

# B S R & Co. LLP

Chartered Accountants

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## Independent Auditor's Report

To the Members of Narayana Health Institutions Private Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Narayana Health Institutions Private Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

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



**Narayana Health Institutions Private Limited**  
**Independent Auditor's Report (continued)**

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the 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.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, 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 and the cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rule, 2014;
  - (e) on the basis of written representations received from the Directors as on 31 March 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 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 B"; and



**B S R & Co. LLP**

**Narayana Health Institutions Private Limited**  
**Independent Auditor's Report (continued)**

- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) there were no pending litigations which would impact the financial position of the Company;
  - (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 during the year which were required to be transferred to the Investor Education and Protection Fund by the Company.

*for B S R & Co. LLP*

*Chartered Accountants*

Firm's registration number: 101248W/ W-100022

*Amit Somani*

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 30 May 2016

**Narayana Health Institutions Private Limited**  
**Annexure - A to the Independent Auditor's Report**

The Annexure referred to in paragraph 1 in Report on Other Legal and Regulations Requirements of the Independent Auditor's Report to the members of Narayana Health Institutions Private Limited ("the Company") for the year ended 31 March 2016, we report that:

- (i) The Company does not own any fixed assets. Thus, paragraph 3(i) of the Order is not applicable.
- (ii) The Company is a service company proposes to engage in research and development in medical services and in establishing a research centre. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, 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 ("the Act"). Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of Section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order is not applicable.
- (v) The Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) According to the information and explanations given to us, as per Companies (Cost records and Audit) Rules, 2014, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not have any dues in respect of Provident fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of Excise, Duty of Customs, Value Added Tax and any other material statutory dues for the year ended 31 March 2016.  
  
According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income tax, Service tax, and other material statutory dues that were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.  
  
(b) According to the information and explanations given to us, there are no dues in respect of Service tax, Income tax, and other material statutory dues which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institutions, banks, government or dues to debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.



**B S R & Co. LLP**

**Narayana Health Institutions Private Limited**

**Annexure - A to the Independent Auditor's Report (continued)**

- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid / provided for any managerial remuneration during the year. Accordingly, paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any transactions on which Section 177 and 188 of the Act is applicable.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Hence, the requirement of section 42 of the Act is not applicable.
- (xv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

*for B S R & Co. LLP*

*Chartered Accountants*

Firm's registration number: 101248W/ W-100022

*Amit Somani*

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 30 May 2016

**Narayana Health Institutions Private Limited**

**Annexure – B**

**To the Independent Auditor's Report of even date on the financial statement of Narayana Health Institutions Private Limited**

**Report on the Internal Financial Controls 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 31 March 2016 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). 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 Act.

**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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 judgment, 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.





**Narayana Health Institutions Private Limited**  
**Annexure - B to the Independent Auditors' Report (continued)**

**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 procedure 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 the 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 authorizations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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 31 March 2016, 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 issued by the ICAI.

*for B S R & Co. LLP*

*Chartered Accountants*

Firm's registration number: 101248W/W-100022

*Amit Somani*

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date :30 May 2016

**Narayana Health Institutions Private Limited**  
**Balance sheet as at 31 March 2016**

		As at 31 March 2016	INR As at 31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	11,040,400	11,040,400
Reserves and surplus	3	(11,068,440)	(10,842,139)
		<u>(28,040)</u>	<u>198,261</u>
<b>Current liabilities</b>			
Other current liabilities	4	661,173	434,904
Short-term provisions	5	-	209,500
		<u>661,173</u>	<u>644,404</u>
<b>TOTAL</b>		<u><b>633,133</b></u>	<u><b>842,665</b></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long-term loans and advances	6	-	-
<b>Current assets</b>			
Cash and bank balances	7	633,133	842,665
		<u>633,133</u>	<u>842,665</u>
<b>TOTAL</b>		<u><b>633,133</b></u>	<u><b>842,665</b></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 **B S R & Co. LLP**  
Chartered Accountants

Firm's registration number : 101248W/W-100022

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

*Amit Somani*

**Amit Somani**

Partner

Membership number : 60154

Place: Bengaluru

Date : 30 May 2016

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

Place: Bengaluru

Date : 30 May 2016

*Mrs. Shakuntala Shetty*  
**Mrs. Shakuntala Shetty**  
Director  
DIN : 00252195

Place: Bengaluru

Date : 30 May 2016



**Narayana Health Institutions Private Limited**  
**Statement of profit and loss for the year ended 31 March 2016**

			INR
	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>INCOME</b>		<u>-</u>	<u>-</u>
<b>EXPENSE</b>			
Other expenses	8	226,301	315,807
[ includes prior period expenses of INR 22,797 (previous year nil) refer note 18]			
<b>Total expenses</b>		<u>226,301</u>	<u>315,807</u>
<b>Loss before tax</b>		<u>(226,301)</u>	<u>(315,807)</u>
<b>Tax expense</b>		-	-
<b>Loss for the year</b>		<u>(226,301)</u>	<u>(315,807)</u>
Loss per equity share [nominal value per share INR 10 (previous year INR 10)]			
Basic and diluted		(0.20)	(14.36)
Weighted average number of equity shares		1,104,040	21,989

