

# **Health City Cayman Islands Ltd**

**Special purpose financial statements and audit report  
For the year ended on 31 March 2016**

## **Independent Auditor's Report**

### **To the Directors of Health City Cayman Islands Ltd**

We have audited the accompanying financial statements of Health City Cayman Islands Ltd ('the Company') which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information which has been prepared by management in accordance with the basis of accounting described in note 1.1 to the financial statement.

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

Management is responsible for the preparation of the financial statement in accordance with the basis of accounting described in note 1.1. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the financial statement 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 financial statement 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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, 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 financial statement.

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





**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 financial statement give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its loss and its cash flows 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 1.1 to the financial statement which describes the basis of preparation of these financial statement. These financial statement have been prepared to provide information to Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited) for its financial reporting purposes. As a result, these financial statement may not be suitable for any other purpose. Our report is intended solely for Health City Cayman Islands Ltd and Narayana Hrudayalaya Limited and should not be distributed without our prior consent.

*for R J M J & Associates*

*Chartered Accountants*

Firm's Registration Number: 015106S

*Rahul Jain.*

**Rahul Jain**

*Partner*

Membership number: 065815

Bangalore

Date: 23 May 2016

Health City Cayman Islands Ltd  
Balance sheet as at 31 March 2016

			(Amount in USD)
	Note	As at 31 March 2016	As at 31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	750	466
Reserves and surplus	3	44,871,415	28,031,735
		<u>44,872,165</u>	<u>28,032,201</u>
Share application money pending allotment	4	1,000,000	12,916,000
<b>Non-current liabilities</b>			
Long-term borrowings	5	25,111,000	27,615,000
		<u>25,111,000</u>	<u>27,615,000</u>
<b>Current liabilities</b>			
Trade payables	6	2,594,410	3,507,807
Other current liabilities	7	4,402,307	2,726,563
		<u>6,996,717</u>	<u>6,234,370</u>
<b>TOTAL</b>		<u><u>77,979,882</u></u>	<u><u>74,797,571</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	8		
Tangible assets		62,679,107	66,204,237
Intangible assets		329,961	376,367
Long-term loans and advances	9	2,351,608	169,358
		<u>65,360,676</u>	<u>66,749,962</u>
<b>Current assets</b>			
Inventories	10	2,118,989	1,838,396
Trade receivables	11	4,814,565	2,447,388
Cash and bank balances	12	3,696,013	2,406,269
Short-term loans and advances	9	470,629	395,456
Other current assets	13	1,519,010	960,100
		<u>12,619,206</u>	<u>8,047,609</u>
<b>TOTAL</b>		<u><u>77,979,882</u></u>	<u><u>74,797,571</u></u>

Significant accounting policies

1

The notes referred to above form 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

*Rahul Jain.*

Rahul Jain

Partner

Membership number: 065815

Place: Bangalore

Date: 23 May 2016

for Health City Cayman Islands Ltd

*Ashutosh*

Dr. Ashutosh Raghuvanshi

Director

Place: Bangalore

Date: 23 May 2016

*Dr. Devi Prasad Shetty*

Dr. Devi Prasad Shetty

Director

Place: Bangalore

Date: 23 May 2016

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**Health City Cayman Islands Ltd**
**Statement of profit and loss for the year ended on 31 March 2016**
**(Amount in USD)**

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>INCOME</b>			
Revenue from operations	14	15,301,437	7,841,175
Other income	15	28,484	971
<b>Total revenue</b>		<b>15,329,921</b>	<b>7,842,146</b>
<b>EXPENSE</b>			
Purchase of medical consumables, drugs and surgical equipments		2,778,292	2,400,199
Changes in inventories of medical consumables, drugs and surgical equipments	16	(273,363)	(839,501)
Employee benefits expense	17	11,466,402	9,059,676
Other expenses	18	8,229,615	7,219,713
<b>Total expenses</b>		<b>22,200,946</b>	<b>17,840,087</b>
<b>Loss before interest, tax, depreciation and amortisation</b>		<b>(6,871,025)</b>	<b>(9,997,941)</b>
Finance costs	19	1,751,198	1,580,004
Depreciation and amortisation	8	2,952,813	2,792,627
<b>Loss before tax</b>		<b>(11,575,036)</b>	<b>(14,370,570)</b>
Tax expense	1.15	-	-
<b>Loss for the year</b>		<b>(11,575,036)</b>	<b>(14,370,570)</b>
<b>Loss per share (par value of USD 0.01 each)</b>	22		
-Basic and diluted		(184)	(344)

