

INDEPENDENT AUDITOR'S REPORT

To The Members of Narayana Institute for Advanced Research Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Narayana Institute for Advanced Research Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report to the extent applicable that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company and so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins and Sells LLP
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

V. Balaji
Partner
(Membership No.203685)

BENGALURU, May 29, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Narayana Institute for Advanced Research Private Limited (“the Company”) as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date which includes internal financial controls over financial reporting of the Company.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins and Sells LLP**
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

Sd/-

V. Balaji
Partner
(Membership No.203685)

BENGALURU, May 29, 2018

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

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

- (i) The Company does not have any fixed assets and hence reporting under clause (i) of the Order is not applicable.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provide guarantees and hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year and does not have any unclaimed deposits.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods Service Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, , Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods Service Tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax and Goods & Service Tax as on March 31, 2018 on account of disputes.
- (viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or issued any debentures. Hence reporting under clause (viii) of the Order is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

- (xi) The Company is a private company and hence the provisions of section 197 of the Companies Act, 2013 do not apply to the Company.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) The Company is a private company and hence the provisions of section 177 of the Companies Act, 2013 is not applicable to the Company. In our opinion and according to the information and explanations given to us, the Company is in compliance with section 188 of the Companies Act 2013, for all the transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Deloitte Haskins and Sells LLP
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

Sd/-

V. Balaji
Partner
(Membership No.203685)

BENGALURU, May 29, 2018

Narayana Institute for Advanced Research Private Limited
Balance sheet

		(₹ in thousands)	
	Note	As at 31 March 2018	As at 31 March 2017
ASSETS			
Non-current assets			
Financial assets			
Other financial assets	4	56,989.65	57,195.93
Non-current assets	5	18.06	18.06
Total non-current assets		57,007.71	57,213.99
Current assets			
Financial assets			
Cash and cash equivalents	6	7.32	7.32
Total current assets		7.32	7.32
TOTAL ASSETS		57,015.03	57,221.31
EQUITY AND LIABILITIES			
Equity			
Equity share capital	7 (a)	10,383.87	10,383.87
Other equity	7 (b)	46,408.76	46,630.13
Total equity		56,792.63	57,014.00
Liabilities			
Current liabilities			
Other current liabilities	8	222.40	207.31
Total current liabilities		222.40	207.31
TOTAL EQUITY AND LIABILITIES		57,015.03	57,221.31

Significant accounting policies

3

The accompanying notes are an integral part of these financial statements.
As per our report of even date attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

for and on behalf of the Board of Directors of
Narayana Institute for Advanced Research Private Limited

sd/-
V. Balaji
Partner

sd/-
Dr. Devi Prasad Shetty
Director
DIN: 00252187

sd/-
Mrs. Shakuntala Shetty
Director
DIN: 00025500

Place : Bengaluru
Date: 29 May 2018

Place : Copenhagen
Date: 29 May 2018

Narayana Institute for Advanced Research Private Limited
Statement of profit and loss

(₹ in thousands)

	Note	For the year ended 31 March 2018	For the year ended 31 March 2017
INCOME			
Revenue from operations		-	-
Total Income (A)		-	-
Expenses			
Other expenses		-	-
Expenses before depreciation and amortization, finance costs and exceptional items (B)	9	221.37	128.87
		221.37	128.87
Earnings before depreciation and amortization, finance costs and exceptional items (A-B) EBITDA		(221.37)	(128.87)
Finance costs (C)		-	-
Depreciation and amortisation expense (D)		-	-
Total Expenses (E)=(B+C+D)		-	-
Loss before tax (F)=(A-E)		(221.37)	(128.87)
Tax expense			
Current tax		-	-
Deferred tax charge / (credit)		-	-
Total tax expense (G)		-	-
Loss for the year (H)=(F-G)		(221.37)	(128.87)
Other comprehensive income		-	-
Total comprehensive income for the year		(221.37)	(128.87)
Earnings per share			
Basic and diluted (₹)	13	(0.21)	(0.12)
Significant accounting policies	3		

The accompanying notes are an integral part of these financial statements.
As per our report of even date attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

sd/-
V. Balaji
Partner

Place : Bengaluru
Date: 29 May 2018

for and on behalf of the Board of Directors of
Narayana Institute for Advanced Research Private Limited

sd/-
Dr. Devi Prasad Shetty
Director
DIN : 00252187

sd/-
Mrs. Shakuntala Shetty
Director
DIN: 00025500

Place : Copenhagen
Date: 29 May 2018

Narayana Institute for Advanced Research Private Limited
Statement of changes in equity for the year ended 31 March 2018

