

R J M J & Associates

Chartered Accountants

No. 14, 1st Floor, 80 Feet Road,
Koramangala 1st Block,
Bangalore 560 034 India.
Telephone: +91 80 4132 0909

Independent Auditor's Report

To the Directors of Narayana Cayman Holdings Ltd

We have audited the accompanying Ind AS financial statements of Narayana Cayman Holdings Ltd ('the Company') which comprise the balance sheet as at 31 March 2017, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in the equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements") which has been prepared by management in accordance with the basis of accounting described in note 2.1 to the Ind AS financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 2.1 to Ind AS financial statements. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Ind AS financial statements that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Ind AS financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's management, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

R J M J & Associates
Chartered Accountants

Independent Auditor's Report (continued)

Opinion

In our opinion and to the best of our information and accordingly to the explanations given to us, the aforesaid Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs of the Company as at 31 March 2017 and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis of preparation and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2.1 to Ind AS financial statements which describes the basis of preparation of these Ind AS financial statements. These Ind AS financial statements have been prepared to provide information to Narayana Hrudayalaya Limited (the 'holding company') for its financial reporting purposes. As a result, these Ind AS financial statements may not be suitable for any other purpose. Our report is intended solely for Narayana Cayman Holdings Ltd and Narayana Hrudayalaya Limited and should not be distributed without our prior written consent.

for R J M J & Associates
Chartered Accountants
Firm's Registration Number: 015106S

Rahul Jain
Partner
Membership number: 065815
Bangalore
Date: 29 May 2017

Narayana Cayman Holdings Limited
Balance sheet as at 31 March 2017

(Amount in USD)

	Note	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015
ASSETS				
Non-Current Assets				
Equity accounted investees	4	2,30,16,833	2,14,50,000	1,33,23,000
Financial assets				
Investments	5	6,20,554	-	-
Other non-current assets	6	2,86,000	5,85,920	36,94,286
Total non-current assets		2,39,23,387	2,20,35,920	1,70,17,286
Current Assets				
Financial assets				
Cash and cash equivalents	7	98,574	3,19,421	791
Other current assets	8	-	789	-
Total current assets		98,574	3,20,210	791
TOTAL ASSETS		2,40,21,961	2,23,56,130	1,70,18,077
EQUITY AND LIABILITIES				
Equity				
Equity share capital	9	220	205	136
Other Equity		2,30,26,176	2,16,08,327	1,48,64,671
Total Equity		2,30,26,396	2,16,08,532	1,48,64,807
Current Liabilities				
Financial Liabilities				
Other financial liabilities	10	4,29,081	2,87,019	16,84,619
Other current liabilities	11	5,66,484	4,60,579	4,68,651
Total Current Liabilities		9,95,565	7,47,598	21,53,270
TOTAL EQUITY AND LIABILITIES		2,40,21,961	2,23,56,130	1,70,18,077

Significant accounting policies

3

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

for **R J M J & Associates**

Chartered Accountants

Firm registration number : 015106S

For and on behalf of the Board of Directors of
Narayana Cayman Holdings Limited

Rahul Jain

Partner

Membership number: 065815

Mr. Gene Thompson

Director

Dr. Devi Prasad Shetty

Director

Place: Bengaluru

Date: 29 May 2017

Place: Cayman Islands

Date: 29 May 2017

Place: Bengaluru

Date: 29 May 2017

Narayana Cayman Holdings Limited

Statement of profit and loss for the year ended 31 March 2017

(Amount in USD)

	Note	For the year ended 31 March 2017	For the year ended 31 March 2016
Income			
Other income	12	19,765	789
Total income		<u>19,765</u>	<u>789</u>
Expenses			
Employee benefit expenses	13	1,19,871	1,19,749
Other expenses	14	13,030	18,315
Total expenses		<u>1,32,901</u>	<u>1,38,064</u>
Loss before tax		(1,13,136)	(1,37,275)
Tax expenses:			
Current Tax		-	-
Deferred tax (credit)/ charge		-	-
Total tax expense		<u>-</u>	<u>-</u>
Loss for the year		<u>(1,13,136)</u>	<u>(1,37,275)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(1,13,136)</u>	<u>(1,37,275)</u>
Loss per share			
Basic and diluted	17	(5.27)	(8.14)
Significant accounting policies	3		