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 **BSR & Co. LLP**

Chartered Accountants

Firm's registration number : 101248W/W-100022

*Amit Somani*

**Amit Somani**

Partner

Membership number : 60154

Place: Bengaluru

Date : 30 May 2016

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

*Dr. Devi Prasad Shetty*

**Dr. Devi Prasad Shetty**

Director

DIN:00252187

Place: Bengaluru

Date : 30 May 2016

*Mrs. Shakuntala Shetty*

**Mrs. Shakuntala Shetty**

Director

DIN:00252195

Place: Bengaluru

Date : 30 May 2016

**Narayana Health Institutions Private Limited**  
**Cash flow statement for the year ended 31 March 2016**

	For the year ended 31 March 2016	INR For the year ended 31 March 2015
<b>Cash flow from operating activities</b>		
Loss before tax	(226,301)	(315,807)
<b>Operating cash flow before working capital changes</b>	<b>(226,301)</b>	<b>(315,807)</b>
Changes in liabilities and provisions	16,769	315,642
<b>Net cash (used in) operating activities (A)</b>	<b>(209,532)</b>	<b>(165)</b>
<b>Cash flow from investing activities (B)</b>		
<b>Cash flow from financing activities</b>		
Proceeds for issue of shares	-	800,000
Repayment of share application money pending allotment	-	(57,004)
<b>Net cash provided by financing activities (C)</b>	<b>-</b>	<b>742,996</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(209,532)</b>	<b>742,831</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>842,665</b>	<b>99,834</b>
<b>Cash and cash equivalents at the end of the year (refer note 7)</b>	<b>633,133</b>	<b>842,665</b>

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

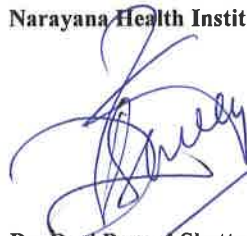
As per our report of even date attached  
for **B S R & Co. LLP**  
Chartered Accountants  
Firm's registration number : 101248W/W-100022

*Amit Somani*


**Amit Somani**  
Partner  
Membership number : 60154

Place: Bengaluru  
Date : 30 May 2016

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

*DPS*  
  
**Dr. Devi Prasad Shetty**  
Director  
DIN:00252187

Place: Bengaluru  
Date : 30 May 2016

*Shakuntala Shetty*  
  
**Mrs. Shakuntala Shetty**  
Director  
DIN:00252195

Place: Bengaluru  
Date : 30 May 2016

## Narayana Health Institutions Private Limited

### Notes to financial statements for the year ended 31 March 2016

#### 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 fully owned subsidiary of Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private 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.

#### 1. Significant accounting policies

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

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis of accounting and comply with accounting standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), and the provisions of the Act to the extent notified and applicable.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year. The financial statements are presented in Indian rupees (INR).

##### 1.2 Going concern

As explained in note 17, the financial statements have been prepared on a going concern basis, notwithstanding current losses and no operations during the year.

##### 1.3 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.

##### 1.4 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:

- It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realised within 12 months after the reporting date; or
- 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.



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## Narayana Health Institutions Private Limited

### Notes to financial statements for the year ended 31 March 2016 (continued)

#### 1.4 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.

#### 1.5 Income tax

Income-tax expense comprises of current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Minimum Alternative Tax ("MAT") paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax in subsequent years. MAT credit entitlement can be carried forward and utilised for a period of ten years from the year in which the same is availed. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current tax and deferred tax are disclosed on a net basis where there is a legally enforceable right to set off and where the Management intends to settle the asset and liability on a net basis.

#### 1.6 Loss per share

The loss per share is computed by dividing the 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.



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## Narayana Health Institutions Private Limited

### Notes to financial statements for the year ended 31 March 2016 (continued)

#### 1.7 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.

#### 1.8 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.

#### 1.9 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.

#### 1.10 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 regular revenue generating, investing and financing activities of the Company are segregated.



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*[Signature]*

*[Signature]*

2 Share capital

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Authorised</b>		
1,150,000 equity shares (previous year: 1,150,000 equity shares) of INR 10 each	11,500,000	11,500,000
<b>Issued, subscribed and paid up</b>		
1,104,040 equity shares (previous year: 1,104,040 equity shares) of INR 10 each, fully paid up	11,040,400	11,040,400
	<b>11,040,400</b>	<b>11,040,400</b>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	1,104,040	11,040,400	10,000	100,000
Shares issued during the year	-	-	1,094,040	10,940,400
Shares outstanding at the end of the year	1,104,040	11,040,400	1,104,040	11,040,400

Rights, preference and restriction attached to equity shares

The Company has a single class of equity shares referred to as equity shares having a nominal value of INR 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 Company declares and pays dividend in Indian rupees (INR). 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 2016		As at 31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	1,104,039	99.99%	1,104,039	99.99%
(formerly known as Narayana Hrudayalaya Private Limited)				
	<b>1,104,039</b>	<b>99.99%</b>	<b>1,104,039</b>	<b>99.99%</b>

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.



