

INDEPENDENT AUDITOR'S REPORT

To The Members of Narayana Health Institutions Private Limited Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Narayana Health Institutions Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. 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.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, we report 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 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 Statement of Cash Flows 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 specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the Company has not paid any managerial remuneration during the year ended March 31, 2019 and hence reporting under section 197 of the Act is not applicable.
 - h) 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 has disclosed the impact of pending litigations on its financial position in its financial statements.
 - 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 & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

V. Balaji
Partner

BENGALURU, May 24, 2019
VB/EKP/NM/2019

(Membership No. 203685)

**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 Health Institutions Private Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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 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, 2019, 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 & SELLS LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

V. Balaji

Partner

BENGALURU, May 24, 2019
VB/EKP/NM/2019

(Membership No. 203685)

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) is not applicable.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) 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 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided 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 deposit during the year and did 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 generally been regular in depositing undisputed statutory dues, including Income-tax, Customs Duty, Goods and 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 Income-tax, Customs Duty, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax, Customs Duty, Goods and Service Tax which have not been deposited as on March 31, 2019 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) In our opinion and according to the information and explanations given to us, the Company has not paid any managerial remuneration during the year ended March 31, 2019 and hence reporting under clause (xi) of the Order is not applicable.
- (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 are 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 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 & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

V. Balaji
Partner

BENGALURU, May 24, 2019
VB/EKP/NM/2019

(Membership No. 203685)

Narayana Health Institutions Private Limited
Balance sheet

| | | (₹ in thousands) | |
|--|-------|-------------------|-----------------|
| | | As at | As at |
| | Note | 31 March 2019 | 31 March 2018 |
| ASSETS | | | |
| Non-current assets | | | |
| Other non-current assets | 4 | 10.00 | - |
| Total non-current assets | | 10.00 | - |
| Current assets | | | |
| Financial assets | | | |
| Cash and cash equivalents | 5 | 633.13 | 633.13 |
| Total current assets | | 633.13 | 633.13 |
| TOTAL ASSETS | | 643.13 | 633.13 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity share capital | 6 (a) | 11,040.40 | 11,040.40 |
| Other equity | 6 (b) | (11,622.62) | (11,426.47) |
| Total equity | | (582.22) | (386.07) |
| Liabilities | | | |
| Non-current liabilities | | | |
| Other non-current liabilities | 7 | 982.73 | 830.38 |
| | | 982.73 | 830.38 |
| Current liabilities | | | |
| Financial liabilities | | | |
| Trade payables | 8 | - | - |
| Total outstanding dues of micro enterprises and small enterprises | | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 242.62 | 188.82 |
| Total current liabilities | | 242.62 | 188.82 |
| TOTAL EQUITY AND LIABILITIES | | 643.13 | 633.13 |

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 Health Institutions Private Limited

V. Balaji
Partner

Dr. Devi Prasad Shetty
Director
DIN : 00252187

Viren Shetty
Director
DIN: 02144586

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru
Date: 24 May 2019

Narayana Health Institutions Private Limited
Statement of profit and loss

| | | | (₹ in thousands) |
|--|------|-------------------------------------|-------------------------------------|
| | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
| Income | | | |
| Other income | 9 | 12.43 | - |
| Total Income (A) | | 12.43 | - |
| Expenses | | | |
| Other expenses | 10 | 208.58 | 229.16 |
| Expenses before depreciation and amortisation and finance costs (B) | | 208.58 | 229.16 |
| Earnings before depreciation and amortisation, finance costs and tax (A-B) EBITDA | | (196.15) | (229.16) |
| Finance costs (C) | | - | - |
| Depreciation and amortisation expense (D) | | - | - |
| Total Expenses (E)=(B+C+D) | | 208.58 | 229.16 |
| Loss before tax (F)=(A-E) | | (196.15) | (229.16) |
| Tax expense | | - | - |
| Current tax | | - | - |
| Deferred tax charge / (credit) | | - | - |
| Total tax expense (G) | | - | - |
| Loss for the year (H)=(F-G) | | (196.15) | (229.16) |
| Other comprehensive income ("OCI") | | - | - |
| Total comprehensive income for the year | | (196.15) | (229.16) |
| Earnings per share | | | |
| Basic and diluted (₹) | 16 | (0.18) | (0.21) |
| 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 Health Institutions Private Limited

