



Fortis Asia Healthcare Pte. Ltd.
Registration Number: 201013316M

Annual Report
Year ended 31 March 2021

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 March 2021.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS25 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2021 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, having regard to the financial support provided by its intermediate holding company, Fortis Healthcare Limited, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Loh Min Jiann	
Abdul Hani Bin Ibrahim	Resigned on 15 February 2021
Dilip Kadambi	Appointed on 15 February 2021

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Holdings in the name of the directors, spouse and/or infant children	
	At beginning of the year/ Date of appointment	At end of the year
Ultimate holding company		
IHH Healthcare Berhad		
Share option scheme		
Loh Min Jiann	113,000	113,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

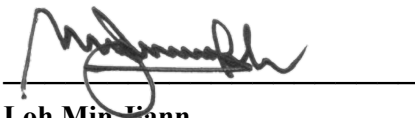
- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors



Loh Min Jiann

Director



Dilip Kadambi

Director

28 September 2021



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Independent auditors' report

Member of the Company
Fortis Asia Healthcare Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fortis Asia Healthcare Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 31 March 2021, the statement of 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 significant accounting policies, as set out on pages FS1 to FS25.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 March 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

A qualified opinion was issued on the financial statements of the Company as at 31 March 2020 as a result of the ongoing investigations and various inquiries (including the need for any additional investigation by Fortis). We were unable to determine if there were any regulatory non-compliances and additional adjustments or disclosures which may be necessary as a result of further findings of the ongoing or internal investigations and the consequential impact, if any, on the financial statements of the Company.



As disclosed in note 16, an independent accounting firm was appointed and a report was submitted in the current period. The report findings were deliberated by the Fortis Board. There were no additional findings arising from the report and no developments arising from the regulatory investigations impacting the Company, which require further adjustments to the financial statements. As such, the prior period modification has been resolved in the current period.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement prior to the date of this auditors' report.

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.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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.

The directors' responsibilities include overseeing the Company's financial reporting process.



Auditors' 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 auditors' 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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism 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 controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal 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 auditors' 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 auditors' 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.



Fortis Asia Healthcare Pte. Ltd.
Independent auditors' report
Year ended 31 March 2021

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
28 September 2021

Statement of financial position
As at 31 March 2021

	Note	2021 US\$	2020 US\$
Assets			
Investment in subsidiary	5	10,083,962	10,083,962
Non-current asset		<u>10,083,962</u>	<u>10,083,962</u>
Other receivables		–	10,551
Cash at bank		8,693	2,452
Current assets		<u>8,693</u>	<u>13,003</u>
Total assets		<u>10,092,655</u>	<u>10,096,965</u>
Equity			
Share capital	6	26,034,367	26,034,367
Capital reserve	9	4,286,053	–
Accumulated losses		(182,221,165)	(181,575,993)
Total equity		<u>(151,900,745)</u>	<u>(155,541,626)</u>
Liabilities			
Redeemable preference shares	7	–	54,164,092
Other payables	8	–	92,930,800
Non-current liabilities		<u>–</u>	<u>147,094,892</u>
Redeemable preference shares	7	57,359,776	–
Other payables	8	104,633,624	18,543,699
Current liability		<u>161,993,400</u>	<u>18,543,699</u>
Total liabilities		<u>161,993,400</u>	<u>165,638,591</u>
Total equity and liabilities		<u>10,092,655</u>	<u>10,096,965</u>

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 March 2021

	Note	2021 US\$	2020 US\$
Other income	10	8,231,129	1,530,868
Administrative expenses		(4,962)	(15,263)
Finance costs	11	(6,754,539)	(6,880,200)
Other expenses	12	<u>(2,116,800)</u>	<u>(5,739,950)</u>
Loss before tax		(645,172)	(11,104,545)
Tax expense	13	<u>—</u>	<u>(873)</u>
Loss for the year, representing total comprehensive income for the year		<u>(645,172)</u>	<u>(11,105,418)</u>