(a) Equity share capital

Particulars	(₹ in thousands)	
	No. of Shares	Amount
Equity shares of ₹ 10 each issued, subscribed and fully paid up		
Balance as at 1 April 2016	1,038,387	10,383.87
Changes in equity share capital during 2016-17	-	-
Balance as at 31 March 2017	1,038,387	10,383.87
Changes in equity share capital during 2017-18	-	-
Balance as at 31 March 2018	1,038,387	10,383.87

(b) Other equity

Particulars	Reserves and surplus		Items of OCI	Total equity
	Securities premium reserve	Profit and loss		
Balance as at 01 April 2016	47,216.13	(457.13)	-	46,759.00
Loss for the year	-	(128.87)	-	(128.87)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(128.87)	-	(128.87)
Balance as at 31 March 2017	47,216.13	(586.00)	-	46,630.13
Loss for the year	-	(221.37)	-	(221.37)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(221.37)	-	(221.37)
Transactions recorded directly in equity	-	-	-	-
Balance as at 31 March 2018	47,216.13	(807.37)	-	46,408.76

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

As per our report of even date attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors of
Narayana Institute for Advanced Research Private Limited

sd/-
V. Balaji
Partner

sd/-
Dr. Devi Prasad Shetty
Director
DIN: 00252187

sd/-
Mrs. Shakuntala Shetty
Director
DIN: 00025500

Place: Bengaluru
Date: 29 May 2018

Place: Copenhagen
Date: 29 May 2018

Narayana Institute for Advanced Research Private Limited
Cash flow statement

	For the year ended 31 March 2018	(₹ in thousands) For the year ended 31 March 2017
Cash flow from operating activities		
Loss before tax	(221.37)	(128.87)
Operating cash flow before working capital changes	(221.37)	(128.87)
Changes in othe financial assets	206.28	125.03
Changes in other current liabilities	15.09	3.84
Net cash generated from operating activities (A)	-	-
Cash flow from investing activities (B)	-	-
Cash flow from financing activities (C)	-	-
Net increase/(decrease) in cash and cash equivalents (A+B+C)	-	-
Cash and cash equivalent at the beginning of the year	7.32	7.32
Cash and cash equivalent at the end of the year (refer note 6)	7.32	7.32

Note:- Expenses has been paid by Narayana Hrudayalaya Limited, holding company. Hence, no cash flow transaction.

The accompanying notes are an integral part of these financial statements.
As per our report of even date attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board of Directors of
Narayana Institute for Advanced Research Private Limited

sd/-
V. Balaji
Partner

sd/-
Dr. Devi Prasad Shetty
Director
DIN: 00252187

sd/-
Mrs. Shakuntala Shetty
Director
DIN: 00025500

Place : Bengaluru
Date: 29 May 2018

Place : Copenhagen
Date: 29 May 2018

Narayana Institute for Advanced Research Private Limited

Notes to the financial statements for the year ended 31 March 2018

1. Company overview

Narayana Institute for Advanced Research Private Limited ('the Company') was incorporated on 20 November 2006 as a private limited company under the Companies Act, 1956. The Company is a Wholly Owned Subsidiary of Narayana Hrudayalaya Limited. The Company proposes to engage in research and development in medical services and in establishing a research Centre.

2. Basis of preparation of the 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 notified under Section 133 of Companies Act 2013 (the 'Act') and other relevant provisions of the Act.

The financial statement of the company for the year ended March 31, 2017 were audited by the previous auditors - BSR & Co. LLP (Firm's registration number: 101248W/W-100022) the predecessor auditor.

The financial statements were authorized for issue by the Company's Board of Directors on 29 May 2018.

Details of the accounting policies are included in Note 3.

2.2. Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding the current losses and negative net worth.

The Company has received a letter of financial support from Narayana Hrudayalaya Limited, the holding company, which undertakes to provide financial and operational assistance as is necessary to enable the Company to operate as a going concern and meet its obligation as and when they fall due up to a period of one year from the balance sheet date i.e. 31 March 2019.

These financial statements, therefore, do not include any adjustments relating to recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company was unable to continue as a going concern.

2.3 Functional and presentation currency

These financial statements are presented in Indian Rupees (₹), which is also the Company's functional currency. All amounts are presented in Indian Rupees Thousands, except share data and per share data unless otherwise stated.

