Note 2. Significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. The accounting policies adopted are consistent with those of the previous financial year except for changes in revenue recognition and accounting for foreign currency transactions due to amendment in applicable accounting guidance (also refer to respective policies for these two captions).

**(a) Basis of preparation**

*(i) Statement of compliance*

These Ind AS Financial Statements ("financial statements") have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, ("the Act") and other relevant provisions of the Act. All the amounts included in the financial statements are reported in thousands of Indian Rupees ('INR') and are rounded to the nearest thousands, except per share data and unless stated otherwise.

The financial statements have been authorized for issue by the Company's Board of Directors on October 31, 2019

*(ii) Historical cost convention*

The financial statements have been prepared under historical cost convention on accrual basis, unless otherwise stated.

**(b) Current versus non-current classification**

The Company presents assets and liabilities in the Balance Sheet based on current/ non-current classification. An asset is treated as current when:

- It is expected to be realised or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle for the purpose of current-non-current classification of assets and liabilities.

**(c) Critical estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes.

- Leasing arrangement (classification and accounting) – Note 24
- Financial instruments - Note 28
- Fair value measurement – Note 29
- Estimation of assets and obligations relating to employee benefits (including actuarial assumptions) – Note 27
- Assessment of useful life of property, plant and equipment and intangible asset – 4, 5 and note 2(e)
- Valuation of inventories – Note 2(h) and 8.

**(d) Measurement of fair values**

A number of the accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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The Company has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values used in preparing these financial statements is included in the respective notes.

**(e) Property, plant and equipment (PPE) and intangible assets**

**(i) Property, plant and equipment**

All other items of property, plant and equipment are stated at cost, which includes capitalized finance costs, less accumulated depreciation and any accumulated impairment loss. The cost of an item of Property, Plant and Equipment comprises its purchase price, including import duties and other non-refundable taxes or levies, freight, any directly attributable cost of bringing the asset to its working condition for its intended use and estimated cost of dismantling and restoring onsite; any trade discounts and rebates are deducted in arriving at the purchase price.

All repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Advances paid towards acquisition of property, plant and equipment outstanding at each Balance Sheet date, are shown under other non-current assets and cost of assets not ready for intended use before the year end, are shown as capital work-in-progress.

**(ii) Intangible assets**

- Intangible assets that are acquired and implementation of software system are measured initially at cost.
- After initial recognition, an intangible asset is carried at its cost less accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**(iii) Depreciation and amortization methods, estimated useful lives and residual value**

Depreciation is provided on straight line basis on the original cost/ acquisition cost of assets or other amounts substituted for cost of fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act, read with notification dated 29 August 2014 of the Ministry of Corporate Affairs, except for the following classes of fixed assets which are depreciated based on the internal technical assessment of the management as under:

Category of assets	Management estimate of useful life	Useful life as per Schedule II
Plant and Machinery	15 years	15 years
Medical Equipments	13 years	13 years
Computers	3 years	3 years
Furniture and Fittings	10 years	10 years
Office Equipments	5 years	5 years

Depreciation on leasehold improvements is provided over the period of lease or over the useful lives of the respective assets, whichever is shorter.

Estimated useful lives of the intangible assets are as follows:

Computer software	6 years
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Depreciation and amortization on property, plant and equipment and intangible assets added/disposed off during the year has been provided on pro-rata basis with reference to the date/month of addition/disposal.

Depreciation and amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**(iv) Derecognition**

A property, plant and equipment and intangible assets is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

**(f) Impairment of non-financial assets**

The Company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows (i.e. corporate assets) are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognized in prior periods, the Company reviews at reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(g) Financial instrument**

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*

*Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

*Debt instruments at amortised cost*

A 'debt instrument' is measured at the amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables.

*Debt instrument at FVOCI*

A 'debt instrument' is classified as at the FVOCI if the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit and Loss. Interest earned whilst holding FVOCI debt instrument is reported as interest income using the EIR method.

*Debt instrument at FVPL*

FVPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVOCI, is classified as at FVPL. In addition, at initial recognition, the Company may irrevocably elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

*Equity investments*

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss to retained earnings.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

*Impairment of financial assets*

The Company recognizes loss allowance using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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financing component is measured at an amount equal to lifetime ECL. For all financial assets with contractual cash flows other than trade receivable, ECLs are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date is recognised as an impairment gain or loss in the Statement of Profit and Loss.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

*Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Statement of Profit and Loss.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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*Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(h) Inventories**

Inventories are valued at lower of cost or net realizable value except scrap, which is valued at net estimated realizable value.

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

**(i) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of change in values.

**(j) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities and commitments are reviewed by the management at each balance sheet date.

**(k) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**(I) Revenue recognition**

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 “Revenue” and Ind AS 11 “Construction Contracts”. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the statement of profit and loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the Company is insignificant.

Revenue primarily comprises fees charged under contract for inpatient and outpatient hospital services and also includes sale of medical and non-medical items. Hospital services include charges for accommodation, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used in treatments given to Patients.

Contracts with customers could include promises to transfer multiple services/ products to a customer. The Company assesses the product/ services promised in a contract and identifies distinct performance obligation in the contract. Revenue for each distinct performance obligation is measured to at an amount that reflects the consideration which the Company expects to receive in exchange for those products or services and is net of tax collected from customers and remitted to government authorities such as sales tax, excise duty, value added tax and applicable discounts and allowances including claims. Further, the Company also determines whether the performance obligation is satisfied at a point in time or over a period of time. These judgments and estimations are based on various factors including contractual terms and historical experience.

Revenue from hospital services is recognized as and when services are performed and from sale of products is recognised upon transfer of control of products to customers at the time of delivery of goods to the customers.

Revenue includes only those sales for which the Company has acted as a principal in the transaction, takes title to the products, and has the risks and rewards of ownership, including the risk of loss for collection, delivery and returns. Any revenue transaction for which the Company has acted as an agent or broker without assuming the risks and rewards of ownership have been reported on a net basis.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as other financial assets when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Unearned and deferred revenue (“contract liability”) is recognised as other current liability when there is billings in excess of revenues.

Other operating revenue comprises of revenue from various ancillary revenue generating activities in relation to radiology, pathology and dental services, sale of food and beverages, etc. The revenue in respect of such arrangements is recognized as and when services are performed.