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 March 2021

	Share capital US\$	Accumulated losses US\$	Capital reserve US\$	Total US\$
At 1 April 2019	26,034,367	(170,470,575)	–	(144,436,208)
Total comprehensive income for the year				
Loss for the year, representing total comprehensive income for the year	–	(11,105,418)	–	(11,105,418)
At 31 March 2020	<u>26,034,367</u>	<u>(181,575,993)</u>	–	<u>(155,541,626)</u>
At 1 April 2020	26,034,367	(181,575,993)	–	(155,541,626)
Total comprehensive income for the year				
Loss for the year, representing total comprehensive income for the year	–	(645,172)	–	(645,172)
Transactions with owners, recognised directly in equity				
Waiver of interest payable by subsidiary and related companies	–	–	4,286,053	4,286,053
At 31 March 2021	<u>26,034,367</u>	<u>(182,221,165)</u>	<u>4,286,053</u>	<u>(151,900,745)</u>

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 March 2021

	Note	2021	2020
		US\$	US\$
Cash flows from operating activities			
Loss before tax		(645,172)	(11,104,545)
Adjustments for:			
Net unrealised foreign exchange loss/(gain)		2,116,800	(1,514,688)
Interest expense		6,754,539	6,880,200
Gain on loan modifications		(8,226,478)	–
Impairment of investment in subsidiary		–	5,739,950
		(311)	917
Changes in:			
- Other receivables		11,276	117
- Other payables		(4,652)	(33,589)
Cash from/(used in) operations		6,313	(32,555)
Tax paid		–	(873)
Net cash from/(used in) operating activities		6,313	(33,428)
Cash flows from financing activities			
Proceeds on loan from subsidiaries		–	58,716
Interest paid		–	(57,858)
Net cash from financing activities		–	858
Net increase/(decrease) in cash and cash equivalents		6,313	(32,570)
Cash and cash equivalents at 1 April		2,452	34,619
Effect of exchange rate fluctuations on cash held		(72)	403
Cash and cash equivalents at 31 March		8,693	2,452

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 September 2021.

1 Domicile and activities

Fortis Asia Healthcare Pte. Ltd. (the “Company”) is incorporated in Singapore. The address of the Company’s registered office is 120 Robinson Road, #08-01 Singapore 068913. Its principal place of business is at 302 Orchard Road #07-03, Tong Building, Singapore 238862.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary are disclosed in Note 5 to the financial statements.

The Company’s immediate holding company is Escorts Heart Institute and Research Centre Limited, incorporated in India. The intermediate holding company is Fortis Healthcare Limited, a company incorporated in India and listed on the BSE Limited and National Stock Exchange of India Ltd. The ultimate holding company is IHH Healthcare Berhad, a company incorporated in Malaysia and listed on Bursa Malaysia Securities Berhad and Singapore Exchange Securities Trading Limited. Related companies in these financial statements refer to members of the intermediate holding company’s group of companies.

2 Going concern

As at 31 March 2021, the Company’s total liabilities exceeded its total assets by US\$151,900,745 (2020: US\$155,541,626) and current liabilities exceeded its current assets by US\$161,984,707 (2020: US\$18,530,696). Notwithstanding this, the financial statements of the Company have been prepared on a going concern basis, as the intermediate holding company, Fortis Healthcare Limited (“Fortis”) has undertaken to provide the necessary financial support to enable the Company to continue operations as a going concern in the foreseeable future and to meet its liabilities as and when they fall due.

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

3.3 Functional and presentation currency

The financial statements are presented in United States dollar (“US\$”) which is the Company’s functional currency.

3.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, 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 recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following note:

- Note 5 – determination of recoverable amount of investment in subsidiary

Measurement of fair values

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised 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).

3.5 Changes in accounting policies

The Company has applied the following FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 April 2020:

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except as explained in note 3.5, which addresses changes in accounting policies.

4.1 Subsidiary

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is stated in the Company's statement of financial position at cost less accumulated impairment losses.

4.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

4.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. The financial liabilities comprised other payables and redeemable preference shares.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

On issuance of the redeemable preference shares, the fair value of the redeemable preference shares is determined using market interest rates applicable to the Company. This is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on redemption.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position 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.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks.