V. Balaji
Partner

Dr. Devi Prasad Shetty **Viren Shetty**
Director Director
DIN: 00252187 DIN: 02144586

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru Place: Bengaluru
Date: 24 May 2019 Date: 24 May 2019

Narayana Health Institutions Private Limited
Statement of cash flows

| | For the year ended 31 March 2019 | (₹ in thousands) For the year ended 31 March 2018 |
|--|-------------------------------------|--|
| Cash flow from operating activities | | |
| Loss before tax | (196.15) | (229.16) |
| Operating cash flow before working capital changes | (196.15) | (229.16) |
| Changes in loans, financial assets and other assets | (10.00) | - |
| Changes in trade payables and other financial liabilities | 206.15 | 229.16 |
| Net cash (used in) operating activities (A) | - | - |
| Cash flow from investing activities (B) | - | - |
| Cash flow from financing activities (C) | - | - |
| Net (decrease) / increase in cash and cash equivalents (A+B+C) | - | - |
| Cash and cash equivalents at the beginning of the year | 633.13 | 633.13 |
| Cash and cash equivalents at the end of the year (refer note 5) | 633.13 | 633.13 |

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 Health Institutions Private Limited

V. Balaji
Partner

Dr. Devi Prasad Shetty
Director
DIN:00252187

Viren Shetty
Director
DIN: 02144586

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru
Date: 24 May 2019

Narayana Health Institution Private Limited
Statement of changes in equity for the year ended 31 March 2019

Statement of Changes in Equity (SOCIE)

(a) Equity share capital (₹ in thousands except no. of shares)

| Particulars | No. of Shares | Amount |
|--|------------------|------------------|
| Equity shares of ₹ 10 each issued, subscribed and fully paid up | | |
| Balance as at 1 April 2017 | 11,04,040 | 11,040.40 |
| Changes in equity share capital during 2017-18 | - | - |
| Balance as at 31 March 2018 | 11,04,040 | 11,040.40 |
| Changes in equity share capital during 2018-19 | - | - |
| Balance as at 31 March 2019 | 11,04,040 | 11,040.40 |

(b) Other equity (₹ in thousands)

| Particulars | Surplus | Items of OCI | Total equity |
|--|--------------------|--------------|--------------------|
| | Retained earnings | | |
| Balance as at 1 April 2017 | (11,197.31) | - | (11,197.31) |
| Loss for the year | (229.16) | - | (229.16) |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | (229.16) | - | (229.16) |
| Balance as at 31 March 2018 | (11,426.47) | - | (11,426.47) |
| Loss for the year | (196.15) | - | (196.15) |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | (196.15) | - | (196.15) |
| Balance as at 31 March 2019 | (11,622.62) | - | (11,622.62) |

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 Health Institutions Private Limited

V. Balaji
Partner

Dr. Devi Prasad Shetty
Director
DIN: 00252187

Viren Shetty
Director
DIN: 02144586

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru
Date: 24 May 2019

Place: Bengaluru
Date: 24 May 2019

Narayana Health Institutions Private Limited

Notes to the financial statements for the year ended 31 March 2019

1. Company overview

Narayana Health Institutions Private Limited ('the Company') is a private limited Company incorporated under the provisions of the Companies Act, 1956 on 1 July 2008. The Company is a Wholly Owned Subsidiary of Narayana Hrudayalaya Limited. The Company proposes to engage itself in establishing medical colleges, schools and institutions to offer educational courses in medical services and engage in research and development work associated with medical science.

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 statements were authorised for issue by the Company's Board of Directors on 24 May 2019.

Details of the accounting policies are included in Note 3.