**Interest Income**

Interest income on financial assets (including deposits with banks) is recognized using the effective interest rate method on a time proportionate basis.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**(m) Employee benefits**

*Short-term employee benefits*

All employee benefits falling due within twelve months of the end of the period in which the employees render the related services are classified as short-term employee benefits, which include benefits like salaries, wages, short term compensated absences, performance incentives, etc. and are recognised as expenses in the period in which the employee renders the related service and measured accordingly.

*Post-employment benefits*

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

a) Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. The liability in respect of gratuity is recognised in the books of account based on actuarial valuation by an independent actuary. The gratuity liability for certain employees of the Company is funded with Life Insurance Corporation of India.

b) Provident fund

(i) The Company makes contribution of provident fund with Regional Provident Fund Commissioner. This is treated as defined contribution plan.

(ii) The Company's contribution to the provident fund is charged to Statement of Profit and Loss.

*Other long-term employee benefits:*

*Compensated absences:*

As per the Company's policy, eligible leaves can be accumulated by the employees can be utilized within next 12 months. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond 12 months, as long-term employee benefit for measurement purposes and liability is determined using the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date. The Company presents the leave as a current liability in the balance sheet; to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

*Termination benefits:*

Termination benefits are recognised as an expense when, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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*Actuarial valuation*

The liability in respect of all defined benefit plans and other long term benefits is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Remeasurement gains and losses on other long term benefits are recognised in the Statement of Profit and Loss in the year in which they arise. Remeasurement gains and losses in respect of all defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other equity in the Statement of Changes in Equity and in the Balance Sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Any differential between the plan assets (for a funded defined benefit plan) and the defined benefit obligation as per actuarial valuation is recognised as a liability if it is a deficit or as an asset if it is a surplus (to the extent of the lower of present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan).

Past service cost is recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Statement of Profit and Loss. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**(n) Finance costs**

Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Finance cost also includes exchange differences to the extent regarded as an adjustment to the finance costs. Finance costs that are directly attributable to the construction or production or development of a qualifying asset are capitalized as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other finance costs are expensed in the period in which they occur.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalization. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit and Loss over the period of the borrowings using the effective interest method. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the period of such borrowings.

**(o) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in Statement of Profit and Loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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*Current taxes*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

*Deferred taxes*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to freehold land and investments in subsidiaries, to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets (DTA) include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**(p) Leases**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. If it is a lease arrangement, it is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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The Company accounts for assets taken under lease arrangement in the following manner:

*Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Assets subject to operating leases are included in Property, Plant and Equipment.

Costs, including depreciation, are recognized as an expense in the Statement of Profit and Loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight line basis over the lease term.

**(q) Segment reporting**

As the Company's business activity primarily falls within a single business of healthcare services and a single geographical segment, there are no additional disclosures to be provided in the Ind AS 108 on 'Operating Segments')

**(r) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares

**(s) Foreign currency translation**

*(i) Functional and presentation currency*

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees.



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance sheet date exchange rates are generally recognised in Statement of Profit and Loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income (OCI).

(t) **Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregate. The company considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

**Note 3. Recent Indian Accounting Standard (Ind AS)**

Ministry of Corporate Affairs (“MCA”) through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind AS which the Company has not applied as they are effective from April 1, 2019:

**Ind AS 116 – Leases (Ind AS 116)**

Ind AS 116 will replace the existing leases standard, Ind AS 17 Leases (Ind AS 17) and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lessee accounting model for lessees. A lessee recognises present value of the lease payment (discounted using incremental borrowing rate) as right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments and lease rent expense will be replaced with the amortization of right-of use-asset and interest accrued on lease liability. The standard also contains enhanced disclosure requirements for lessees and will have consequential impact on cash flows categories as well. The new standard substantially carries forward the lessor accounting requirements in Ind AS 17.

The Company will adopt Ind AS 116 effective annual reporting period beginning April 1, 2019 using the modified retrospective approach and elected to measure the right-of -use assets at an amount equal to the lease liability as at the date of initial application.

For nature of lease arrangement as lessee refer note 25 of the financial statements. The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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assessment. The quantitative impact of adoption of Ind AS 116 on the financial statements in the period of initial application is not reasonably estimable as at present.

**Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 109 – Prepayment Features with Negative Compensation**

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

**Ind AS 19 – Plan Amendment, Curtailment or Settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The Company does not expect any impact from this amendment.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**Ind AS 28 – Long-term Interests in Associates and Joint Ventures**

The amendments clarify that an entity applies Ind AS 109 Financial Instruments, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Company does not expect any impact from this amendment.

**Ind AS 103 – Business Combinations and Ind AS 111 – Joint Arrangements**

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The Company does not currently have joint control of a business that is a joint operation.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**4. Property, plant and equipment**

Particulars	Leasehold improvements	Plant and machinery	Medical equipment	Furniture and fittings	Computers	Office equipment	(Rupees in '000)
							Total
Gross carrying amount							
As at 1 April 2017	8,984.83	2,677.69	19,352.97	621.88	858.90	2,028.69	34,524.96
Additions	-	-	-	101.31	75.23	47.50	224.04
As at 31 March 2018	8,984.83	2,677.69	19,352.97	723.19	934.13	2,076.19	34,749.00
Additions	-	556.30	-	-	-	-	556.30
As at 31 March 2019	8,984.83	3,233.99	19,352.97	723.19	934.13	2,076.19	35,305.30
Accumulated Depreciation							
As at 1 April 2017	8,984.83	563.64	3,522.99	247.86	630.54	1,084.89	15,034.75
Charge for the year	-	177.49	1,552.17	53.16	179.33	505.46	2,467.61
As at 31 March 2018	8,984.83	741.13	5,075.16	301.02	809.87	1,590.35	17,502.36
Charge for the year	-	208.06	1,605.28	82.02	76.08	376.33	2,347.77
As at 31 March 2019	8,984.83	949.19	6,680.44	383.04	885.95	1,966.68	19,850.13
Carrying Value							
As at 31 March 2018	-	1,936.56	14,277.81	422.17	124.26	485.84	17,246.64
As at 31 March 2019 (*)	-	2,284.80	12,672.53	340.15	48.18	109.51	15,455.17

Note (\*) - Refer note -37 in relation to subsequent sale of the property, plant and equipment.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**5. Intangible Assets - Software**

(Rupees in '000)