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

4.4 Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ('CGU') exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

4.5 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.6 Provisions

A provision is recognised 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. 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. The unwinding of the discount is recognised as finance cost.

4.7 Finance income and finance costs

Finance income is recognised as it accrues in profit or loss using the effective interest method.

Finance costs comprises interest expense and foreign currency gain or loss on financial assets and financial liabilities. Interest expense is recognised using the effective interest 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.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.8 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable 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 that reflects uncertainty related to the income taxes, if any. Current tax assets and liabilities are offset only if certain criteria are met.

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 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; and
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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.

4.9 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The Company is assessing the estimated impact of the new FRSs, interpretations and amendments to FRSs with no plans for early adoption.

5 Investment in subsidiary

	2021	2020
	US\$	US\$
Unquoted equity shares, at cost	295,498,418	295,498,418
Less:		
- Impairment loss	(204,194,031)	(204,194,031)
- Reduction in investment against loan payables	(81,220,425)	(81,220,425)
	10,083,962	10,083,962

In 2016, the Company reduced the capital in Fortis Healthcare International Pte Limited ('FHI') by offsetting against the loan payable to FHI for a consideration of US\$81,220,425.

FHI continued to incur operating losses in the current year which resulted in management performing an assessment of the recoverable amount of its investment in FHI. The recoverable amount in 2021, which exceeded the carrying amount was estimated using the fair value less cost of disposal approach predominantly based on the last transacted price as at 31 March 2021. No further impairment loss to be recognised.

In 2020, management used the last transacted price as at 20 March 2020 due to market being suspended subsequently as a result of COVID-19 to determine the fair value of the investment held by FHI and considered the carrying amount of the other financial assets to approximate the fair value less cost of disposal due to the relative short term nature of these other financial assets. The fair value of the financial liabilities was based on the estimated cash outflows to settle the obligation and a discount rate of 4.6% was used. Accordingly, an impairment loss of US\$5,739,950 was recognised in 'other expenses' in the statement of comprehensive income in 2020. The fair value measurement is categorised as level 3 in the fair value hierarchy.

Details of the Company's subsidiaries at 31 March are as follows:

Name of subsidiaries	Principal activity	Country of incorporation and operation	Proportion of ownership interest	
			2021 %	2020 %
<i>Held by the Company</i>				
Fortis Healthcare International Pte. Limited	Investment holding	Singapore	100	100
<i>Held through Fortis Healthcare International Pte. Limited</i>				
Mena Healthcare Investment Company Limited	Investment holding (Dormant)	British Virgin Islands	82.54	82.54
<i>Held through Mena healthcare Investment Company Limited</i>				
Medical Management Company Limited	Operation of an assessment clinic (Dormant)	British Virgin Islands	82.54	82.54

Consolidated financial statements of the Company and its subsidiaries are not prepared as the Company is itself a wholly-owned subsidiary of another company. Consolidated financial statements are publicly available and are prepared by the Company's intermediate holding company, Fortis Healthcare Limited, a company incorporated in India, listed on BSE Limited and National Stock Exchange of India Ltd with registered office at Fortis Hospital, Sector 62, Phase-VIII, Mohali, 160062 India.

6 Share capital

	2021	2020	2021	2020
	Number of ordinary shares		US\$	US\$
<i>Issued and fully paid-up</i>				
At 1 April and 31 March	32,722,596	32,722,596	26,034,367	26,034,367

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regards to the Company's residual assets.

7 Redeemable preference shares

	2021	2020
	US\$	US\$
Redeemable preference shares	57,359,776	54,164,092

Market and liquidity risks

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 15.