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

for R J M J &amp; Associates

Chartered Accountants

Firm Registration number: 015106S


**Rahul Jain**

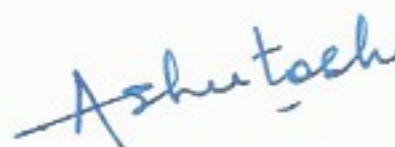
Partner

Membership number: 065815

Place: Bangalore

Date: 23 May 2016

for Health City Cayman Islands Ltd


**Dr. Ashutosh Raghuvanshi**

Director

Place: Bangalore

Date: 23 May 2016


**Dr. Devi Prasad Shetty**

Director

Place: Bangalore

Date: 23 May 2016

Health City Cayman Islands Ltd  
Cash flow statement for the year ended 31 March 2016

	For the year ended 31 March 2016	(Amount in USD) For the year ended 31 March 2015
<b>Cash flow from operating activities</b>		
Loss before tax	(11,575,036)	(14,370,570)
<b>Adjustments for:</b>		
Depreciation and amortisation expense	2,952,813	2,792,627
Finance costs	1,751,198	1,580,004
Profit on sale of fixed asset, net	(49)	-
<b>Operating cash flow before working capital changes</b>	<b>(6,871,074)</b>	<b>(9,997,941)</b>
Changes in trade receivables	(2,367,177)	(2,447,388)
Changes in inventories	(280,593)	(839,501)
Changes in loan and advances	(75,173)	(28,824)
Changes in other current assets	(558,910)	(960,100)
Changes in trade payables	(913,398)	775,470
Changes in liabilities and provisions	1,471,147	114,346
<b>Cash used in operations</b>	<b>(9,595,178)</b>	<b>(13,383,937)</b>
Income tax paid, net	-	-
<b>Net cash used in operating activities</b>	<b>(9,595,178)</b>	<b>(13,383,937)</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(1,480,029)	(5,932,890)
Sale of fixed assets	2,149	-
<b>Net cash used in investing activities</b>	<b>(1,477,880)</b>	<b>(5,932,890)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	(2,385,000)	-
Interest and other borrowings expenses	(1,751,198)	(1,580,004)
Proceeds from issue of shares (including share application money)	16,499,000	21,431,100
<b>Net cash provided by financing activities</b>	<b>12,362,802</b>	<b>19,851,097</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,289,744</b>	<b>534,270</b>
Cash and cash equivalent at the beginning of the year	2,406,269	1,871,999
<b>Cash and cash equivalent at the end of the year (refer note 12)</b>	<b>3,696,013</b>	<b>2,406,269</b>

As per our report of even date attached

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

*Rahul Jain.*

Rahul Jain  
Partner  
Membership number: 065815

Place: Bangalore  
Date: 23 May 2016

for Health City Cayman Islands Ltd

*Ashutosh*  
Dr. Ashutosh Raghuvanshi  
Director

Place: Bangalore  
Date: 23 May 2016

*Dr. Devi Prasad Shetty*  
Dr. Devi Prasad Shetty  
Director

Place: Bangalore  
Date: 23 May 2016



## **Background**

Health City Cayman Islands 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 is a joint venture entity between Ascension Health Ventures, LLC and Narayana Cayman Holdings Ltd and is primarily engaged in the business of rendering medical and healthcare services in Cayman Islands.

### **1. Significant accounting policies**

#### **1.1 Basis of preparation of financial statements**

These financial statements have been 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").

The accounting policies have been consistently applied by the Company. The financial statements are presented in United States Dollars ("USD").

These financial statement are prepared specifically to provide information to Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited) for the purposes of Consolidated financial statements of Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited) for the year ended 31 March 2016 and may not be suitable for another purposes.

#### **1.2 Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the management to make judgement estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future years.

#### **1.3 Current and non – current classification**

All assets and liabilities are classified into current and non – current.

##### *Assets*

An asset is classified as current when it satisfies any of the following criteria:

- a) It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be realised within 12 months after the reporting date; or
- d) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non – current financial assets.

All other assets are classified as non – current.





**1. Significant accounting policies (continued)**

**1.3 Current and non – current classification (continued)**

*Liabilities*

A liability is classified as current when it satisfies any of the following criteria:

- a) It is expected to be settled in the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be settled within 12 months after the reporting date; or
- d) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non – current financial liabilities.

All other liabilities are classified as non – current.

*Operating cycle*

Operating cycle is the time between the acquisition of assets for processing and their realizations in cash or cash equivalents.

**1.4 Inventories**

The inventories of medical consumables, drugs and surgical equipments are valued at lower of cost or net realisable value. In the absence of any further estimated costs of completion and estimated costs necessary to make the sale, the net realisable value is the selling price. Cost of these inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location after adjusting for value added tax wherever applicable, applying the first in first out method.