Particulars	Total
<b>Gross carrying amount</b>	
As at 1 April 2017	4,519.97
Additions	-
As at 31 March 2018	4,519.97
Additions	42.60
As at 31 March 2019	4,562.57
<b>Amortization</b>	
As at 1 April 2017	2,101.41
Charge for the year	1,412.02
As at 31 March 2018	3,513.43
Charge for the year	1,049.14
As at 31 March 2019	4,562.57
Carrying value (As at 31 March 2018)	1,006.54
Carrying value (As at 31 March 2019)	-



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2019 (Rupees in '000)	As at 31 March 2018 (Rupees in '000)
<b>6. Other financial assets (unsecured)</b>		
<u>Non-current</u>		
Considered good		
Security deposits (refer note 37)	-	5,273.41
	<u>-</u>	<u>5,273.41</u>
<u>Current</u>		
Considered good		
(a) Staff advance	5.00	15.56
(b) Contract assets - unbilled revenue	733.76	1,071.68
(c) Security deposits (refer note 37)	6,000.00	-
	<u>6,738.76</u>	<u>1,087.24</u>
<b>7. Deferred tax assets</b>		
<b>Particulars</b>		
<b>Deferred tax liabilities</b>	<u>-</u>	<u>-</u>
<b>Deferred tax assets</b>		
Property, plant and equipment and intangible assets (net)	2,851.56	3,005.14
Trade receivables	1,100.09	484.56
Employee benefit expenses	-	706.74
Other provisions	604.18	187.67
Carried forward tax losses	24,752.65	19,974.14
	<u>29,308.48</u>	<u>24,358.25</u>
<b>Net Deferred tax assets recognised (*)</b>	<u>-</u>	<u>-</u>

(\*) As at year end, the Company has significant unabsorbed depreciation/carried forward business losses as per Income tax Act, 1961. In the absence of probable certainty of sufficient future taxable profits, deferred tax asset has been recognised only to the extent of deferred tax liability.

The following is the analysis of the movement in deferred tax assets/(liabilities) presented in financial statements:

**2018-19**

	As at 1 April 2018	(Charge)/ Credit to Profit or loss	(Charge)/ Credit to Other Comprehensive	As at 31 March 2019
<b>Deferred tax asset</b>				
Property, plant and equipment and intangible assets (net)	3,005.14	(153.58)	-	2,851.56
Trade receivables	484.56	615.53	-	1,100.09
Employee benefit expenses	706.74	(706.74)	-	-
Other provisions	187.67	416.51	-	604.18
Carried forward tax losses	19,974.14	4,778.51	-	24,752.65
<b>Net Deferred tax asset recognised to the extent of Deferred tax liability</b>	<b>24,358.25</b>	<b>4,950.23</b>	<b>-</b>	<b>29,308.48</b>

**2017-18**

	As at 1 April 2017	(Charge)/ Credit to Profit or loss	(Charge)/ Credit to Other Comprehensive	As at 31 March 2018
<b>Deferred tax asset</b>				
Property, plant and equipment and intangible assets (net)	3,196.81	(191.67)	-	3,005.14
Trade receivables	363.43	121.13	-	484.56
Employee benefit expenses	623.46	83.28	-	706.74
Other provisions	-	187.67	-	187.67
Carried forward tax losses	16,476.31	3,497.83	-	19,974.14
<b>Net Deferred tax asset recognised to the extent of Deferred tax liability</b>	<b>20,660.01</b>	<b>3,698.24</b>	<b>-</b>	<b>24,358.25</b>



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2019 (Rupees in '000)	As at 31 March 2018 (Rupees in '000)
<b>8(i) Non - Current tax assets (net)</b>		
<b>Non-current tax assets</b>		
Advance income tax (net of provision for taxation)	6,278.16	4,608.12
	<u>6,278.16</u>	<u>4,608.12</u>
<b>8(ii). Other assets (unsecured)</b>		
<b>Non-current</b>		
<b>Considered good</b>		
Prepaid expenses	-	112.59
	<u>-</u>	<u>112.59</u>
<b>Current</b>		
<b>Considered good</b>		
(a) Prepaid expenses	-	622.57
(b) Advance to Vendors	-	104.72
<b>Considered doubtful</b>		
Advance to Vendors	2,074.77	644.46
Less: Allowance for doubtful advances	<u>(2,074.77)</u>	<u>(644.46)</u>
	<u>-</u>	<u>727.29</u>
<b>9. Inventories</b>		
<b>Valued at lower of cost and net realisable value</b>		
Medical consumables, drugs and others	836.70	902.23
	<u>836.70</u>	<u>902.23</u>
<b>10. Trade receivables (unsecured)</b>		
<b>Current</b>		
(a) Considered Good	3,151.32	6,790.08
(b) Considered Doubtful	3,777.77	1,664.01
Less Allowance for bad and doubtful receivables	<u>(3,777.77)</u>	<u>(1,664.01)</u>
	<u>3,151.32</u>	<u>6,790.08</u>

The Company's exposure to credit and currency risk and loss allowances related to financial assets carried at amortised cost are disclosed in Note 29.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss towards expected risk of delays and default in collection.

Trade receivables are unsecured and are derived from revenue earned from providing healthcare and other ancillary services. No interest is charged on the outstanding balance, regardless of the age of the balance. In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss towards expected risk of delays and default in collection. The Company has used a practical expedient by computing the expected credit loss allowance based on a provision matrix. Management makes specific provision in cases where there are known specific risks of customer default in making the repayments. The provision matrix at the end of the reporting period is as follows:

Ageing	Expected Credit Allowance %
0 - 1 year	0% - 100%
1 - 2 year	15% - 100%
2 - 3 year	40% - 100%
More than 3 years	70% - 100%

The Company has recorded an allowance of Rupees 3,777.77 ('000) [Previous year 1,664.01 ('000)] towards trade receivables. The Management believes that there is no further provision required.