Redeemable preference shares

	2021	2020	2021	2020
	No. of shares		US\$	
Class A				
At 1 April	10,000,000	10,000,000	7,033,833	7,319,572
Add/(Deduct): Effect of foreign exchange difference	–	–	405,536	(285,739)
	<u>10,000,000</u>	<u>10,000,000</u>	<u>7,439,369</u>	<u>7,033,833</u>
Add: Accrued interest on redeemable preference shares	–	–	3,091,204	2,569,695
Deduct: Gain on loan modification	–	–	(107,092)	–
Deduct: Effect of foreign exchange difference	–	–	(2,178)	(147,461)
At 31 March	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,421,303</u>	<u>9,456,067</u>
Class B				
At 1 April	30,000,000	30,000,000	30,000,000	30,000,000
Add: Accrued interest on redeemable preference shares	–	–	16,938,473	14,708,025
At 31 March	<u>30,000,000</u>	<u>30,000,000</u>	<u>46,938,473</u>	<u>44,708,025</u>
Total	<u>40,000,000</u>	<u>40,000,000</u>	<u>57,359,776</u>	<u>54,164,092</u>

Class A

The rights, privileges and conditions attached to each of the Class A redeemable preference shares (“RPS”) issued by the Company can be summarised as follows:

- (i) Class A RPS has no voting rights.
- (ii) The shares are redeemable by the holders on 31 March 2022. The redemption premium shall be computed at 4.6% per annum (2020: 4.6% per annum) compounded annually on the subscription amount from the subscription date till the redemption date. In 2020, the redemption premium was changed from 5% per annum to 4.6% per annum effective on 1 April 2019.

Class B

The rights, privileges and conditions attached to each of the Class B RPS issued by the Company can be summarised as follows:

- (i) Each Class B RPS shall rank pari passu in all respects with (a) the ordinary shares in the share capital of the Company and (b) the Class A RPS. Each Class B RPS shall rank pari passu with each other in all respects.
- (ii) The holders of the Class B RPS shall not be entitled to dividends.
- (iii) No Class B RPS shall be entitled to participate in the profits or assets of the Company.

- (iv) The holders of the Class B RPS shall have the right to receive notice of and to attend all general meetings of the Company but shall not have any voting rights unless the business of the general meeting includes the consideration of a resolution which varies the rights attached to the Class B RPS or a resolution for the winding up of the Company, in which case they shall be entitled to vote only on such resolution.
- (v) The redemption amount for each Class B RPS shall be an amount equal to the sum of the Class B issue price plus an annual compound rate of return of 5% on the aggregate Class B issue price from the date of issue and allotment until the date of full repayment of the Class B redemption amount.
- (vi) The shares are redeemable by the holders (a related party) on 31 March 2022, or by the Company at any time before that date by giving a notice of 7 days. In the event that the Company has no readily realisable assets to pay such redemption amount, the Company shall be entitled to delay payment of the same indefinitely.

8 Other payables

	Note	2021 US\$	2020 US\$
Current			
Loans from related companies		72,022,177	–
Interest payable to related companies		4,927,655	8,397,946
Loan from a subsidiary		17,757,548	–
Interest payable to a subsidiary		9,914,244	10,129,533
Loan from a third party		12,000	12,000
Accruals		–	4,220
		104,633,624	18,543,699
Non-current			
Loans from related companies		–	75,325,116
Loan from a subsidiary		–	17,605,684
		–	92,930,800
		104,633,624	111,474,499

Loans from related companies amounting to US\$72,022,177 (2020: US\$75,325,116) are unsecured, interest-free (2020: bears interest at 4.6%) and repayable on 31 March 2022. During the year, the Company entered into a supplementary agreement with the related companies to revise the interest rate per annum from 4.6% to 0%.

Loan from a subsidiary amounting to US\$17,757,548 (2020: US\$17,605,684) are unsecured, interest-free (2020: bears interest at 4.6%) and repayable on 31 March 2022. During the year, the Company entered into a supplementary agreement with the subsidiary to revise the interest rate per annum from 4.6% to 0%.