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

for **R J M J & Associates**
Chartered Accountants
Firm registration number : 015106S

For and on behalf of the Board of Directors of
Narayana Cayman Holdings Limited

Rahul Jain
Partner
Membership number: 065815

Mr. Gene Thompson
Director

Dr. Devi Prasad Shetty
Director

Place: Bengaluru
Date: 29 May 2017

Place: Cayman Islands
Date: 29 May 2017

Place: Bengaluru
Date: 29 May 2017

Narayana Cayman Holdings Ltd

Cash flow statement for the year ended on 31 March 2017

		(Amount in USD)
	For the year ended 31 March 2017	For the year ended 31 March 2016
Cash flow from operating activities		
Loss before tax	(1,13,136)	(1,37,275)
Adjustments:		
Interest income	(19,765)	(789)
Operating cash flow before working capital changes	(1,32,901)	(1,38,064)
Changes in other current liabilities	1,05,905	(8,072)
Net cash generated from operating activities (A)	(26,996)	(1,46,136)
Cash flow from investing activities		
Payment for long-term equity investments in associates (including share application money)	(15,66,833)	(47,18,714)
Investment in promissory note in associate	(3,11,521)	(2,99,920)
Interest income received	11,441	-
Net cash (used in) investing activities (B)	(18,66,913)	(50,18,634)
Cash flow from financing activities		
Proceeds from issue of equity shares, including share application money received	16,73,062	54,83,400
Net cash provided by financing activities (C)	16,73,062	54,83,400
Net increase in cash and cash equivalents (A+B+C)	(2,20,847)	3,18,630
Cash and cash equivalent at the beginning of the year (refer note 7)	3,19,421	791
Cash and cash equivalent at the end of the year (refer note 7)	98,574	3,19,421

The accompanying notes are an integral part of the financial statements

As per our report of even date attached
for **R J M J & Associates**
Chartered Accountants
Firm Registration number: 015106S

For and on behalf of the Board of Directors of
Narayana Cayman Holdings Limited

Rahul Jain
Partner
Membership number: 065815

Place: Bengaluru
Date: 29 May 2017

Mr. Gene Thompson
Director

Place: Cayman Islands
Date: 29 May 2017

Dr. Devi Prasad Shetty
Director

Place: Bengaluru
Date: 29 May 2017

Narayana Cayman Holdings Limited
Statement of changes in equity for the year ended 31 March 2017

(a) Equity share capital		(Amount in USD)
Particulars	No. of Shares	Amount
Equity shares of USD 0.01 each issued, subscribed and fully paid up		
Balance as at 1 April 2015	13,615	136.15
Changes in equity share capital during 2015-16 (refer note 9)	6,881	68.81
Balance as at 31 March 2016	20,496	204.96
Changes in equity share capital during 2016-17 (refer note 9)	1,531	15.31
Balance as at 31 March 2017	22,027	220.27

(b) Other Equity		(Amount in USD)		
Particulars	Reserves and Surplus		Other comprehensive income	Total other equity
	Securities premium reserve	Retained earnings		
Balance at 1 April 2015	1,36,13,864	12,50,807	-	1,48,64,671
Loss for the year	-	(1,37,275)	-	(1,37,275)
Other comprehensive income (OCI) (net of tax)	-	-	-	-
Total comprehensive income for the year	-	(1,37,275)	-	(1,37,275)
Transaction recorded directly in equity				
Premium on issue of equity shares	68,80,931	-	-	68,80,931
Balance as at 31 March 2016	2,04,94,795	11,13,532	-	2,16,08,327
Loss for the year	-	(1,13,136)	-	(1,13,136)
Other comprehensive income (net of tax)	-	-	-	-
Total comprehensive income for the year	-	(1,13,136)	-	(1,13,136)
Transaction recorded directly in equity				
Premium on issue of equity shares	15,30,985	-	-	15,30,985
Balance as at 31 March 2017	2,20,25,780	10,00,396	-	2,30,26,176

Securities premium

Securities premium is used to record the premium received on issue of equity shares.