**11. Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

**Cash and cash equivalents as per Ind AS 7**

(a) Balances with Banks		
- on current accounts	18,963.98	13,244.44
(b) Cash on hand	338.31	182.78
<b>Cash and cash equivalents as per balance sheet</b>	<u>19,302.29</u>	<u>13,427.22</u>



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2019 (Rupees in '000)	As at 31 March 2018 (Rupees in '000)
<b>12. Equity share capital</b>		
<b>Authorised share capital:</b>		
5,000,000 (5,000,000 as at 31 March 2018) Equity shares of Rs. 10 each	50,000.00	50,000.00
<b>Total authorised share capital</b>	<b>50,000.00</b>	<b>50,000.00</b>
<b>Issued, subscribed and fully paid up shares</b>		
50,000 (50,000 as at 31 March 2018) Equity shares of Rs. 10 each fully paid up	500.00	500.00
<b>Total issued, subscribed and fully paid up share capital</b>	<b>500.00</b>	<b>500.00</b>

Notes :

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

**Equity shares**

Particulars	31 March 2019		31 March 2018	
	Number	Rupees in '000	Number	Rupees in '000
At the beginning of the year	50,000	500.00	50,000	500.00
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>50,000</b>	<b>500.00</b>	<b>50,000</b>	<b>500.00</b>

- (b) Terms/ rights attached to equity shares

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

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

- (c) Shares held by the holding/ ultimate holding company and/ or their subsidiaries

**Equity Shares**

Name of Shareholder	As at 31 March 2019		As at 31 March 2018	
	Number	Rupees in '000	Number	Rupees in '000
Fortis Hospitals Limited*, the Holding company	50,000	500.00	50,000	500.00

\*including 1 equity share each held jointly with Fortis Healthcare Limited, Hiranandani Healthcare Private Limited, SRL Reach Limited, SRL Diagnostics Private Limited, Escorts Heart Institute and Research Centre Limited and Fortis La Femme Limited.

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

**Equity Shares**

Name of Shareholder	As at March 31, 2019		As at March 31, 2018	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Fortis Hospitals Limited*, the Holding company	50,000	100%	50,000	100%

\*including 1 equity share each held jointly with Fortis Healthcare Limited, Hiranandani Healthcare Private Limited, SRL Reach Limited, SRL Diagnostics Private Limited, Escorts Heart Institute and Research Centre Limited and Fortis La Femme Limited.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31 March 2019 (Rupees in '000)	As at 31 March 2018 (Rupees in '000)
<b>13. Borrowings (unsecured)</b>		
<u>Non-current</u>		
Loan from holding company*	103,547.88	92,144.94
	<u>103,547.88</u>	<u>92,144.94</u>
<p>*The loan from Holding company carries interest at 12.50% p.a. and is repayable on 31 March 2021. Interest accrued as on 31 March 2018 Rupees 11,402.93 ('000) [Previous year Rupees 10,020.09 ('000)] has been converted into loan during the year.</p>		
<b>14. Other financial liabilities (unsecured)</b>		
<u>Non-current</u>		
Interest accrued and due on borrowings #	11,649.14	11,402.94
# Repayable on 31 March 2021 as per agreement.	<u>11,649.14</u>	<u>11,402.94</u>
<u>Current</u>		
Employee payable	3,832.44	364.87
	<u>3,832.44</u>	<u>364.87</u>
<b>15. Provisions</b>		
<u>Non-current</u>		
<b>Provision for employee benefits</b>		
Provision for gratuity (Refer Note 28)	-	1,427.00
	<u>-</u>	<u>1,427.00</u>
<u>Current</u>		
<b>Provision for employee benefits</b>		
(a) Provision for gratuity (Refer Note 28)	-	51.00
(b) Provision for compensated absences	-	949.00
	<u>-</u>	<u>1,000.00</u>
<b>16. Trade Payables</b>		
<u>Unsecured</u>		
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 34)	-	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	31,315.23	26,937.34
	<u>31,315.23</u>	<u>26,937.34</u>
<b>17. Other current liabilities (unsecured)</b>		
(a) Contract liabilities (advance from patients)	375.77	325.00
(b) Statutory payable	2,411.83	1,389.37
	<u>2,787.60</u>	<u>1,714.37</u>



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	Year ended 31 March 2019 (Rupees in '000)	Year ended 31 March 2018 (Rupees in '000)
<b>18. Revenue from operations</b>		
<b>I. Sale of services</b>		
(a) Operating income - In patient department	110,815.40	113,832.83
(b) Operating income - Out patient department	26,176.33	26,901.14
<b>Revenue from contract with customers</b>	<u>136,991.73</u>	<u>140,733.97</u>
Less: Trade discounts	2,077.54	2,267.76
	<u>134,914.19</u>	<u>138,466.21</u>
<b>II. Other operating revenues</b>		
Commission and rental income	2,201.94	1,190.54
	<u>2,201.94</u>	<u>1,190.54</u>
<b>Total Revenue from Operation (I+II)</b>	<u>137,116.13</u>	<u>139,656.75</u>
The revenue recognized during the current year is the balancing number for transactions with customers after adjusting opening and closing balances of contract assets and liabilities.		
<b>19. Other income</b>		
<b>I. Interest income</b>		
Interest on financial assets carried at amortised cost	726.62	522.59
	<u>726.62</u>	<u>522.59</u>
<b>II. Other non -operating income</b>		
Recovery from vendor	240.44	-
Excess provision written back	694.72	-
	<u>935.16</u>	<u>-</u>
<b>Total Other Income (I+II)</b>	<u>1,661.78</u>	<u>522.59</u>
<b>20. Changes in inventories of medical consumables and drugs</b>		
(a) Inventory at the beginning of the year	902.23	814.40
(b) Inventory at the end of the year	836.70	902.23
	<u>65.53</u>	<u>(87.83)</u>
<b>21. Employee benefits expense</b>		
(a) Salaries, wages and bonus	21,442.57	20,084.93
(b) Gratuity expense (refer note 28)	340.00	350.00
(c) Contribution to provident and other funds ( refer note 28)	1,451.66	1,459.68
(d) Staff welfare expenses	126.56	198.09
	<u>23,360.79</u>	<u>22,092.70</u>

On 28 February 2019, a judgment of the Supreme Court of India interpreting certain statutory defined contribution obligations of employees and employers (the "India Defined Contribution Obligation") altered historical understandings of such obligations, extending them to cover additional portions of the employee's income to measure obligations under employees Provident Fund Act, 1952. There is significant uncertainty as to how the liability should be calculated as it is impacted by multiple variables, including the period of assessment, the application with respect to certain current and former employees and whether interest and penalties may be assessed. As such, the Company has been legally advised not to consider that there is any probable obligations for periods prior to date of aforesaid judgment. The Company is further evaluating its next course of action in this matter.