The Company's exposure to market and liquidity risks related to other payables are disclosed in note 15.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Loan from related companies US\$	Loan from a subsidiary US\$	Total US\$
Balance at 1 April 2019	80,316,290	27,958,789	108,275,079
Changes from financing cash flows			
Proceeds on loan from subsidiaries	–	58,716	58,716
Interest paid	(57,858)	–	(57,858)
Total changes from financing cash flows	(57,858)	58,716	858
The effect of changes in foreign exchange rates	(10,196)	(1,122,553)	(1,132,749)
Other changes			
Discounting impact on intercompany loans	3,474,826	840,265	4,315,091
Balance at 31 March 2020	83,723,062	27,735,217	111,458,279
Balance at 1 April 2020	83,723,062	27,735,217	111,458,279
The effect of changes in foreign exchange rates	13,919	1,552,283	1,566,202
Other changes			
Discounting impact on intercompany loans	3,170,948	831,634	4,002,582
The effect of loan modification	(6,483,649)	(1,635,737)	(8,119,386)
Waiver of interest payable by intermediate holding company	(3,474,448)	(811,605)	(4,286,053)
Total other changes	(6,787,149)	(1,615,708)	(8,402,857)
Balance at 31 March 2021	76,949,832	27,671,792	104,621,624

9 Capital reserve

During the year, the Company entered into supplementary agreements with related companies and a subsidiary to revise the interest rate per annum from 4.6% to 0% with effect from 1 April 2019. As such, the interest expense of US\$4,286,053 recognised for the year ended 31 March 2021 was deemed as capital contribution from equity holders.

10 Other income

	2021 US\$	2020 US\$
Net foreign exchange gain	–	1,514,688
Gain on loan modifications	8,226,478	–
Other income	4,651	16,180
	<u>8,231,129</u>	<u>1,530,868</u>

11 Finance costs

	2021	2020
	US\$	US\$
Interest expense on:		
Redeemable preference shares:		
- Immediate holding company	521,509	431,663
- Related company	2,230,448	2,133,446
Loan from related companies	3,170,948	3,474,826
Loan from a subsidiary	831,634	840,265
	6,754,539	6,880,200

12 Other expenses

	2021	2020
	US\$	US\$
Net foreign exchange loss	2,116,800	–
Impairment of investment in subsidiary	–	5,739,950
	–	5,739,950

13 Tax expense

	2021	2020
	US\$	US\$
Current tax expense		
Current year	–	–
Under provision in prior year	–	873
	–	873

Reconciliation of effective tax rate

Loss before tax	(645,172)	(11,104,545)
Tax using the Singapore tax rate of 17% (2020: 17%)	(109,679)	(1,887,773)
Expenses not deductible for tax purposes	1,508,971	2,148,021
Income not subject to tax	(1,399,292)	(260,248)
Under provision in prior year	–	873
	–	873

14 Related company transactions

The Company's transactions and arrangements are between members of the Fortis Healthcare Limited group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured and repayable on demand unless otherwise stated.

Significant transactions with its related companies:

	2021	2020
	US\$	US\$
Immediate holding company		
Interest expense	521,509	431,663
Subsidiary		
Interest expense	831,634	840,265
Related companies		
Interest expense	5,401,396	5,608,272

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibilities for planning, directing and controlling the activities of the Company. The directors of the Company are considered as key management personnel of the Company.

None of the directors earned any directors' fees or other remuneration in respect of their appointments as directors of the Company during the current year and prior year. The directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company. No apportionment has been made as the services provided by these directors to the Company are incidental to their responsibilities to the larger group.

15 Financial risk management

Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Management has adopted a policy of only dealing with creditworthy counterparties to mitigate its credit risk.

At the reporting date, there were no significant concentration of credit risks. The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset in the statement of financial position.

Cash and cash equivalents

Cash is placed with financial institutions which are regulated and with good credit ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures.

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

As at 31 March 2021, the Company's total liabilities exceeded its total assets by US\$151,900,745 (2020: US\$155,541,626) and current liabilities exceeded its current assets by US\$161,984,707 (2020: US\$18,530,696). Notwithstanding this, the financial statements of the Company have been prepared on a going concern basis, as the intermediate holding company has undertaken to provide the necessary financial support to enable the Company to continue operations as a going concern in the foreseeable future and to meet its liabilities as and when they fall due.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements:

	Carrying amount US\$	Cash flows		
		Contractual cash flows US\$	Within 1 year US\$	Within 2 to 5 years US\$
31 March 2021				
Non-derivative financial liabilities				
Redeemable preference shares	57,359,776	(60,186,079)	(60,186,079)	–
Other payables	104,633,624	(108,813,139)	(108,813,139)	–
	<u>161,993,400</u>	<u>(168,999,218)</u>	<u>(168,999,218)</u>	<u>–</u>