**1.5 Fixed assets, depreciation and amortisation**

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation.

The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work in progress. Advances paid towards acquisition of fixed assets outstanding as of the balance sheet date are disclosed under long-term loans and advances.

**(a) Tangible fixed assets**

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/ or accumulated impairment, if any. The cost of an item of tangible fixed assets comprises its purchase price, including import duties and other non-refundable taxes or levies, freight and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.





1. Significant accounting policies (continued)

1.5 Fixed assets, depreciation and amortisation (continued)

(b) Intangible fixed assets

Intangible assets are recorded at consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and accumulated impairment loss, if any.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(c) Depreciation and amortisation

Leasehold improvements are being amortised over the term of the lease, or estimated useful life of the assets, whichever is lower. Consideration paid for acquiring leasehold land is amortized over the lease term.

Freehold land is not depreciated.

Depreciation on additions and disposals during the year is provided on proportionate basis.

Depreciation is provided on the straight line method over the estimated useful life of fixed assets. The Company estimates the useful life of the fixed assets as follows:

Block of assets	Useful life
Building	40 years
Electrical installation	15 years
Medical equipment	10 years
Non-Medical Equipment	10 years
Air conditioning plant and air conditioners	15 years
Furniture and fixtures	10 years
Computers	3 years
Computer software	5 years
Vehicles	5 years

The Company believes that the useful life as given above best represent the useful life of the assets.

1.6 Borrowing cost

Borrowing costs are interest and other costs incurred by the company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily takes a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are accounted as an expense in the period in which they are incurred.





**1. Significant accounting policies (continued)**

**1.7 Revenue recognition**

*Revenue from operations*

Revenue from medical and healthcare services to patients is recognised as revenue when the related services are rendered unless significant future uncertainties exist. Revenue is also recognised in relation to the services rendered to the patients who are undergoing treatment/observation on the balance sheet date to the extent of services rendered.

Revenue is recognised net of discounts given to the patients.

Revenue from sale of medical consumables and drugs within the hospital premises is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection.

'Unbilled revenue' represents value of medical and healthcare services rendered in excess of amounts billed to the patients as at the balance sheet date. 'Unearned revenue' comprises billings in excess of earnings.

**1.8 Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year 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 from continuing ordinary operations.

**1.9 Provisions and contingencies**

Provision is recognised if, as a result of obligating events, there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation.

The disclosure of contingent liability is made if, as a result of obligating events, there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

No provision or disclosure is made if, as a result of obligating events, there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.





**1. Significant accounting policies (continued)**

**1.10 Impairment of assets**

The Company assesses at each balance sheet date using external and internal sources, whether there is any indication that an asset or a group of assets comprising a cash-generating unit may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

**1.11 Leases**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term. Lease term is the non-cancellable period for which the Company has agreed to take on lease the asset together with any further periods for which the Company has the option to continue the lease and at the inception of the lease it is reasonably certain that the Company will exercise such an option.

**1.12 Employee benefits**

*Post-employment benefits*

**Define 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 pension fund to Government administered pension fund plan which is a defined contribution plan. The Company's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**1.13 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.





## Health City Cayman Islands Ltd

Notes to financial statements for the year ended 31 March 2016

### 1. Significant accounting policies (continued)

#### 1.14 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.

#### 1.15 Income taxes

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.

#### 1.16 Measurement of Earnings Before Interest, Tax, Depreciation and Amortisation

As permitted by the Guidance Note on the Revised Schedule VI, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement of EBITDA, the Company includes other income but does not include depreciation and amortization expense, finance costs and tax expense.





(Amount in USD)

2 Share capital

a) Authorised capital

5,000,000 equity shares (31 March 2015: 5,000,000 equity shares) of USD 0.01 each

As at  
31 March 2016

As at  
31 March 2015

50,000

50,000

b) Issued, subscribed and paid-up capital

53,550 (31 March 2015: 33,262) class X equity shares of USD 0.01 each, fully paid-up

536

333

21,450 (31 March 2015: 13,323) class Y equity shares of USD 0.01 each, fully paid-up

215

133

750

466

(c) Reconciliation of the number of equity shares outstanding at the end of the period:

	31 March 2016		31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Class X equity shares				
Shares at the beginning of the year	33,262	333	23,570	236
Shares issued during the year	20,288	203	9,692	97
Shares at the end of the year	53,550	536	33,262	333

	31 March 2016		31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Class Y equity shares				
Shares at the beginning of the year	13,323	133	9,430	94
Shares issued during the year	8,127	81	3,893	39
Shares at the end of the year	21,450	215	13,323	133

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

	31 March 2016		31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Ascension Health Ventures, LLC (Class X equity shares)	53,550	71.4%	33,262	71.4%
Narayana Cayman Holdings Ltd (Class Y equity shares)	21,450	28.6%	13,323	28.6%
	75,000	100%	46,585	100.00%

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

i) The Company has two class of equity shares referred to as class X equity shares and class Y equity shares, having a par value of USD 0.01 each. All the 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.

ii) 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.