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	Year ended 31 March 2019 (Rupees in '000)	Year ended 31 March 2018 (Rupees in '000)
<b>22. Finance costs</b>		
(a) Interest expense		
- on others	12,998.94	11,518.21
- on defined benefit plan	174.00	154.00
(b) Bank charges	660.24	449.53
	<u>13,833.18</u>	<u>12,121.74</u>
<b>23. Depreciation and amortisation expense</b>		
(a) Depreciation of property, plant and equipment	2,347.77	2,467.61
(b) Amortisation of intangible assets	1,049.14	1,412.02
	<u>3,396.91</u>	<u>3,879.63</u>
<b>24. Other expenses</b>		
(a) Contractual manpower	5,717.20	5,328.31
(b) Power	3,935.54	3,577.08
(c) Housekeeping expenses including consumables	972.56	1,000.70
(d) Patient food and beverages	1,301.37	1,349.19
(e) Pathology laboratory expenses	8,689.20	9,208.94
(f) Radiology expenses	6,415.03	7,218.71
(g) Consultation fees to doctors	30,360.29	30,986.35
(h) Professional charges to doctors	9,048.76	8,954.04
(i) Repairs and maintenance -		
- Buildings	6.37	99.72
- Plant and machinery	1,435.43	1,337.07
- Others	326.96	599.18
(j) Rent	21,872.25	21,473.85
(k) Legal and professional fee ( refer note (i) below)	1,172.26	1,372.38
(l) Travel and conveyance	710.34	827.08
(m) Rates and taxes	45.97	68.88
(n) Printing and stationary	817.78	714.72
(o) Communication expenses	301.26	421.88
(p) Insurance	392.10	510.34
(q) Marketing and business promotion	2,042.39	2,150.86
(r) Allowance for doubtful receivables	2,113.76	1,192.54
(s) Allowance for doubtful advances	2,074.77	644.46
(t) Advances written off	691.42	-
(u) Miscellaneous expenses	8.64	56.15
	<u>100,451.65</u>	<u>99,092.43</u>
<b>Note (i): Auditor remuneration comprises</b>		
For audit	354.00	375.00
For taxation matters	88.50	75.00
For reimbursement of expenses	-	25.00
	<u>442.50</u>	<u>475.00*</u>

\* Paid to previous auditor.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**25. Leases**

**(a) Assets taken on Operating Lease:**

Hospital premises has been obtained on operating lease. The total lease payments in respect of such leases recognized in the statement of profit and loss for the year are Rupees 21,872.25 ('000) [Rupees 21,473.85 ('000) for the year ended 31 March, 2018]. The lease agreement towards hospital building is valid till June 30, 2019.

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

Particulars	(Rupees in '000)	
	As at 31 March 2019	As at 31 March 2018
<b>Minimum lease payments :</b>		
Not later than one year	5,310.00	21,240.00
Later than one year but not later than five years	-	5,310.00
Later than five year	-	-
	<b>5,310.00</b>	<b>26,550.00</b>

**26. Commitments**

- (a) The Company does not have other commitments, for purchases/sales orders which are issued after considering requirements per operating cycle for purchase/sale of services and employees benefits, in normal course of business. The Company does not have any long term commitments/contracts including derivative contracts for which there will be any material foreseeable losses.
- (b) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for amount to Rupees Nil (As at 31 March, 2018: Rupees Nil).
- (c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company. There were no commitments relating to provision for free / subsidized treatment/beds to poor for which any liability is required to be taken into accounts.

**27. Contingent liabilities ( not provided for) in respect of :**

- 27.1 The Company does not have any pending litigations which would impact its financial position.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**28. Employee benefits**

**(a) Defined contribution plan**

The Company's contribution towards its provident fund is a defined contribution retirement plan for qualifying employees. The Company's contribution to the Employees Provident Fund is deposited with Regional Provident Fund Commissioner which is recognised by the Income Tax authorities.

The Company recognised Rupees 1,451.66 ('000) [previous year Rupees 1,459.68 ('000)] towards Provident Fund and Employee state insurance contribution in the statement of profit and loss account. The Contribution payable to the plan by the Company is at the rate specified in rules to the scheme.

**(b) Defined benefit plan**

**Gratuity**

The Company has a defined benefit gratuity plan, where every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn basic salary) for each completed year of service. Vesting occurs upon completion of 5 years of service. The Gratuity fund is unfunded.

Since the Management has decided not to renew the lease agreement in relation to premises at which operations are carried out and subsequently all employees have either resigned/ transferred to other group entities, liability as at 31 March 2019 amounting to INR 1,297.57 ('000) in relation to defined benefit plan is computed and provided at full and classified as "Other financial liabilities". Also refer note 37.

The following table summarizes the components of net benefit expenses recognised in the Statement of Profit and Loss and the amounts recognized in the balance sheet.

Particulars	(Rupees in '000)
	Year ended 31 March 2018
<b>A. Expenses recognised in Statement of Profit and Loss are as follows:</b>	
Amount recognised in employee benefits expense	
Current Service cost	350.00
Amount recognised in finance cost	
Interest cost	87.00
<b>Total Amount charged to Statement of Profit and Loss</b>	<b>437.00</b>
<b>B. Expenses recognised in Statement of Other comprehensive income is as follows:</b>	
Net actuarial (gain)/loss due to experience adjustment recognised during the year	(199.00)
Net actuarial (gain)/loss due to assumption changes recognised during the year	(37.00)
<b>Total</b>	<b>(236.00)</b>
<b>C. Movement in Net liability</b>	
Present value of obligation at the beginning of the year	1,201.00
Current Service cost	350.00
Interest cost	87.00
Amount recognised in Other comprehensive income	-
Benefits paid	(236.00)
Obligation transferred to Group Company/transferred to employee payable	76.00
<b>Present value of obligation at the end of the year</b>	<b>1,478.00</b>
<b>Amounts in the Balance Sheet</b>	
Current provision	51.00
Non Current provision	1,427.00
	<b>1,478.00</b>

The Principal assumptions used in determining gratuity and compensated absences obligation for the Company's plan are shown below:

Particulars	As at 31 March 2018
Rate for discounting liabilities (per annum)	7.50%
Expected rate of salary increase (per annum)	7.50%
Mortality table referred	Indian Assured Lives Mortality (2006-08) (modified) ULT
Retirement Age (Years)	60
Withdrawal / Employee Turnover Rate	
Up to 30 years	18%
Up to 44 years	6%
Above 44 years	2%

**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) Significant actuarial assumption for the determination of defined obligation are discounted rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

Particulars	Year ended 31 March 2019		Year ended 31 March 2018	
	Increase (in '000)	Decrease (in '000)	Increase (in '000)	Decrease (in '000)
Change in discount rate by 0.50%	-	-	(70.00)	75.00
Change in Salary escalation by 1%	-	-	155.00	(137.00)
Change in withdrawal rate by 5%	-	-	(28.00)	31.00



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**29. Financial Instruments**

**(i) Capital Management**

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings as detailed in note 13 & 14 offset by cash and bank balances) and total equity of the company. The company is not subject to any externally imposed capital requirements.