	Carrying amount US\$	Cash flows	
		Contractual cash flows US\$	Within 1 year US\$
31 March 2020			
Non-derivative financial liabilities			
Redeemable preference shares	54,164,092	(59,504,852)	– (59,504,852)
Other payables	111,474,499	(120,024,133)	(22,818,516) (97,205,617)
	<u>165,638,591</u>	<u>(179,528,985)</u>	<u>(22,818,516) (156,710,469)</u>

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Company transacts in foreign currency, including the Singapore dollar (SGD), and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than United States Dollars (functional currency) are as follows:

	Assets		Liabilities	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Singapore dollar	<u>7,191</u>	<u>11,382</u>	<u>38,338,072</u>	<u>37,447,602</u>

Foreign currency sensitivity

Sensitivity analysis

A 5% strengthening of the USD against the relevant foreign currencies at the reporting date would increase profit before tax by the amount shown below. Similarly, a 5% weakening would have the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2021 US\$	2020 US\$
Singapore dollar impact	<u>1,916,544</u>	<u>1,871,811</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instrument will fluctuate because of changes in market interest rates.

At the end of the reporting period, the Company's loan and borrowing from related companies and a subsidiary are subject to no interest rate therefore the management is of the view that the impact of changes in interest rate may not be significant to the Company.

Accordingly, no sensitivity analysis is prepared as the Company does not expect any material effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the year.

Accounting classifications and fair values

The carrying amounts of financial assets and financial liabilities are shown in table below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Financial assets at amortised cost US\$	Other financial liabilities US\$	Total US\$
31 March 2021				
Financial assets not measured at fair value				
Cash and cash equivalents		8,693	–	8,693
Financial liabilities not measured at fair value				
Redeemable preference shares	7	–	57,359,776	57,359,776
Other payables	8	–	104,633,624	104,633,624
		–	161,993,400	161,993,400
31 March 2020				
Financial assets not measured at fair value				
Other receivables		10,551	–	10,551
Cash and cash equivalents		2,452	–	2,452
		13,003	–	13,003
Financial liabilities not measured at fair value				
Redeemable preference shares	7	–	54,164,092	54,164,092
Other payables	8	–	111,474,499	111,474,499
		–	165,638,591	165,638,591

16 Matters arising from investigations

An investigation report by an independent external legal firm was submitted to the Board of the intermediate holding company, Fortis Healthcare Limited ('Fortis'). The following were observed in the investigation report.

(a) *Independent investigation by external legal firm*

An investigation was conducted into the investments made by the Company in overseas funds in earlier years. It was observed that there were significant fluctuations in the net asset value of the investments in overseas funds by the Company during a short span of time. During the year ended 31 March 2018, the investment in an overseas fund was sold at a discount of 10%, resulting in a loss of US\$3,902,651 recognised in the profit or loss. The proceeds on redemption of US\$32,469 were received in 2018 and the balance of US\$22,630,858 was received on 23 April 2018. As the identity of the buyer was not known, the reasonability of the 10% discount could not be ascertained nor whether the disposal was made to a related party.

Related party transactions, as required under FRS 24 *Related Party Disclosures* have been disclosed by management in Note 14 to the financial statements taking into account the findings and limitations in the investigation report and the information available with the management. The investigation did not cover all related party transactions during the period under investigation and focused on identifying undisclosed parties having direct or indirect relationship with the former promoter group of Fortis, if any. Significant findings, amongst others, highlighted the existence of possible related parties connected with the former controlling shareholders of Fortis which may require appropriate reassessment by the Company on the transactions with such parties. In the absence of specific declarations from the former directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, there may be additional related parties whose relationship may not have been disclosed to the Company and hence not known to management.