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

As per our report of even date attached

for **R J M J & Associates**
Chartered Accountants
Firm registration number : 015106S

For and on behalf of the Board of Directors of
Narayana Cayman Holdings Limited

Rahul Jain
Partner
Membership number: 065815

Mr. Gene Thompson
Director

Dr. Devi Prasad Shetty
Director

Place: Bengaluru
Date: 29 May 2017

Place: Cayman Islands
Date: 29 May 2017

Place: Bengaluru
Date: 29 May 2017

Narayana Cayman Holdings Ltd
Notes to financial statements for the year ended 31 March 2017

1. Company Overview

Narayana Cayman Holdings Ltd ('the Company') was incorporated on 7 May 2010 as a Company limited by shares under the laws of the Cayman Islands. The registered office of the Company is located at, 89 Nexus Way, Camana Bay, Grand Cayman, KY1 - 9007, Cayman Islands. The Company's holding company is Narayana Hrudayalaya Limited, incorporated in India and has a network of multispecialty and superspecialty hospitals spread across multiple locations.

2. Basis of preparation of financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance of Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules 2015.

The Company's financial statements up to and for the year ended 31 March 2016 were prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards and other pronouncements issued by the Institute of Chartered Accountants of India ("ICAI").

As these are the first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, *First-time Adoption of Indian Accounting Standards* has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance of the Company is provided in Note 22.

These Ind AS financial statements have been specifically prepared to provide information to Narayana Hrudayalaya Limited (the 'holding company') for the purposes of Consolidated financial statements of Narayana Hrudayalaya Limited for the year ended 31 March 2017 and its financial reporting purposes and may not be suitable for another purposes.

Details of the accounting policies are included in Note 3.

2.2 Functional and presentation currency

These financial statements are presented in United States Dollars ("USD"), which is also the Company's functional currency. All amounts are presented in USD, except share data and per share data, unless otherwise stated.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following item:

Items	Measurement basis
Certain financial assets and liabilities	Fair value

2.4 Use of estimates and judgments

In preparing these financial statements, management has made 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 prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 15 - Provisions and contingent liabilities

Note 20 - Financial instruments

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ending 31 March 2017 is included in the following notes:

Note 15- recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.

Note 5, 7 and 20 - recognition of impairment of financial assets

2.5 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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).

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 is included in note 20 – financial instruments.

3. Significant accounting policies

3.1 Financial instruments

a. Recognition and initial measurement

Trade receivables and debt securities 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 or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and subsequent measurement

Financial assets

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

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

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

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

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

3.1 Financial instruments (contd)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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 interest 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.

3.1 Financial instruments (contd)

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
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.

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 a derivative 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. 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 profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

c. 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 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 does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

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 under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

3.1 Financial instruments (contd)

d. 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.

3.3. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less which are subject to insignificant risk of changes in value.

3.5. 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 segregated. Bank overdrafts are classified as part of cash and cash equivalent, as they form an integral part of an entity's cash management.

3.6. Revenue recognition

Interest

For all debt instruments measured either at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

3.10. Employee benefits

Short term employee benefits

Employee benefits payable wholly within twelve months of receiving services are classified as short-term employee benefits. These benefits include salary and wages, bonus and exgratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by the employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is post-employment benefit plan under which an entity pays specified contributions to separate entity and has no obligation to pay any further amounts. The Company makes

specified obligations towards employee provident fund and employee state insurance to Government administered provident fund scheme and ESI scheme which is a defined contribution plan. The Company's contributions are recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned and returned for services in the current and prior periods; that benefit is discounted to determine its present value. The calculation of Company's obligation under the plan is performed periodically by a qualified actuary using the projected unit credit method.

The gratuity scheme is administered by third party. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income (OCI). The Company determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the net defined obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes as a result of contribution and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of profit and loss. The Company recognizes gains and losses in the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss.

Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the employee has unconditional right to avail the leave, the benefit is classified as a short term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

3.13. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share.

3.14. Income tax

There are no taxes on income, profits or capital gains in the Cayman Islands. The Company has received an undertaking from the Governor in the Cabinet of the Cayman Islands exempting it from all such taxes for a period of 20 years should such taxes be enacted. Accordingly there are no taxes recorded in the financial statements.