(f) Number of shares held by holding company:

53,550 class X equity shares (31 March 2015: 33,262) of USD 0.01 each are held by Ascension Health Ventures, LLC, the Holding Company as at 31 March 2016.

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

(h) 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/periods since the date of incorporation i.e. 7 May 2010, except that the Company has issued 3,000 class Y equity shares to Narayana Cayman Holdings Ltd for considerations other than cash towards capital contribution as per Joint Venture Agreement dated 25 July 2012.

(Amount in USD)

3 Reserves and surplus

Securities premium account

Opening balance

46,584,534

32,999,670

Add: Securities premium on issue of equity shares during the year

28,414,716

13,584,864

At the end of the year

74,999,250

46,584,534

Deficit (Debit balance in the statement of profit and loss):

At the commencement of the year

(18,552,799)

(4,182,229)

Add: Net loss for the year

(11,575,036)

(14,370,570)

At the end of the year

(30,127,835)

(18,552,799)

Total Reserves and Surplus

44,871,415

28,031,735



(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
4 Share application money pending allotment	1,000,000	12,916,000
	<u>1,000,000</u>	<u>12,916,000</u>

Details of share application money pending allotment

(a) As at 31 March 2016, the Company has received USD 714,000 and USD 286,000 (31 March 2015: USD 9,221,714 and USD 3,694,286) towards share application money for issue of class X and class Y equity shares respectively to Ascension Health Ventures, LLC and Narayana Cayman Holdings Ltd. Number of shares proposed to be issued for share application money pending allotment outstanding as at 31 March 2016 is 714 Class X and 286 Class Y equity shares (31 March 2015: 9,221 Class X and 3,694 Class Y equity shares). Application money outstanding as at 31 March 2016 and 31 March 2015 represents amount received at the rate of Rs USD 1,000 each towards par value of shares and security premium.

(b) Securities premium on account of shares pending allotment amounts to USD 999.99 per share on 1000 equity shares and 12,915 shares as at 31 March 2016 and 31 March 2015 respectively.

(c) The Company has sufficient authorized equity share capital to cover the share capital on allotment of shares pending allotment as at 31 March 2016 and 31 March 2015.

(d) There are no interest accrued and due on amount due for refund as of 31 March 2016 and 31 March 2015.

(e) No shares are pending for allotment beyond the period for allotment as of 31 March 2016 and 31 March 2015.

(Amount in USD)

5 Long - term borrowings	Non current portion		Current maturities	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Secured				
Term loans				
- from banks	25,111,000	27,615,000	2,504,000	2,385,000
	<u>25,111,000</u>	<u>27,615,000</u>	<u>2,504,000</u>	<u>2,385,000</u>

Term loans from banks:

The Company has outstanding term loan taken from Bank of America amounting to USD 27,615,000 (31 March 2015: USD 30,000,000) against sanction limit of USD 30,000,000 repayable in 10 annual installments as per loan agreement from 30 June 2015 onwards till 30 June 2024. Interest is applicable at the rate of LIBOR plus 2.85% per annum. The loan is secured by bank guarantee from the Parent Companies of the joint venture partners in ratio of the joint venture partners shareholdings.

(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
6 Trade payables		
Trade payables (refer note 23)	2,594,410	3,507,807
	<u>2,594,410</u>	<u>3,507,807</u>

(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
7 Other current liabilities		
Current maturities of long-term borrowings (refer note 5)	2,504,000	2,385,000
Creditors for capital goods	312,814	227,217
Advance received from customers and patients	1,061,283	-
Statutory dues payable	52,711	-
Accrued expenses	471,499	114,346
	<u>4,402,307</u>	<u>2,726,563</u>





Health City Cayman Islands Ltd  
Notes to the financial statements for the year ended 31 March 2016