The Company's Board reviews the capital structure of the Company on need basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 March 2019 is as follows:

**Gearing ratio**

The gearing ratio at end of the reporting period was as follows.

Particulars	(Rupees in '000)	
	As at 31 March 2019	As at 31 March 2018
Debt*	115,197.02	103,547.88
Less: Cash and cash equivalents (refer note 11)	19,302.29	13,427.22
Net debt	95,894.73	90,120.66
Total equity	(101,369.89)	(83,810.10)
Net debt to equity ratio	(0.95)	(1.08)

\*Debt is defined as long-term and short-term borrowings including interest accrued (excluding derivative, financial guarantee contracts and contingent consideration), as described in notes 13&14.

**(ii) Categories of financial instruments**

Financial assets	(Rupees in '000)	
	As at 31 March 2019	As at 31 March 2018
<b>Measured at amortised cost</b>		
(a) Other financial assets - Non-current	-	5,273.41
(b) Other financial assets - Current	6,738.76	1,087.24
(c) Trade receivables	3,151.32	6,790.08
(d) Cash and cash equivalents	19,302.29	13,427.22
Total	29,192.37	26,577.95

At the end of the reporting period, there are no significant concentrations of financial assets designated at FVTPL. The carrying amount reflected above represents the company's maximum exposure to credit risk for such financial assets.

Financial liabilities	(Rupees in '000)	
	As at 31 March 2019	As at 31 March 2018
<b>Measured at amortised cost</b>		
(a) Borrowings	103,547.88	92,144.94
(b) Trade payables - current	31,315.23	26,937.34
(c) Other financial liabilities - Non-current	11,649.14	11,402.94
(d) Other financial liabilities - Current	3,832.44	364.87
Total	150,344.69	130,850.09

**(iii) Financial risk management objectives**

The Company's Corporate Treasury function provides services to the business to meet market risk (including interest rate risk, credit risk and liquidity risk).

Board of Directors manages the financial risk of the Company through internal risk reports which analyse exposure by magnitude of risk.

**Market Risk**

The Company's activities expose it primarily to the financial risks of changes in interest.

**a) Interest rate risk management**

The Company is not exposed to interest rate risk because company has borrowed funds are at fixed rate.

**b) Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The company takes due care while extending any credit as per the approval matrix approved by Board of Directors.

Refer note 10 of the financial statements for carrying amount and maximum credit risk exposure for trade receivables.

Expected credit loss on financial assets other than trade receivables:

Company carries other financial assets such as staff advances, security deposits, contract assets (unbilled revenue), etc. Company monitors the credit exposure on these financial assets on a case-to-case basis. Company creates loss allowance wherever there is an indication that credit risk has increased significantly.

Reconciliation of loss allowance measured at life-time expected credit losses for credit impaired financial assets other than trade receivables.

Particulars	As at 31 March 2019	As at 31 March 2018
	Balance at the beginning of the year	1,664.01
Loss allowance recognized	2,113.76	1,192.54
Balance at the end of the year	3,777.77	1,664.01



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**c) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the company may be required to pay

Particulars	Within 1 year	1-2 years	More than 2 years	Total	Carrying amount
<b>As at 31 March 2019</b>					
Borrowings	-	103,547.88	-	103,547.88	103,547.88
Trade payables	31,315.23	-	-	31,315.23	31,315.23
Other financial liabilities -non current	-	11,649.14	-	11,649.14	11,649.14
Other financial liabilities-current	3,832.44	-	-	3,832.44	3,832.44
<b>Total</b>	<b>35,147.67</b>	<b>115,197.02</b>	<b>-</b>	<b>150,344.69</b>	<b>150,344.69</b>

Particulars	Within 1 year	More than 1 year	More than 2 years	Total	Carrying amount
<b>As at 31 March 2018</b>					
Borrowings	-	-	92,144.94	92,144.94	92,144.94
Trade payables	26,937.34	-	-	26,937.34	26,937.34
Other financial liabilities -non current	-	11,402.94	-	11,402.94	11,402.94
Other financial liabilities-current	364.87	-	-	364.87	364.87
<b>Total</b>	<b>27,302.21</b>	<b>11,402.94</b>	<b>92,144.94</b>	<b>130,850.09</b>	<b>130,850.09</b>

The Company expects to meet its other obligation from operating cash flows and proceeds of maturing financial assets

**30. Fair value measurement**

**Financial Assets measured at amortised cost**

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.

Particulars	Carrying value as at		Fair value as at	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Loans - Non-Current	-	5,273.41	-	5,273.41
Trade receivables – Current (Net)	3,151.32	6,790.08	3,151.32	6,790.08
Cash and cash equivalents	19,302.29	13,427.22	19,302.29	13,427.22
Other financial assets – Current	6,738.76	1,087.24	6,738.76	1,087.24
<b>Total</b>	<b>29,192.37</b>	<b>26,577.95</b>	<b>29,192.37</b>	<b>26,577.95</b>
<b>Financial liabilities</b>				
<b>Measured at amortised cost</b>				
Borrowings - non current	103,547.88	92,144.94	103,547.88	92,144.94
Trade payables – current	31,315.23	26,937.34	31,315.23	26,937.34
Other financial liabilities – non current	11,649.14	11,402.94	11,649.14	11,402.94
Other financial liabilities – current	3,832.44	364.87	3,832.44	364.87
<b>Total</b>	<b>150,344.69</b>	<b>130,850.09</b>	<b>150,344.69</b>	<b>130,850.09</b>

The following methods / assumptions were used to estimate the fair values:

- Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments
- Fair valuation of non-current loans and liabilities has been disclosed to be same as carrying value as there is no significant difference between carrying value and fair value.
- The Company's borrowings have been contracted at fixed rate of interest. Accordingly, the carrying value of such borrowings (including interest accrued and due) approximates fair value.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2019 and 31 March 2018.