2.2 Going concern

The Financial statements have been drawn up on a going concern basis in view of the support letter received from Narayana Hrudayalaya Limited, the Holding Company confirming their continued financial support to the Company to enable it to continue its operations and settle its obligations as and when they become due over the next twelve month period.

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 |
| Net defined benefit (asset)/ liability | Fair value of plan assets less present value of defined benefit obligations |

2.5. Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

3. Significant accounting policies

3.1. Financial instruments

a. Recognition and initial measurement

Trade receivables 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: 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

Notes to the financial statements for the year ended 31 March 2019 (continued)

- 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

| | |
|------------------------------------|--|
| 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 the statement of profit and 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 the statement of profit and loss. Any gain or loss on derecognition is recognised in the statement of profit and 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 the Statement of profit and loss. Any gain or loss on derecognition is also recognised in the Statement of profit and 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.

Notes to the financial statements for the year ended 31 March 2019 (continued)

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 the Statement of profit and 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.

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 Profit / (Loss) 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 during the year. The Company does not have potential dilutive equity shares outstanding during the year.

3.5. Income tax

The Income-tax expense comprises current tax and deferred tax. It is recognised in 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.

Narayana Health Institutions Private Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

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.

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 116, Leases: On 30 March 2019, the Ministry of Corporate Affairs ("MCA"), notified Ind AS 116 "Leases" as part of the Companies (Indian Accounting Standards) Amendment Rules, 2019. The said standard is applicable for the accounting periods beginning on or after April 1, 2019. There is no impact of the said standard on its financial statements of the Company.

(₹ in thousands)

4 Other non-current assets (Refer note 14)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|--|------------------------|------------------------|
| To parties other than related parties | | |
| Unsecured, considered doubtful | | |
| Capital advances | 10,075 | 10,075 |
| Less: Provision for doubtful advances | (10,075) | (10,075) |
| Capital advances(net) | - | - |
| Unsecured, considered good | | |
| Security deposits | 10.00 | - |
| | 10.00 | - |

5 Cash and cash equivalents

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|------------------------|------------------------|
| Balance with banks | | |
| - On current accounts | 633.13 | 633.13 |
| Cash and cash equivalents as per statement of cash flows | 633.13 | 633.13 |

6 (a) Equity share capital

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|------------------------|------------------------|
| Authorised | | |
| 11,50,000 equity shares of ₹ 10 each | 11,500.00 | 11,500.00 |
| Issued, subscribed and paid up | | |
| 11,04,040 equity shares of ₹ 10 each, fully paid up | 11,040.40 | 11,040.40 |
| | 11,040.40 | 11,040.40 |

| Reconciliation of the equity shares outstanding at the beginning and at the end of the year (₹ in thousands except no. of shares) | | | | |
|---|---------------------|------------------|---------------------|------------------|
| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
| | Number of shares | Amount | Number of shares | Amount |
| At the beginning of the year | 11,04,040 | 11,040.40 | 11,04,040 | 11,040.40 |
| Issued during the year | - | - | - | - |
| At the end of the year | 11,04,040 | 11,040.40 | 11,04,040 | 11,040.40 |

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 2019 | | As at 31 March 2018 | |
|------------------------------|---------------------|---------------|---------------------|---------------|
| | Number of shares | % holding | Number of shares | % holding |
| Narayana Hrudayalaya Limited | 11,04,034 | 99.99% | 11,04,034 | 99.99% |
| | 11,04,034 | 99.99% | 11,04,034 | 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.

6 (b) Other equity

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|------------------------|------------------------|
| Retained earnings | | |
| At the commencement of the year | (11,426.47) | (11,197.31) |
| Add: Net loss from statement of profit and loss | (196.15) | (229.16) |
| At the end of the year | (11,622.62) | (11,426.47) |

Retained earnings comprise the Company's prior years' undistributed earnings after taxes / accumulated losses

7 Other non-current liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|------------------------|------------------------|
| To related parties (refer note 18) | | |
| Due to reimbursement of expenses | 982.73 | 830.38 |
| | 982.73 | 830.38 |

8 Trade payables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|----------------|------------------------|------------------------|
| Trade payables | 242.62 | 188.82 |
| | 242.62 | 188.82 |

The Company's exposure to liquidity risk related to trade payables is disclosed in note 19.