3.15. Foreign exchange transactions and translations

Transactions in foreign currencies are recorded at prevailing rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the statement of profit or loss.

3.16. Impairment

a. Impairment of financial instruments

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income (FVOCI) 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;
- 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.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Narayana Cayman Holdings Ltd

Notes to financial statements for the year ended 31 March 2017

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, 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 including forward-looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

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

b. Impairment of non-financial assets

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.

For impairment testing, assets that do not generate independent cash inflows 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 (or an individual asset) 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

The Company's corporate assets do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss.

Narayana Cayman Holdings Ltd

Notes to financial statements for the year ended 31 March 2017

3.18. Provisions and contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

		(Amount in USD)		
4 Equity accounted investees		As at	As at	As at
Particulars		31 March 2017	31 March 2016	1 April 2015
<i>Unquoted Equity Instruments</i>				
<i>Investment in associates</i>				
Health City Cayman Islands Ltd				
[22,880 equity shares (31 March 2016: 21,450 ; 1 April 2015: 13,323) of \$ 0.01 each fully paid up along with share premium of \$ 999.99 per share]		2,28,80,000	2,14,50,000	1,33,23,000
Cura Technology Inc		1,36,833	-	-
[39,000,000 equity shares (31 March 2016: Nil ; 1 April 2015: Nil) of \$ 0.01 each fully paid up]				
		2,30,16,833	2,14,50,000	1,33,23,000
5 Non-current Investments				
<i>Unquoted debt instruments</i>				
Investment in promissory note of Cura Technology Inc- amortised Cost		6,11,441	-	-
Accrued interest on the promissory note		9,113	-	-
		6,20,554	-	-
6 Other non-current assets				
(Unsecured and considered good, unless stated otherwise)				
<i>To parties other than related parties</i>				
Other loans and advances		-	2,99,920	-
<i>To related parties</i>				
Share application money pending allotment		2,86,000	2,86,000	36,94,286
		2,86,000	5,85,920	36,94,286
7 Cash and bank balances				
Balance with banks				
-On current accounts		98,574	3,19,421	791
		98,574	3,19,421	791
8 Other current assets				
Interest accrued on unsecured loan		-	789	-
		-	789	0

(Amount in USD)			
Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
4 Equity accounted investees			
9 Equity share capital			
Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised capital			
5,000,000 equity shares (31 March 2016: 5,000,000 ; 1 April 2015: 5,000,000 equity shares) of USD 0.01 each	50,000	50,000	50,000
Issued, subscribed and paid-up capital			
22,027 equity shares (31 March 2016: 20,496 ; 1 April 2015: 13,615 equity shares) of USD 0.01 each, fully paid-up	220	205	136
	220	205	136

Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

Amount in USD, except no of shares				
Particulars	31 March 2017		31 March 2016	
	Number of shares	Amount	Number of shares	Amount
At the beginning of the year	20,496	205	13,615	136
Issued during the year	1,531	15	6,881	69
At the end of the year	22,027	220	20,496	205

Rights, preference and restriction attached to equity shares including distribution of dividends:

The Company has only one class of equity shares referred to as equity shares having a par value of USD 0.01 each. Accordingly, all equity shares rank equally with regard to dividend and share in the Company's residual assets. Each holder of equity shares is entitled to one vote per share. Dividends will be payable as and when the Board propose and the share holders approves the same. The Company has not declared any dividend during the current year and previous year.

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 shareholders.

List of persons holding more than 5 percent shares in the Company:

Amount in USD, except no of shares				
Particulars	31 March 2017		31 March 2016	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	22,027	100.00%	20,496	100.00%
	22,027	100.00%	20,496	100.00%

Shares held by holding company:

22,027 equity shares (31 March 2016: 20,496 ; 1 April 2015: 13,615) of USD 0.01 each are held by Narayana Hrudayalaya Limited, the holding company as at 31 March 2017.

There has been no buy back of shares, issue of shares by way of bonus shares or issue of shares pursuant to contract without payment being received in cash during the current year and the previous years since the date of incorporation i.e. 7 May 2010.