2.4. Basis of measurement

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

Items	Measurement basis
Certain financial assets and liabilities	Fair value

2.5. Use of estimates and judgments

Narayana Institute for Advanced Research Private Limited

Notes to the financial statements for the year ended 31 March 2018

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 recognized prospectively.

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:

Narayana Institute for Advanced Research Private Limited

Notes to the financial statements for the year ended 31 March 2018

- 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.

Financial assets: Subsequent measurement and gains and losses

Narayana Institute for Advanced Research Private Limited

Notes to the financial statements for the year ended 31 March 2018

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.

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.

Narayana Institute for Advanced Research Private Limited

Notes to the financial statements for the year ended 31 March 2018

3.2. 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.

3.3. Cash flow statement

Cash flows are reported using the indirect method, whereby loss 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.

3.4. Earning per Share

The Earning per share is computed by dividing the Profit / (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding at the year end. The Company does not have potential dilutive equity shares outstanding at the year end.

3.5. Income tax

The Income-tax expense comprises current tax and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

Current income tax

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

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

Deferred tax

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Narayana Institute for Advanced Research Private Limited

Notes to the financial statements for the year ended 31 March 2018

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income 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.

3.6. 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.

3.7. New Standards and interpretation not yet adopted

IND AS 115, Revenue from contract with customers: On 28 March 2018, the Ministry of Corporate Affairs ("MCA"), notified Ind AS 115 "Revenue from Contracts with Customers" as part of the Companies (Indian Accounting Standards) Amendment Rules, 2018. The said standard is applicable for the accounting periods beginning on or after April 1, 2018. The company is in the process of assessing the impact of the said standard on its financial statements.

Narayana Institute for Advanced Research Private Limited
Notes to the financial statements for the year ended 31 March 2018 (continued)

4 Other financial assets
(Unsecured, considered good unless otherwise stated) (₹ in thousands)

Particulars	As at 31 March 2018	As at 31 March 2017
Non-current		
To related parties		
Due for reimbursement (refer note 12)	56,989.65	57,195.93
	56,989.65	57,195.93

5 Non-current assets

Particulars	As at 31 March 2018	As at 31 March 2017
Income tax assets (net of provisions)	18.06	18.06
	18.06	18.06

6 Cash and cash equivalents

Particulars	As at 31 March 2018	As at 31 March 2017
Balance with banks		
- On current account	7.32	7.32
Cash and cash equivalents as per statement of cash flows	7.32	7.32

7 (a) Equity share capital

Particulars	As at 31 March 2018	As at 31 March 2017
Authorised		
20,00,000 equity shares of ₹ 10 each	20,000.00	20,000.00
Issued, subscribed and paid up		
10,38,387 equity shares of ₹ 10 each, fully paid up	10,383.87	10,383.87
	10,383.87	10,383.87

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

Particulars	As at 31 March 2018		As at 31 March 2017	
	Number of shares	Amount in Rs.	Number of shares	Amount in Rs.
At the beginning of the year	1,038,387	10,383.87	1,038,387	10,383.87
At the end of the year	1,038,387	10,383.87	1,038,387	10,383.87

Rights, preference and restriction attached to equity shares

The Company has one class of equity shares referred to as equity shares having a nominal value of ₹ 10 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. The equity shares are entitled to receive dividend as declared from time to time. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

Particulars of shareholders holding more than 5% shares

Particulars	As at 31 March 2018		31 March 2017	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	1,038,381	99.99%	1,038,381	99.99%

The Company has not bought back any shares during the period of five years immediately preceding the last balance sheet date. Further, the Company has not issued any bonus shares or shares issued for consideration other than cash during the period of five years immediately preceding the last balance sheet date.

7 (b) Other Equity

Particulars	As at 31 March 2018	As at 31 March 2017
Securities premium account		
At the commencement of the year	47,216.13	47,216.13
Add: Net loss from statement of profit and loss	-	-
At the end of the year	47,216.13	47,216.13
Retained Earnings		
At the commencement of the year	(586.00)	(457.13)
Add: Net loss from statement of profit and loss	(221.37)	(128.87)
At the end of the year	(807.37)	(586.00)
	46,408.76	46,630.13

8 Other liabilities

Particulars	As at 31 March 2018	As at 31 March 2017
Current		
Other payables	222.40	207.31
	222.40	207.31

Narayana Institute for Advanced Research Private Limited
Notes to the financial statements for the year ended 31 March 2018 (continued)