(₹ in thousands)

9 Other income

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Provision no longer required written back | 12.43 | - |
| | 12.43 | - |

10 Other expenses

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|--|---|---|
| Legal and professional fees (see note (i) below) | 164.08 | 220.46 |
| Rates and taxes | 44.50 | 8.70 |
| | 208.58 | 229.16 |

Note (i) :

Legal and professional fees includes payment to auditors (audit fees) of Rs. 100.00 thousands (PY Rs. 100.00 thousands).

Legal and professional fees includes prior period expense of Nil (PY Rs. 83.63 thousands)

Narayana Health Institutions Private Limited
Notes to the financial statements for the year ended 31 March 2019 (continued)

11 Contingent liabilities and commitments

(i) Contingent liabilities

The Company does not have any contingent liability as on 31st March, 2019 (previous year - NIL).

(ii) 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).

12 Segment reporting

Operating segments and Geographical information

The Company has not yet commenced its operations. It intends to engage in 'Medical education services'. Hence, segment information as per Ind AS 108 – 'Operating Segments' is not disclosed.

- 13** According to the information available with the Company, there are no dues payable to Micro, Small and Medium Enterprises as defined under the "The Micro, Small and Medium Enterprises Development Act, 2006" as at 31 March 2019 (31 March 2018: Nil).

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|--|------------------------|------------------------|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | | |
| -Principal | - | - |
| -Interest | - | - |
| The amount of interest paid by the buyer as per the MSMED Act | - | - |
| The amount of payments made to micro and small suppliers beyond the appointed day during the accounting year; | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act; | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act | - | - |

- 14** The Company with an intention to start one of their project, identified land (property) at Karnataka. As per the understanding between Karnataka Industrial Area Development Board (KIADB) and the Company, it is necessary that the Company gets the consent of the owners of the said property to get the land registered in its name. The Company entered into a Memorandum of understanding on 31 July 2008 with a person to get the consent letters from the owners of the said land. The Company paid ₹10,000.00 thousands as advance to concerned person and the balance would be payable once the Company gets the consent from the owners of the land. The Company would capitalize this amount along with any other payment once the Company gets the land registered in its name. Since this is long outstanding and there has been no progress in the project, the same has been provided for during the financial year 2014-15 as the Company believes the advance paid is not recoverable.

15 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.

16 Earning per share

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|-------------------------------------|-------------------------------------|
| Profit / (Loss) for the year (₹ in thousands) | (196.15) | (229.16) |
| Weighted average number of equity shares outstanding for the year (Numbers) | 11,04,040 | 11,04,040 |
| Nominal value per share (₹) | 10 | 10 |
| Basic and diluted earning per share (₹) | (0.18) | (0.21) |

17 Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding the current cash 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 2020.

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.

18 Related party disclosures

(a) Details of related parties

| Nature of relationship | Name of related parties |
|---|---|
| Enterprise having control over the Company | Narayana Hrudayalaya Limited |
| Fellow subsidiaries | Meridian Medical Research & Hospital Limited (MMRHL) Narayana Hrudayalaya Surgical Hospital Private Limited (NHSHP) Narayana Hospitals Private Limited (NHPL) Narayana Institute for Advanced Research Private Limited (NIARPL) Narayana Cayman Holdings Ltd (NCHL) Narayana Hrudayalaya Hospitals Malaysia SDN. BHD (NHHM) (till 24 April 2018) Health City Cayman Islands Ltd (HCCI) (Subsidiary of NCHL with effect from 2 January 2018) Narayana Vaishno Devi Specialty Hospitals Private Limited (NVDSHPL) NH Health Bangladesh private Limited (Subsidiary of NHDPL with effect from 22 July 2018) Narayana Holdings Private Limited (NHDPL)(Subsidiary of NCHL with effect from 6 June 2018) |
| Key Management Personnel (KMP) | Dr. Devi Prasad Shetty- Director Mr. Viren Shetty-Director Mrs. Shankuntala Shetty-Director |
| Key Management Personnel (KMP) of the Holding Company | Dr. Ashutosh Raghuvanshi - Managing Director of the Holding Company (Till 10th February 2019) Dr. Emmanuel Rupert-Managing Director of the Holding Company (With effect from 11th February 2019) Mr. Kesavan Venugopalan- Chief Financial Officer of the Holding Company Mr. Sridhar S- Company Secretary of the Holding Company |
| Enterprises under control or joint control of KMP and their relatives | Amaryllis Healthcare Private Limited Narayana Hrudayalaya Foundation (NHF) |
| Associate of Holding Company | Trimedx India Private Limited |