The Company does not have any shares reserved for issue under any other contracts.

(Amount in USD)			
Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
10 Other financial liabilities (Current)			
<i>To related parties</i>			
Application money received for allotment of securities	4,29,081	2,87,019	16,84,619
	4,29,081	2,87,019	16,84,619
11 Other current liabilities			
<i>To related parties</i>			
Other payables	5,66,484	4,60,579	4,68,651
	5,66,484	4,60,579	4,68,651

12 Other income

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Interest income on		
- Unsecured loan	10,652	789
- Others	9,113	-
	19,765	789

13 Employee benefits

Salaries, wages and bonus	1,05,600	1,05,600
Staff welfare expenses	14,271	14,149
	1,19,871	1,19,749

14 Other expenses

Legal and professional fees	12,055	17,325
Bank charges	975	990
	13,030	18,315

Narayana Cayman Holdings Ltd

Notes to the financial statements for the year ended 31 March 2017 (continued)

15 Contingent liabilities and commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) as at 31 March 2017 amount to USD Nil (31 March 2016: USD Nil).

16 Auditors' remuneration excluding service tax

Particulars	(Amount in USD)	
	For the year ended 31 March 2017	For the year ended 31 March 2016
As statutory auditors	-	-
Total	-	-

17 Loss per share

Basic earnings per share

The calculation of basic earnings per share for the year ended on 31 March 2017 was based on loss attributable to equity shareholders of USD 113,136 (previous year: USD 137,275) and weighted average number of equity shares outstanding 21,470 (previous year: 16,867).

Diluted earnings per share

The Company has not issued any potential dilutive equity shares.

Weighted average number of equity shares (basic)

Shares	For the year ended 31 March 2017	For the year ended 31 March 2016
Opening balance	20,496	13,615
Effect of fresh issue of shares for cash	974	3,252
Weighted average number of equity shares for the year	21,470	16,867

The following table sets forth the computation of basic and diluted loss per share:

Particulars	(Amount in USD except no. of shares)	
	For the year ended 31 March 2017	For the year ended 31 March 2016
Loss after tax for the period, attributable to equity shareholders	(1,13,136)	(1,37,275)
Weighted average number of equity shares of USD 0.01 each used for calculation of loss per share	21,470	16,867
Loss per share - basic and diluted	(5.27)	(8.14)

18 Related party transactions

(a) Details of related parties

Nature of relationship	Name of related parties
Holding Company	Narayana Hrudayalaya Limited ("NH")
Associate	Health City Cayman Islands Ltd ("HCCI")
	Cura Technologies Inc. (effective from 15 November 2016)

b) Transaction with related parties for the year ended 31 March 2017

Transaction	(Amount in USD)		
	Holding Company	Associate	Total
Share application money received	16,73,062	-	16,73,062
Shares issued during the year (including premium)	15,31,000	-	15,31,000
Transfer of patent	97,833	-	97,833
Investment in equity shares of associate (including share application money)			
- Health City Cayman Islands Ltd	-	14,30,000	14,30,000
- Cura Technologies Inc. (including Fair value of transfer of patent USD 97,833)	-	1,36,833	1,36,833
Convertible loan to associate			
- Cura Technologies Inc.	-	3,00,080	3,00,080
Interest income on Promissory note/ unsecured loan			
- Cura Technologies Inc.	-	19,764	19,764
Payment of expenses on behalf of the Company			
- Health City Cayman Islands Ltd	-	1,31,926	1,31,926