8 Fixed assets

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As on 01 April 2015	Additions during the year	Deletions during the year	As on 31 March 2016	As on 01 April 2015	Charge for the year	Deletions during the year	As on 31 March 2016	As on 31 March 2016	As on 01 April 2015
<b>Tangible assets</b>										
(Owned)										
Land and related infrastructure cost	13,225,462	-	1,957,139	11,268,323	-	-	-	-	11,268,323	13,225,462
Building	34,349,014	147,976	-	34,496,990	852,242	862,794	-	1,715,036	32,781,954	33,496,772
Medical equipment	7,532,807	886,761	-	8,419,568	709,797	790,828	-	1,500,625	6,918,943	6,823,010
Electrical installations	4,048,490	37,575	-	4,086,065	268,858	271,431	-	540,289	3,545,776	3,779,632
Other equipments including air conditioners	5,426,703	15,169	-	5,441,872	361,226	363,378	-	724,604	4,717,268	5,065,477
Office equipments	1,428,492	38,316	-	1,466,808	138,941	145,035	-	283,976	1,182,832	1,289,551
Furniture and fixtures	2,374,258	89,955	1,728	2,462,485	233,541	242,650	(177)	476,014	1,986,471	2,140,717
Computers	465,112	27,755	856	492,011	143,062	160,567	(306)	303,323	188,688	322,050
Vehicles	70,326	48,902	-	119,228	8,760	21,617	-	30,377	88,851	61,566
<b>Total (A)</b>	<b>68,920,664</b>	<b>1,292,409</b>	<b>1,959,723</b>	<b>68,263,351</b>	<b>2,716,427</b>	<b>2,858,309</b>	<b>(483)</b>	<b>5,574,244</b>	<b>62,679,107</b>	<b>66,204,237</b>
<b>Intangible assets</b>										
Computer software	452,567	48,107	-	500,674	76,200	94,513	-	170,713	329,961	376,367
<b>Total (B)</b>	<b>452,567</b>	<b>48,107</b>	<b>-</b>	<b>500,674</b>	<b>76,200</b>	<b>94,513</b>	<b>-</b>	<b>170,713</b>	<b>329,961</b>	<b>376,367</b>
<b>Grand Total (A+B)</b>	<b>69,373,231</b>	<b>1,340,516</b>	<b>1,959,723</b>	<b>68,764,025</b>	<b>2,792,627</b>	<b>2,952,813</b>	<b>(483)</b>	<b>5,744,957</b>	<b>63,009,068</b>	<b>66,580,604</b>
Previous year	-	69,373,231	-	69,373,231	-	2,792,627	-	2,792,627	66,580,604	-



(Amount in USD)

	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
	Long-term		Short-term	
9 Long-term and Short-term loans and advances (Unsecured and considered good)				
Capital advances	394,469	169,358	-	-
Security deposits	-	-	152,227	127,200
Loans and advances / other receivables from related parties (refer note 23)	1,957,139	-	20,077	33,736
Advance to suppliers	-	-	246,395	198,293
Advance to employees	-	-	20,319	-
Receivable from suppliers and customers for expenses	-	-	31,610	36,227
	<u>2,351,608</u>	<u>169,358</u>	<u>470,629</u>	<u>395,456</u>

(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
10 Inventories (Valued at lower of cost and net realisable value)		
Medical consumables, drugs and surgical equipments	1,949,142	1,749,084
Goods-in-transit	169,847	89,312
	<u>2,118,989</u>	<u>1,838,396</u>

(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
11 Trade receivables Unsecured		
Receivables outstanding for a period exceeding six months from the date they become due for payment*	349,559	194,326
Considered good	446,089	10,228
Considered doubtful	(446,089)	(10,228)
Less: Provision for doubtful receivables	<u>349,559</u>	<u>194,326</u>
Other receivables*	4,465,005	2,253,061
Considered good	-	118,582
Considered doubtful	-	(118,582)
Less: Provision for doubtful receivables	<u>4,465,005</u>	<u>2,253,061</u>
	<u>4,814,565</u>	<u>2,447,388</u>

\* refer note 23

(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
12 Cash and bank balances		
Cash and cash equivalents	2,434	3,204
Cash on hand		
Balance with banks:	3,693,579	2,403,065
- in current accounts	<u>3,696,013</u>	<u>2,406,269</u>

(Amount in USD)

	As at 31 March 2016	As at 31 March 2015
13 Other current assets		
Prepaid expenses	1,146,651	933,818
Unbilled revenue	372,358	26,282
	<u>1,519,009</u>	<u>960,100</u>