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**3 Reserves and surplus**

Particulars	As at 31 March 2016	As at 31 March 2015
Deficit (profit and loss balance)		
At the commencement of the year	(10,842,139)	(10,526,332)
Add: Net loss from statement of profit and loss	(226,301)	(315,807)
	<b>(11,068,440)</b>	<b>(10,842,139)</b>

**4 Other current liabilities**

Particulars	As at 31 March 2016	As at 31 March 2015
<b>To parties other than related parties</b>		
Other liabilities	168,195	101,124
<b>To related parties</b>		
Other liabilities (refer note 11)	492,978	333,780
	<b>661,173</b>	<b>434,904</b>

**5 Short-term provisions**

Particulars	As at 31 March 2016	As at 31 March 2015
Provision for others	-	209,500
	-	<b>209,500</b>

**6 Long - term loans and advances**

Unsecured, considered doubtful

Particulars	As at 31 March 2016	As at 31 March 2015
Capital advances (refer note 16)	10,075,000	10,075,000
Less: Provision for doubtful advances	(10,075,000)	(10,075,000)
	-	-

**7 Cash and bank balances**

Particulars	As at 31 March 2016	As at 31 March 2015
Balance with banks		
- On current accounts	633,133	842,665
	<b>633,133</b>	<b>842,665</b>

**8 Other expenses**

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional fees (refer note 10)	226,269	106,138
Rates and taxes	-	209,500
Bank charges	32	169
	<b>226,301</b>	<b>315,807</b>



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**Narayana Health Institutions Private Limited**

**Notes to the financial statements for the year ended 31 March 2016 (continued)**

- 9 Estimated amounts of contracts remaining to be executed on capital account (net of advances) as at 31 March 2016 amounted to INR Nil (previous year Nil).

**10 Auditor's remuneration (excluding service tax) included in legal and professional fees**

	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
As an auditor		
Audit fees	100,000	65,000
In other capacity:		
Audit/Limited review fee in relation to IPO of Holding Company	50,000	-
Reimbursement of expenses	3,835	3,835
Reimbursement of expenses in relation to IPO of Holding Company	3,274	-
Less: Reimbursed by selling shareholders of Holding Company [Narayana Hrudayalaya Limited ( <i>formerly known as Narayana Hrudayalaya Private Limited</i> )]	(53,274)	-
	<b>103,835</b>	<b>68,835</b>

\*Expenses paid by Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*)

**11 Related party transactions**

**(a) Holding company**

Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*)

**(b) Executive key management personnel:**

▪ Dr. Devi Prasad Shetty Managing Director

**(c) Non-executive key management personnel:**

▪ Mrs. Shankuntala Shetty Director

**(d) The following is a summary of significant transactions with related parties:**

	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Holding company - Narayana Hrudayalaya Limited (<i>formerly known as Narayana Hrudayalaya Private Limited</i>)</b>		
Discharge of liability on behalf of the Company	159,198	106,143
<b>Executive Key Management Personnel</b>		
Dr. Devi Prasad Shetty		
Refund of Share application money pending allotment	-	57,004



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**Narayana Health Institutions Private Limited****Notes to the financial statements for the year ended 31 March 2016 (continued)****(e) The balances payable to related parties are as follows:**

	As at 31 March 2016	As at 31 March 2015
INR		
<b>Holding company - Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited)</b>		
Other liabilities	492,978	333,780
Share application money pending allotment	-	10,140,400
<b>Executive key management personnel</b>		
Dr. Devi Prasad Shetty		
Share application money pending allotment	-	57,004

12 The Company has not imported any goods or asset of capital nature in the current year (previous year: Nil).

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 2016 (previous year: Nil).

14 The Company does not have any earnings or expenditure in foreign currency in the current year (previous year: Nil).

**15 Segment reporting**

The Company has not yet commenced its operations. It intends to engage in 'Medical education services' and the principal geographical segment is India. Hence segment information as per Accounting Standard 17 - 'Segment Reporting' is not disclosed.

16 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 INR 10,000,000 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 previous year as the company believes the advance paid is not recoverable.

**17 Going concern**

The Company has received a letter of financial support from Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private 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 2017.

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.



Signature of the authorized signatory.

**Narayana Health Institutions Private Limited**

**Notes to the financial statements for the year ended 31 March 2016 (continued)**

**18 Prior period expense**

The Company has booked legal and professional fees of INR 22,797 as prior period expense.

As per our report of even date attached

*for B S R & Co. LLP*

*Chartered Accountants*

Firm Registration No. 101248W/W-100022

*for and on behalf of the Board of Directors of*

**Narayana Health Institutions Private Limited**

*Amit Somani*

**Amit Somani**

*Partner*

Membership No. 60154

*DPS*

**Dr. Devi Prasad Shetty**

*Director*

DIN : 00252187

*SS Shetty*

**Mrs. Shakuntala Shetty**

*Director*

DIN : 00252195

Place: Bengaluru

Date : 30 May 2016

Place: Bengaluru

Date : 30 May 2016

Place: Bengaluru

Date : 30 May 2016