18 Related party transactions (continued)

c) Transaction with related parties for the year ended 31 March 2016			(Amount in USD)
Transaction	Holding Company	Associate	Total
Share application money received	54,83,400	-	54,83,400
Shares issued during the year (including premium)	68,81,000	-	68,81,000
Investment in equity shares of associate (including share application money)			
- Health City Cayman Islands Ltd	-	47,18,714	47,18,714
Payment of expenses on behalf of the Company			
- Health City Cayman Islands Ltd	-	1,37,074	1,37,074
d) The balances receivable from and payable to related parties as at 31 March 2017			(Amount in USD)
Balances	Holding Company	Associate	Total
Trade payables	5,40,084		5,40,084
- Health City Cayman Islands Ltd		26,400	26,400
Share application money paid, pending allotment			
- Health City Cayman Islands Ltd	-	2,86,000	2,86,000
Investment in promissory note:			
- Cura Technologies (Convertible loan to associate)	-	6,20,554	6,20,554
e) The balances receivable from and payable to related parties as at 31 March 2016			(Amount in USD)
Balances	Holding Company	Associate	Total
Trade payables	4,42,251		4,42,251
- Health City Cayman Islands Ltd		18,328	18,328
Share application money paid, pending allotment			
- Health City Cayman Islands Ltd	-	2,86,000	2,86,000
f) The balances receivable from and payable to related parties as at 1 April 2015			(Amount in USD)
Balances	Holding Company	Associate	Total
Trade payables	4,42,251		4,42,251
- Health City Cayman Islands Ltd		26,400	26,400
Share application money paid, pending allotment			
- Health City Cayman Islands Ltd	-	36,94,286	36,94,286

19 Investments and loans

(a) The Company has paid the following amounts towards share application money for allotment of equity shares during the year ended 31 March 2017:

(Amount in USD)

Entity	As at 31 March 2016	Payment / (refund) during the year	Allotment during the year	As at 31 March 2017
Health City Cayman Islands	2,86,000	14,30,000	14,30,000	2,86,000
Cura Technology Inc	-	39,000	39,000	-
	2,86,000	14,69,000	14,69,000	2,86,000

(b) The Company has made investment in the following Companies during the year ended 31 March 2017:

(Amount in USD)

Entity	As at 31 March 2016	Allotment / Purchases during the year	Sold during the year	Provision for diminution	As at 31 March 2017
Investment in equity instruments					
Health City Cayman Islands	2,14,50,000	14,30,000	-	-	2,28,80,000
Cura Technology Inc*	-	1,36,833	-	-	1,36,833
	2,14,50,000	15,66,833	-	-	2,30,16,833

* Allotment of shares also includes shares allotted towards transfer of patent valued at USD 97,833 by NHL.

(c) The Company has given unsecured loan (convertible loan) to the following associate during the year ended 31 March 2017:

(Amount in USD)

Entity	As at 31 March 2016	Movement	As at 31 March 2017	Purpose of loans
Cura Technology Inc	2,99,920	3,11,521	6,11,441	Financial assistance
	2,99,920	3,11,521	6,11,441	

(d) The Company has paid the following amounts towards share application money for allotment of equity shares during the year ended 31 March 2016:

(Amount in USD)

Entity	As at 1 April 2015	Payment during the year	Allotment during the year	As at 31 March 2016
Health City Cayman Islands	36,94,286	47,18,714	81,27,000	2,86,000
	36,94,286	47,18,714	81,27,000	2,86,000

(e) The Company has made investment in the following Companies during the year ended 31 March 2016:

(Amount in USD)

Entity	As at 1 April 2015	Allotment / Purchases during the year	Sold during the year	Provision for diminution	As at 31 March 2016
Investment in equity instruments					
Health City Cayman Islands	1,33,23,000	81,27,000	-	-	2,14,50,000
	1,33,23,000	81,27,000	-	-	2,14,50,000

20 Financial instruments: Fair value and risk managements

A. Accounting classification and fair values

	(Amount in USD)	
	Amortised cost	Total
As at 31 March 2017		
<i>Financial assets</i>		
Investments	6,20,554	6,20,554
Cash and cash equivalents	98,574	98,574
	7,19,128	7,19,128
<i>Financial liabilities</i>		
Other financial liabilities	4,29,081	4,29,081
	4,29,081	4,29,081
As at 31 March 2016		
<i>Financial assets</i>		
Cash and cash equivalents	3,19,421	3,19,421
	3,19,421	3,19,421
<i>Financial liabilities</i>		
Other financial liabilities	2,87,019	2,87,019
	2,87,019	2,87,019
As at 1 April 2015		
<i>Financial assets</i>		
Cash and cash equivalents	791	791
	791	791
<i>Financial liabilities</i>		
Other financial liabilities	16,84,619	16,84,619
	16,84,619	16,84,619

Measurement of fair values

The carrying value of all financial assets and liabilities approximates the fair value

B. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk.