(b) Transactions with related party during the year

| (₹ in thousands) | | |
|----------------------------------|--------------------|--------------------|
| Transactions | Parent Company | Total |
| Reimbursement of expenses | | |
| Narayana Hrudayalaya Limited | 152.35 (211.82) | 152.35 (211.82) |

Figures in brackets are for previous year.

(c) Balances payable to related parties

| (₹ in thousands) | | | |
|--|---------------|--|----------|
| Transactions | Year | Enterprise having control over the Company | Total |
| Other non-current liabilities- Due to reimbursement of expenses | | | |
| Narayana Hrudayalaya Limited | 31 March 2019 | 982.73 | 982.73 |
| | 31 March 2018 | (830.38) | (830.38) |

Figures in brackets are for previous year.

Note:

(a) No amounts 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) The terms and conditions of the transactions with 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 other than related entities on an arm's length basis.

19 Financial instruments: Fair value and risk managements

| (₹ in thousands) | | |
|--|-----------------------|---------------|
| A. Accounting classification and fair values | | |
| As at 31 March 2019 | Amortised cost | Total |
| Financial assets | | |
| Cash and cash equivalents | 633.13 | 633.13 |
| | 633.13 | 633.13 |
| Financial liabilities | | |
| Trade payables | 242.62 | 242.62 |
| | 242.62 | 242.62 |
| As at 31 March 2018 | | |
| | Amortised cost | Total |
| Financial assets | | |
| Cash and cash equivalents | 633.13 | 633.13 |
| | 633.13 | 633.13 |
| Financial liabilities | | |
| Trade payables | 188.82 | 188.82 |
| | 188.82 | 188.82 |

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.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2019:

| (₹ in thousands) | | | | | |
|------------------|------------------|-------------|-----------|-------------------|---------------|
| Particulars | Less than 1 year | 1 - 2 years | 3-5 years | more than 5 years | Total |
| Trade payables | 242.62 | - | - | - | 242.62 |
| Total | 242.62 | - | - | - | 242.62 |

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2018:

| Particulars | Less than 1 year | 1 - 2 years | 3-5 years | more than 5 years | Total |
|----------------|------------------|-------------|-----------|-------------------|---------------|
| Trade payables | 188.82 | - | - | - | 188.82 |
| Total | 188.82 | - | - | - | 188.82 |

(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.

20 Reclassification and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

The company had classified due to reimbursement of expenses under Other financial liabilities - Current in the financial statement for the previous year. However, in the current year the same has been reclassified to Other non-current liability appearing in note 7.

The impact on reclassification is given below:

| Particulars | Previously reported 31 March 2018 | Amount reclassified | After reclassification 31 March 2018 |
|---------------------------------------|--------------------------------------|------------------------|---|
| Other financial Liabilities (current) | 830.38 | (830.38) | - |
| Other non-current liabilities | - | 830.38 | 830.38 |

The Management believes that the impact of the above reclassifications is not material.

For and on behalf of the Board of Directors of
Narayana Health Institutions Private Limited

Dr. Devi Prasad Shetty
Director
DIN: 00252187

Place: Bengaluru
Date: 24 May 2019

Viren Shetty
Director
DIN: 02144586

Place: Bengaluru
Date: 24 May 2019