**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**31. Related party disclosures**

**(A) Name of the related parties and nature of relationship :**

	Name of related parties
(a) Ultimate Holding Company	IHH Healthcare Berhad (w.e.f. 13 November 2018) RHC Holding Private Limited (Holding Company of Fortis Healthcare Holdings Private Limited) (up to 16 February 2018)*
(b) Intermediate Holding Company	Integrated Healthcare Holdings Limited (w.e.f. 13 November 2018) Parkway Pantai Limited (w.e.f. 13 November 2018) Northern TK Venture Pte Ltd (w.e.f. 13 November 2018) Fortis Healthcare Limited Fortis Healthcare Holdings Private Limited (up to 16 February 2018) *
(c) Holding Company	Fortis Hospitals Limited (FHsL)
(d) Fellow Subsidiaries (with whom transactions have been taken place)	SRL Limited (SRL) (Subsidiary of Fortis Healthcare Limited) Escorts Heart Institute and Research Centre Limited (Subsidiary of Fortis Healthcare Limited)  Fortis C-Doc Healthcare Limited (Subsidiary of Fortis Hospitals Limited) Fortis Emergency Services Limited (Subsidiary of Fortis Hospitals Limited)

**(B) Transactions during the year**

Particulars	(Rupees in '000)	
	Year ended 31 March 2019	Year ended 31 March 2018
(i) Interest converted into loan Fortis Hospitals Limited	11,402.93	10,002.09
(ii) Interest expense on others Fortis Hospitals Limited	12,998.94	11,518.21
(iii) Expenses incurred on behalf of the Company Fortis C-Doc Healthcare Limited	294.04	-
Fortis Healthcare Limited	-	84.61
Fortis Hospitals Limited	31.35	33.08
Escorts Heart Institute and Research Centre Limited	-	30.15
(iv) Expenses incurred by the Company on behalf of Fortis Hospitals Limited	43.28	106.10
Escorts Heart Institute and Research Centre Limited	-	12.00

**(C) Balances outstanding as at year end**

Particulars	(Rupees in '000)	
	As at 31 March 2019	As at 31 March 2018
(i) Borrowings Fortis Hospitals Limited	103,547.88	92,144.94
(ii) Interest accrued but not due on borrowings Fortis Hospitals Limited	11,649.14	11,402.93
(iii) Trade Payables SRL Limited	1,454.00	1,681.45
Fortis Hospitals Limited	1,101.83	1,070.49
Fortis Healthcare Limited	4,624.98	4,668.26
Fortis C-Doc Healthcare Limited	1,355.10	778.47
Escorts Heart Institute and Research Centre Limited	20.50	20.50
Fortis Emergency Services Limited	14.84	14.84

(D) Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management of the Company taking into account the findings and limitations in the Investigation Report (refer note 36) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors of the Fortis Healthcare Limited on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors of the Fortis Healthcare Limited and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Company and, hence, not known to the Management.

Note (\*) Fortis Healthcare Holdings Private Limited ('FHHPL') ceased to be the holding company of the Fortis Healthcare Limited w.e.f. May 10, 2017 since its shareholding was reduced to 34.33%. However, Mr Malvinder Mohan Singh, Executive Chairman of the Fortis Healthcare Limited till his resignation on February 8, 2018 (accepted by the Board in its meeting held on February 13, 2018 w.e.f. February 8, 2018) directly/indirectly controlled one half of the shareholding of FHHPL. Therefore by virtue of Ind AS-110 – Consolidated Financial Statements, FHHPL continued to be the parent entity of the Fortis Healthcare Limited till the resignation of Mr. Malvinder Mohan Singh. Subsequent to the resignation of Mr. Malvinder Mohan Singh, by virtue of its shareholding being more than 20%, FHHPL still continued to exercise significant influence over the Fortis Healthcare Limited till February 16, 2018 when consequent to the order of Hon'ble Supreme Court of India, the shares pledged by FHHPL were revoked by its lenders and the shareholding of FHHPL reduced to 0.66%.



*Done*



*Done*

**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**32. Earnings per share (EPS)**

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Loss as per statement of profit and loss (Rupees in '000)	(17,690.79)	(12,860.04)
Weighted average number of equity shares in calculating Basic and diluted EPS	50,000.00	50,000.00
<b>Basic and Diluted EPS (in Rupees)</b>	<b>(353.82)</b>	<b>(257.20)</b>

**33. Segment reportings**

The Company is primarily engaged in the business of healthcare services which is the only reportable business segment as per Ind AS 108 "Operating Segments".

The following table shows the distribution of the Company's revenues by geographical market.

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
		(Rupees in '000)
India	137,116.13	139,656.75
Outside India	-	-
<b>Total</b>	<b>137,116.13</b>	<b>139,656.75</b>

**Major Customer**

The Company does not derive 10% or more of its revenue from any one customer.

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

Particulars	As at 31 March 2019	As at 31 March 2018
		(Rupees in '000)
- Principal amount due to micro and small enterprises	-	-
- Interest due on above	-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year and	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-

The above information regarding dues to Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

**35. Note on Going concern**

Considering past and current operational losses, the Management of the Company has decided not to renew the lease agreement in relation to the premises from where the principal operations were carried out. The Company is evaluating alternate options for the business going forward. Further, as at 31 March 2019, the current liabilities of the Company are in excess of its current assets by Rupees 7,906.23 ('000) and its net worth has been fully eroded. However, considering the financial and operational support from its Intermediate holding company (Fortis Healthcare Limited), the Management is of the opinion that the going concern assumption in the preparation of these financial statements is appropriate.