		(Amount in USD)
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>14 Revenue from operations</b>		
Income from medical and healthcare services	15,110,361	7,792,020
Sale of medical consumables and drugs	191,076	49,155
	<u>15,301,437</u>	<u>7,841,175</u>
		(Amount in USD)
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>15 Other income</b>		
Gain on sale of fixed assets, net	49	-
Foreign exchange gains, net	2,514	-
Processing fee income	25,556	-
Miscellaneous income	366	971
	<u>28,484</u>	<u>971</u>
		(Amount in USD)
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>16 Changes in inventories of medical consumables, drugs and surgical equipments</b>		
Inventory at the beginning of the year	1,838,396	998,895
Inventory at the end of the year	2,111,759	1,838,396
	<u>(273,363)</u>	<u>(839,501)</u>
		(Amount in USD)
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>17 Employee benefit expenses</b>		
Salaries and wages	7,787,902	6,165,630
Contribution to social security and other funds	269,679	207,191
Staff welfare expenses	3,408,821	2,686,856
	<u>11,466,402</u>	<u>9,059,676</u>



		(Amount in USD)
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>18 Other expenses</b>		
<b>Hospital operating expenses</b>		
Hospital general expenses	139,272	74,190
Variable cost of utilities	1,631,018	1,690,531
Patient food and welfare expenses	186,219	66,910
Repairs and maintenance		
- Hospital equipment	789,762	376,499
- Building	330,886	221,191
- others	340,070	345,349
Software licence fee	120,000	120,000
Land scaping expenses	32,989	32,798
House keeping expenses	58,618	88,738
Medical gas charges	7,575	175,628
	<u>3,636,409</u>	<u>3,191,834</u>
<b>Administrative expenses</b>		
Advertisement and publicity	1,801,080	886,802
Bank charges	54,261	32,132
Printing and stationery	66,925	101,123
Security charges	2,236	4,398
Legal and professional fees	1,026,899	1,334,010
Travelling and conveyance	13,004	45,958
Cafeteria expenses	36,498	136,340
Insurance	931,247	954,861
Cable charges	15,887	18,943
Telephone and communication	167,850	142,695
Books and periodicals	4,667	8,697
Rates and taxes	105,640	181,789
Recruitment expenses	220	17,906
Provision for doubtful receivables	317,279	128,810
Bad debt written-off	44,302	-
Miscellaneous expenses	5,210	33,415
	<u>4,593,206</u>	<u>4,027,879</u>
	<u>8,229,615</u>	<u>7,219,713</u>
		(Amount in USD)
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>19 Finance cost</b>		
Interest		
- on term loans from banks	888,182	666,419
- on others	390	1,085
Guarantee fee	862,626	912,500
	<u>1,751,198</u>	<u>1,580,004</u>





20 Contingent liabilities and commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) as at 31 March 2016 amount to USD 213,040 (31 March 2015: USD 72,326).

21 Auditors' remuneration (provisional basis)

Particulars	(Amount in USD)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
As statutory auditors	25,000	107,785
Total	25,000	107,785

22 Earnings per share

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

Particulars	(Amount in USD)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Loss after tax for the year, attributable to equity shareholders	(11,575,036)	(14,370,570)
Weighted average number of equity shares of USD 0.01 each used for calculation of earnings per share	62,935	41,747
Loss per share	(184)	(344)

The Company has not issued any potential dilutive equity shares.

23 Related party transactions

(a) Details of related parties

Nature of relationship	Name of related parties
Ultimate Holding Company	Ascension Health Alliance
Holding Company	Ascension Health Ventures, LLC
Fellow Subsidiary	TriMedx Cayman Ltd.
Enterprise under significant influence of Director / Key Managerial person ('KMP')	Consulting Services Ltd
	Have A Heart Foundation
	Health City Development Ltd
	Office Supply Ltd
	Wyndham Reef Resort Grand Cayman
Enterprise having significant influence	Narayana Cayman Holdings Ltd
	Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)



23 Related party transactions (continued)

b) Transaction with related parties for the year ended on 31 March 2016

(Amount in USD)