(i) Risk management framework

The Company's risk management is carried out by a central treasury department under policies approved by the Board of Directors of the Holding Company. The Holding Companies Board supervises overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk and use of financial instruments.

(ii) Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The credit risk arises principally from its investing activities, including deposits with banks and financial institutions.

Credit risk is controlled by analysing credit limits and creditworthiness of the counterparty on a continuous basis to whom the loans has been granted after obtaining necessary approvals for credit.

There is no significant concentration of credit risk.

Credit risk on cash and cash equivalent is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international credit rating agencies.

(iii) 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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that the working capital is sufficient to meet its current requirements. Further the Company's significant payables are to the holding company. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2017.

	(Amount in USD)				
Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Other financial liabilities	4,29,081	-	-	-	4,29,081
Total	4,29,081	-	-	-	4,29,081

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2016.

Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Other financial liabilities	2,87,019	-	-	-	2,87,019
Total	2,87,019	-	-	-	2,87,019

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 1 April 2015.

Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Other financial liabilities	16,84,619	-	-	-	16,84,619
Total	16,84,619	-	-	-	16,84,619

(iv) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates. The Company does not have any exposure to Market risk.

Cash flow and fair value interest rate risk

The Company does not have any borrowings and does not have any exposure to cash flow and interest rate risk.

21 Capital Management

The Company's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprise of issued share capital and all other equity reserves.

The capital structure as of 31 March 2017, 31 March 2016 and 1 April 2015 was as follows:

Particulars	(Amount in USD)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Total equity	2,30,26,396	2,16,08,532	1,48,64,807
As a percentage of total capital	100%	100%	100%
Borrowings	-	-	-
As a percentage of total capital	0%	0%	0%
Total capital (Equity and Borrowings)	2,30,26,396	2,16,08,532	1,48,64,807

22 Explanation of transition to Ind AS:

As stated in Note 2.1, these are the first financial statements prepared in accordance with Ind AS. For the year ended 31 March 2016, the Company had prepared its financial statements under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards and other pronouncements issued by the Institute of Chartered Accountants of India ('Previous GAAP'). For the purpose of transition from Previous GAAP to Ind AS, the Company has followed the guidance prescribed under Ind AS 101-first time adoption of Indian Accounting Standards ('Ind AS-101'), with effect from 1 April 2015 ('transition date').

The accounting policies set out in Note 3 have been applied in preparing these financial statements for the year ended 31 March 2017 including the comparative information for the year ended 31 March 2016 and the opening Ind AS balance sheet on the date of transition i.e. 1 April 2015.

In preparing its Ind AS balance sheet as at 1 April 2015 and in presenting the comparative information for the year ended 31 March 2016, the Company has adjusted amounts reported previously in financial statement prepared in accordance with the Previous GAAP. This note explains how the transition from Previous GAAP to Ind AS has affected the Company's financial position and financial performance.

A) Mandatory exceptions

In preparing these financial statements, the Company has applied the below mentioned mandatory exceptions:

1. Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the Previous GAAP unless there is objective evidence that those estimates were in error.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under Previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the Previous GAAP are listed below:

- Fair valuation of financial instruments carried at FVTPL.

2. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

There are no Ind AS adjustments being passed in the equity, total comprehensive income, total equity, Net profit/(loss) when compared with Previous GAAP. The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements.

23 These financial statements are prepared by the Company specifically to provide information to Narayana Hrudayalaya Limited for the purposes of Consolidated financial statements of Narayana Hrudayalaya Limited for the year ended on 31 March 2017

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

As per our report of even date attached
for **R J M J & Associates**
Chartered Accountants
Firm Registration number: 015106S

For and on behalf of the Board of Directors of
Narayana Cayman Holdings Limited

Rahul Jain
Partner
Membership number: 065815

Mr. Gene Thompson
Director

Dr. Devi Prasad Shetty
Director

Place: Bangalore
Date: 29 May 2017

Place: Cayman Islands
Date: 29 May 2017

Place: Bengaluru
Date: 29 May 2017