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**FORTIS HEALTH MANAGEMENT (EAST) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**36. Investigation initiated by the Audit and Risk Management Committee of Fortis Healthcare Limited (Intermediate Holding Company)**

- (a) During the previous year there were reports in the media and enquiries from, inter alia, the stock exchanges received by the Intermediate Holding Company about certain inter-corporate loans ("ICDs") given by Fortis Hospitals Limited (Holding Company). The erstwhile Audit and Risk Management Committee of the Intermediate Holding Company in its meeting on February 13, 2018 decided to carry out an independent investigation through an external legal firm.
- (b) The terms of reference of the investigation, inter alia, comprised: (i) ICDs places by Fortis Hospitals Ltd., with three companies as on 1 July 2017; (ii) the assignment of these ICDs to a third party and the subsequent cancellation thereof as well as evaluation of legal notice (now a civil suit) received from such third party; (iii) review of intra-group transactions for the period commencing FY 2014-15 and ending on 31 December 2017; (iv) investment made in certain overseas funds by the overseas subsidiaries of the Intermediate Holding Company (i.e Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited); (v) certain other transactions involving acquisition of Fortis Healthstaff Limited ("Fortis Healthstaff") from a promoter group company, and subsequent repayment of loan by said subsidiary to the promoter group company.
- (c) The investigation report ("Investigation Report") was submitted to the re-constituted Board of the Intermediate Holding Company on June 8, 2018.
- (d) The re-constituted Board of the Intermediate Holding Company discussed and considered the Investigation Report and noted certain significant findings of the external legal firm, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their investigation report.
- (e) With respect to the other matters identified in the Investigation Report, the Board initiated specific improvement projects to strengthen the process and control environment. The projects included revision of authority levels, both operational and financial and oversight of the Board, review of Financial Reporting processes, assessment of secretarial documentation w.r.t compliance with regulatory requirements and systems design & control enhancement. The assessment work has been done and corrective action plans have been implemented. Board continues to evaluate other areas to strengthen processes and build a robust governance framework. Towards this end, it is also evaluating internal organizational structure and reporting lines, the roles of authorized representatives and terms of reference of executive committees and their functional role. The Intermediate Holding Company's Board of Director have also initiated an enquiry of the management of the certain entities in the Group that were impacted in respect of the matters investigated by the external legal firm.
- (f) Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 were as identified by the Management taking into account the findings and limitations in the Investigation Report (referred above) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties were identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities up to 31 March 2018. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Fortis Group and, hence, not known to the Management.
- (g) The matter before SEBI is sub-judice and the investigation being conducted by it not yet concluded, in as much as it has observed that a detailed investigation would be undertaken to ascertain the role of each entity in the alleged diversion and routing of funds. The Board of Directors is committed to fully co-operating with the relevant regulatory authorities to enable them to make a determination on these matters and to undertake remedial action, as may be required, and to ensure compliance with applicable laws and regulations.
- (h) Investigation by Various Regulatory Authorities**
- (a) During the previous year, the Registrar of Companies (ROC) under section 206(1) of the Companies Act, 2013, inter alia, had also sought information in relation to the Intermediate Holding Company. All requisite information in this regard has been duly shared by the Intermediate Holding Company with the ROC.
- (b) During the previous year, the Intermediate Holding Company also received a letter from the Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under section 217(1)(a) of the Companies Act, 2013, inter alia, initiating an investigation and seeking information in relation to the Company, its material subsidiaries, joint ventures and associates. The Intermediate Holding Company has submitted all requisite information in this regard with SFIO as requested from time to time.
- (c) The Investigation Report of the external legal firm has been submitted by the Intermediate Holding Company to the Securities and Exchange Board of India, the Serious Frauds Investigation Office ("SFIO") on June 12, 2018.

The Intermediate Holding Company, alongwith other Group companies, are fully co-operating with the regulators in relation to the ongoing investigations to enable them to make their determination on these matters. Any further adjustments/disclosures, if required, would be made in the books of account as and when the outcome of the above investigations is known.

- (i) Due to the ongoing nature of the various regulatory inquiries/investigations, the Board of Directors is unable to make a determination on at this juncture whether a fraud has occurred on the Fortis Group in respect of the matters covered in the investigation by the external legal firm. Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board/regulatory investigations as and when the outcome of the above is known.



*DSM*

A circular stamp of Fortis Health Management (East) Limited, New Delhi. The text "Fortis Health Management (East) Limited" is written around the top inner edge and "New Delhi" is in the center. There is a signature below the stamp.

**37. Subsequent events**

The Management had intimated Aashlok Nursing Home Private Limited, Dr Ashwin Chopra and Dr. Alok Chopra (hereinafter referred to as "lessor") of its intent to not renew the hospital lease agreement w.e.f 1 July 2019 (end of the lease period) and has given the first option to lessors to purchase the hospital equipment at its depreciated value (carrying value) after the completion of lease period, as envisaged in the original lease deed. The Company has also ceased the hospital operations subsequently w.e.f 1 July 2019 and all employees have resigned/ been transferred to other group entities. The lessor has purchased all the property, plant and equipment at their written down value on 30 June 2019 for Rupees 14,935.33 ('000). The lessor has also purchased all the inventories at their book value as at 30 June 2019. Lessor has also refunded Rupees 2,598.13 ('000) (initial security deposit of Rupees 6,000 ('000) after adjusting lease rental and electricity charges.

**38.** During the year, the Company observed certain instances where unauthorised invoicing was done by one of the vendors of the Company providing pathology services in the hospital premises to patients visiting the hospital. However, as per the agreement, the said service provider did not have any such right to raise invoices and the sole responsibility for invoicing and collection of amounts was with the Company. Post identification of such instances, Management constituted a committee comprising two independent members to perform enquiry and procedures to assess the said contravention and quantify the possible loss to the Company. The Management, after going through the findings of the Committee, concurred that the Company has suffered a revenue loss of Rupees 117.35 ('000) and Rupees 283.39 ('000) for financial year 2017-18 and 2018-19 respectively. Subsequent to the year end, the Company has adjusted the loss quantified against the amount payable to the service provider.

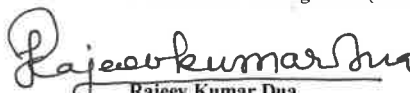
In terms of our report attached.

For **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration Number : 101248W/W-100022

  
**Rajesh Arora**  
Partner  
Membership No: 076124

Place: Gurgaon  
Date: **31 October 2019**

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

  
**Rajeev Kumar Dua**  
Director  
DIN 06974102

  
**Ravi Bhatia**  
Director  
DIN 0008341809

Place : New Delhi  
Date : **31 October 2019**

Place : New Delhi  
Date : **31 October 2019**