Transaction	Holding Company /Ultimate Holding	Fellow Subsidiary	Enterprise under significant influence of Director / KMP	Enterprise having significant influence	Total
<b>Allotment of equity shares (including security premium):</b>					
Ascension Health Ventures, LLC	20,288,000	-	-	-	20,288,000
Narayana Cayman Holdings Ltd	-	-	-	8,127,000	8,127,000
<b>Total</b>	<b>20,288,000</b>	<b>-</b>	<b>-</b>	<b>8,127,000</b>	<b>28,415,000</b>
<b>Share application money received:</b>					
Ascension Health Ventures, LLC	11,780,286	-	-	-	11,780,286
Narayana Cayman Holdings Ltd	-	-	-	4,718,714	4,718,714
<b>Total</b>	<b>11,780,286</b>	<b>-</b>	<b>-</b>	<b>4,718,714</b>	<b>16,499,000</b>
<b>Purchase of pharma products and medical accessories:</b>					
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	723,277	723,277
<b>Purchase of fixed assets:</b>					
TriMedx Cayman Ltd.	-	-	-	-	-
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	256,563	256,563
Consulting Services Ltd	-	-	158,987	-	158,987
Office Supply Ltd	-	-	27,959	-	27,959
<b>Total</b>	<b>-</b>	<b>-</b>	<b>186,946</b>	<b>256,563</b>	<b>443,509</b>
<b>Guarantee commission:</b>					
Ascension Health Alliance	616,568	-	-	-	616,568
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	246,058	246,058
<b>Total</b>	<b>616,568</b>	<b>-</b>	<b>-</b>	<b>246,058</b>	<b>862,626</b>
<b>Other expenses:</b>					
TriMedx Cayman Ltd.	-	744,247	-	-	744,247
Consulting Services Ltd	-	-	1,012,422	133,000	1,145,422
Office Supply Ltd	-	-	51,241	-	51,241
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	-	-
Wyndham Reef Resort Grand Cayman	-	-	269,372	-	269,372
<b>Total</b>	<b>-</b>	<b>744,247</b>	<b>1,333,035</b>	<b>133,000</b>	<b>2,210,282</b>
<b>Income from medical and healthcare services:</b>					
Consulting Services Ltd	-	-	23,775	-	23,775
Have A Heart Foundation	-	-	542,525	-	542,525
<b>Total</b>	<b>-</b>	<b>-</b>	<b>566,300</b>	<b>-</b>	<b>566,300</b>
<b>Other income</b>					
TriMedx Cayman Ltd.	-	25,556	-	-	25,556
<b>Advance to supplier</b>					
Consulting Services Ltd	-	-	44,357	-	44,357
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	56,070	56,070
Trimedix	-	544	-	-	544
Health City Development Ltd	-	-	1,957,139	-	1,957,139
<b>Total</b>	<b>-</b>	<b>544</b>	<b>2,001,496</b>	<b>56,070</b>	<b>2,058,110</b>
<b>Payment of expenses on behalf of the Company:</b>					
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	94,358	94,358
Consulting Services Ltd	-	-	18,000	-	18,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18,000</b>	<b>94,358</b>	<b>112,358</b>
<b>Payment of expenses by the Company on behalf of:</b>					
Ascension Health Alliance	-	-	-	-	-
Consulting Services Ltd	-	-	-	-	-
TriMedx Cayman Ltd.	-	329,484	7,300	-	7,300
Have A Heart Foundation	-	-	-	-	329,484
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	96,156	-	96,156
Narayana Cayman Holdings Ltd	-	-	-	13,354	13,354
<b>Total</b>	<b>-</b>	<b>329,484</b>	<b>103,456</b>	<b>137,074</b>	<b>583,368</b>





23 Related party transactions (continued)

c) Transaction with related parties for the year ended on 31 March 2015

(Amount in USD)

Transaction	Holding Company /Ultimate Holding	Fellow Subsidiary	Enterprise under significant influence of Director / KMP	Enterprise having significant influence	Total
<b>Allotment of equity shares (including security premium):</b>					
Ascension Health Ventures, LLC	9,692,000	-	-	-	9,692,000
Narayana Cayman Holdings Ltd	-	-	-	3,893,000	3,893,000
<b>Total</b>	<b>9,692,000</b>	<b>-</b>	<b>-</b>	<b>3,893,000</b>	<b>13,585,000</b>
<b>Share application money received:</b>					
Ascension Health Ventures, LLC	9,221,714	-	-	-	9,221,714
Narayana Cayman Holdings Ltd	-	-	-	3,694,286	3,694,286
<b>Total</b>	<b>9,221,714</b>	<b>-</b>	<b>-</b>	<b>3,694,286</b>	<b>12,916,000</b>
<b>Purchase of pharma products and medical accessories:</b>					
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	781,383	781,383
<b>Purchase of fixed assets:</b>					
TriMedx Cayman Ltd.	-	55,605	-	-	55,605
Consulting Services Ltd	-	-	77,564	-	77,564
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	108,077	108,077
<b>Total</b>	<b>-</b>	<b>55,605</b>	<b>77,564</b>	<b>108,077</b>	<b>241,246</b>
<b>Guarantee commission:</b>					
Ascension Health Alliance	700,860	-	-	-	700,860
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	211,640	211,640
<b>Total</b>	<b>700,860</b>	<b>-</b>	<b>-</b>	<b>211,640</b>	<b>912,500</b>
<b>Other expenses:</b>					
Ascension Health Alliance	10,101	-	-	-	10,101
TriMedx Cayman Ltd.	-	376,499	-	-	376,499
Consulting Services Ltd	-	-	932,122	-	932,122
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	120,000	120,000
<b>Total</b>	<b>10,101</b>	<b>376,499</b>	<b>932,122</b>	<b>120,000</b>	<b>1,438,722</b>
<b>Income from medical and healthcare services:</b>					
Consulting Services Ltd	-	-	10,028	-	10,028
<b>Payment of expenses on behalf of the Company:</b>					
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	49,340	49,340
<b>Payment of expenses by the Company on behalf of:</b>					
Ascension Health Alliance	28,929	-	-	-	28,929
Consulting Services Ltd	-	-	9,530	-	9,530
TriMedx Cayman Ltd.	-	96,908	-	-	96,908
Narayana Cayman Holdings Ltd	-	-	-	120,161	120,161
<b>Total</b>	<b>28,929</b>	<b>96,908</b>	<b>9,530</b>	<b>120,161</b>	<b>255,528</b>