Pursuant to the investigation by the external legal firm, Fortis Board appointed an independent accounting firm, to conduct additional procedures and enquiries of certain entities and transactions in Fortis Group to ascertain, amongst other things, the extent of diversion of funds from Fortis Group. The independent accounting firm submitted their report to the Fortis Board, and the Fortis Board deliberated the findings at its meeting held on 16 September 2020. There were no additional findings arising from the report that requires further adjustments to the Company's financial statements.

(b) *Regulatory investigations*

Securities and Exchange Board of India ("SEBI") Investigation

On 17 October 2018, 21 December 2018 and 19 March 2019, SEBI issued interim orders ("Interim Orders"), indicating, amongst others, certain transactions were structured by some identified entities, which were prima facie fictitious and fraudulent in nature, resulting in, inter alia, diversion of funds from the Fortis Group for the ultimate benefit of former controlling shareholders of Fortis (and certain entities controlled by them) and misrepresentation in financial statements for the year ended 31 March 2018 of Fortis Group. Further, it issued certain interim directions, inter alia, directing Fortis shall take all necessary steps to recover INR4,030 million (equivalent to \$76.4 million), along with due interest, from former controlling shareholders of Fortis and various other entities identified in the orders. Vide an order dated 12 November 2020, SEBI revoked the aforementioned Interim Orders qua Best Healthcare Pvt. Ltd., Fem Healthcare Pvt. Ltd. and Modland Wears Pvt. Ltd. and substituted the ongoing investigation with Adjudication Proceedings. This order further clarified that Fortis and Fortis Hospitals Limited ("FHsL") can pursue legal remedies against these entities with respect to their role in the diversion of funds by the erstwhile promoters.

On 20 November 2020, a Show-Cause Notice (SCN) was issued by SEBI to various entities including Fortis and FHsL. In the SCN, it has inter-alia been alleged that the consolidated financials of Fortis at the relevant period were untrue and misleading for the shareholders of Fortis and Fortis has circumvented certain provisions of the SEBI Act, Securities Contracts (Regulation) Act, 1956, and certain SEBI regulations. In response, a joint representation/reply was filed by Fortis and FHsL on 28 December 2020 praying for quashing of the SCN. Fortis and FHsL have taken legal actions against the erstwhile promoters and taken steps to recover the diverted amounts.

Regarding the SEBI investigations, management as well as external legal counsels are of the opinion that while no outcome can be predicted with certainty, the likelihood of any potential remedial measures being directed against Fortis and FHsL is low and any potential financial impact of such measures is not expected to be material.

SFIO Investigation

Investigation by the SFIO is ongoing. Fortis Group has been submitting all the information required by the various investigating agencies and is fully cooperating in the investigations/inquiries.

Regarding the SFIO proceedings, the outcome of the investigation cannot be predicted at this juncture and the financial impact to the Company, if any, will be recognised in the period that the outcome is known.

(c) *Actions taken by Fortis*

With respect to the above findings by the external legal firm, the Fortis Board has implemented specific improvement projects to strengthen the process and control environment. These include review and revision of operational and financial authority levels, greater oversight by Fortis Board, review and improve financial reporting processes, more robust secretarial documentation in regards to compliance to regulatory requirements and improving systems design and control enhancement. Accordingly, steps have been taken in relation to enhanced authority levels for payments/transfer of funds within Fortis Group, and review of borrowings above certain levels by the Fortis Board. Fortis Group had also disengaged itself from the former controlling shareholders. Fortis Board continues to evaluate other areas to strengthen processes and build a robust governance framework. The Fortis Board has initiated an enquiry of the management of the certain entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm. To this end, Fortis Board has also appointed an independent accounting firm, to conduct enquiries of certain entities and transactions in Fortis Group to ascertain, amongst other things, the extent of diversion of funds from Fortis Group. The independent accounting firm submitted their report to the Fortis Board, and the Fortis Board deliberated the findings at its meeting held on 16 September 2020.

Based on the findings of investigations to-date, all identified/required adjustments/ disclosures have been recorded in the Company's financial statements for the year ended 31 March 2018. Any further adjustments/disclosures, if required, would be made in the financial statements of the Company pursuant to the above actions to be taken by the internal/regulatory investigations, as and when the outcome of the above is known.