9 Other expenses

Particulars	(₹ in thousands)	
	For the year ended 31 March 2018	For the year ended 31 March 2017
Legal and professional fees	219.57	128.87
Rates and taxes	1.80	-
Note (i) :	221.37	128.87

Legal and professional fees includes payment to auditors (Audit fees) of Rs. 100.00 thousands (Previous year Rs.100.000 thousands).
 Legal and professional fees includes prior period expense of Rs.81.35 thousands (Previous year: Nil)

Narayana Institute for Advanced Research Private Limited
Notes to the financial statements for the year ended 31 March 2018 (continued)

10 Contingent liabilities and commitments:

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and other commitments and not provided for amounts to ₹ Nil (previous year: ₹ Nil).

11 Segment reporting

Operating segments and Geographical information

The Company has not yet commenced its operations. It intends to engage in 'Research and development in medical services and in establishing research center'. Hence segment information as per Ind AS 108 - 'Operating Segments' is not disclosed.

12 Related party disclosures

(a) Details of related parties

Nature of relationship	Name of related parties
Parent Company (Holding Company)	Narayana Hrudayalaya Limited
Fellow subsidiaries	Meridian Medical Research & Hospital Limited (MMRHL) Narayana Hrudayalaya Surgical Hospital Private Limited (NHSHP) Narayana Hospitals Private Limited (NHPL) Health City Cayman Islands Limited (HCCI) (WEF 2nd January 2018) Narayana Health Institutions Private Limited (NHIPL) Narayana Cayman Holdings Ltd (NCHL) Narayana Hrudayalaya Hospitals Malaysia SDN. BHD (NHHM) Asia Healthcare Development Limited (AHDL) (till November 2016) Narayana Vaishno Devi Specialty Hospitals Private Limited (NVDSHPL) (with effect from 5 September 2014) Narayana Holdings Private Limited (with effect from 11 April 2016)

(b) Transactions with related party during the year

Transactions	Parent Company	Total
	(₹ in thousands)	
Reimbursement of expenses		
Narayana Hrudayalaya Limited	206.28	206.28
Figure in brackets is for previous year	(125.04)	(125.04)

(c) The Balances receivable from related parties

Transactions	Year	Parent Company	Total
		(₹ in thousands)	
Financial assets - Other financial assets			
Narayana Hrudayalaya Limited	31 March 2018	56,989.65	56,989.65
	31 March 2017	(57,195.93)	(57,195.93)

Figure in brackets is for previous year

Note:

- (a) No amount in respect of related parties have been written off/back or provided for during the year.
(b) Related party relationships have been identified by the Management and relied upon by the auditors.
(c) A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over those entities.
(d) A number of these entities transacted with the Company during the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or those which might reasonably be expected to be available, in respect of similar transactions with non-key management personnel related entities on an arm's length basis.

13 Earning per share

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Profit / (Loss) for the year (₹ in thousands)	(221.37)	(128.87)
Weighted average number of equity shares outstanding for the year (Numbers)	1,038,387	1,038,387
Nominal value per share (₹)	10	10
Basic and diluted earning per share (₹)	(0.21)	(0.12)

14 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.

The Company has not borrowed any fund from any financial institution, therefore, the surplus remaining after accounting for all expenses is available only for the owners of the company. Accordingly, there are no additional disclosure to be provided under Ind AS 1, "Presentation of Financial Statements" other than those already provided in the financial statements.

15 Financial instruments: Fair value and risk managements

A. Accounting classification and fair values

(₹ in thousands)

As at 31 March 2018	Amortised cost	Total
Financial assets		
Other financial assets		
Cash and cash equivalents	56,989.65	56,989.65
	7.32	7.32
Financial liabilities	56,996.97	56,996.97
Other financial liabilities		
	-	-
	-	-
As at 31 March 2017		
Financial assets	Amortised cost	Total
Other financial assets		
Cash and cash equivalents	57,195.93	57,195.93
	7.32	7.32
	57,203.25	57,203.25

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. The 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 operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments.

(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. Accordingly, no liquidity risk is perceived.

(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, interest rates and equity prices.

Foreign currency risk

The Company has not yet commenced its operations. Hence the Company is not exposed to foreign exchange risk.

For and on behalf of the Board of Directors of
Narayana Institute for Advanced Research Private Limited

Sd/-
Dr. Devi Prasad Shetty
Director
DIN : 00252187

Sd/-
Mrs. Shakuntala Shetty
Director
DIN: 00025500

Place : Copenhagen
Date: 29 May 2018