(d) The balances receivable from and payable to related parties as at 31 March 2016

(Amount in USD)

Transaction	Holding Company /Ultimate Holding	Fellow Subsidiary	Enterprise under significant influence of Director / KMP	Enterprise having significant influence	Total
<b>Trade payables:</b>					
Ascension Health Alliance	302,667	-	-	-	302,667
Consulting Services Ltd	-	-	80,482	-	80,482
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	815,352	815,352
TriMedx Cayman Ltd.	-	97,317	-	-	97,317
Office Supply Ltd	-	-	-	-	-
Wyndham Reef Resort Grand Cayman	-	-	9,612	-	9,612
<b>Total</b>	<b>302,667</b>	<b>97,317</b>	<b>90,094</b>	<b>815,352</b>	<b>1,305,430</b>
<b>Trade receivables:</b>					
Consulting Services Ltd	-	-	911	-	911
Have A Heart Foundation	-	-	7,450	-	7,450
<b>Total</b>	<b>-</b>	<b>-</b>	<b>8,361</b>	<b>-</b>	<b>8,361</b>
<b>Loans and advances / other receivables:</b>					
Narayana Cayman Holdings Ltd	-	-	-	18,328	18,328
TriMedx Cayman Ltd.	-	3,405	-	-	3,405
Consulting Services Ltd	-	-	44,357	-	44,357
Have A Heart Foundation	-	-	1,749	-	1,749
Health City Development Ltd	-	-	1,957,139	-	1,957,139
<b>Total</b>	<b>-</b>	<b>3,405</b>	<b>2,003,245</b>	<b>18,328</b>	<b>2,024,978</b>



23 Related party transactions (continued)

(e) The balances receivable from and payable to related parties as at 31 March 2015

(Amount in USD)

Transaction	Holding Company / Ultimate Holding	Fellow Subsidiary	Enterprise under significant influence of Director / KMP	Enterprise having significant influence	Total
<b>Trade payables:</b>					
Ascension Health Alliance	490,351	-	-	-	490,351
Consulting Services Ltd	-	-	79,853	-	79,853
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	764,213	764,213
TriMedx Cayman Ltd.	-	279,591	-	-	279,591
<b>Total</b>	<b>490,351</b>	<b>279,591</b>	<b>79,853</b>	<b>764,213</b>	<b>1,614,008</b>
<b>Trade receivables:</b>					
Consulting Services Ltd	-	-	647	-	647
<b>Loans and advances / other receivables:</b>					
Narayana Cayman Holdings Ltd	-	-	-	26,400	26,400
Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited)	-	-	-	4,475	4,475
TriMedx Cayman Ltd.	-	2,861	-	-	2,861
<b>Total</b>	<b>-</b>	<b>2,861</b>	<b>-</b>	<b>30,875</b>	<b>33,736</b>

24 Employee benefits:

Defined contribution plan

The amount recognized as an expense towards contribution to social security funds for the period aggregated to USD 269,679 (31 March 2015 : USD 207,191)

25 These financial statement are prepared by the Company specifically to provide information to Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited) for the purposes of Consolidated financial statements of Narayana Hrudayalaya Limited (formerly Narayana Hrudayalaya Private Limited) for the year ended on 31 March 2016 and may not be suitable for other purposes.

As per our report of even date attached

for R J M J & Associates  
Chartered Accountants  
Firm Registration number: 0151068

Rahul Jain .

Rahul Jain  
Partner  
Membership number: 065815

Place: Bangalore  
Date: 23 May 2016

for Health City Cayman Islands Ltd

Ashutosh  
Dr. Ashutosh Raghuvanshi  
Director

Place: Bangalore  
Date: 23 May 2016

Dr. Deviprasad Shetty  
Director

Place: Bangalore  
Date: 23 May 2016