

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF FORTIS HEALTHCARE LIMITED

- A.** We have audited the Standalone Financial Results of **FORTIS HEALTHCARE LIMITED** ("the Company"), for the year ended March 31, 2018 ("Standalone Annual Results") included in the Statement of Standalone Financial Results ("the Standalone Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

Attention is drawn to Note 2 of the Standalone Statement wherein it is stated that the figures for the quarter ended March 31, 2018, included in the Standalone Statement, is the balancing figure between figure in respect of the full financial year ("Standalone Annual Results") and the published year to date figures up to the end of third quarter of the relevant financial year. We also invite attention to paragraph C.2 in the Auditor's Responsibility section below regarding our conclusion on the figures in the Standalone Statement for the quarters ended December 31, 2017 and March 31, 2018.

B. Management's Responsibility for the Standalone Statement

This Standalone Statement is the responsibility of the Company's Management and has been approved by the Board of Directors of the Company. The Company's Management is responsible for compiling the Standalone Statement from the related standalone Ind AS financial statements for the year ended March 31, 2018 prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder ('Ind AS') and other accounting principles generally accepted in India.

Also, refer to the matters described in section D. Basis for Qualified Opinion below.

C. Auditor's Responsibility

1. Our responsibility is to express an opinion on the Standalone Annual Results, included in the Standalone Statement based on our audit of such Standalone Ind AS Financial Statements.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Annual Results, included in the Standalone Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Annual Results, included in the Standalone Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Standalone Annual Results, included in the Standalone Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Standalone Annual Results, included in the Standalone Statement.



2. We were also engaged to review the unaudited figures of the Company for the quarter and nine month period ended December 31, 2017 under SRE 2410 "Review Of Interim Financial Information Performed By The Independent Auditor Of The Entity", but were not able to obtain sufficient appropriate evidence to form a conclusion and hence did not express a conclusion in our report dated February 28, 2018 on the Standalone Financial Results for the said periods.

We have not carried out any separate procedures on the figures for the quarter ended March 31, 2018, included in the Standalone Statement and therefore we do not express a conclusion on the standalone financial results for the quarter ended March 31, 2018, included in the Standalone Statement.

3. Except as indicated in the Basis for Qualified Opinion paragraphs below, we believe that the audit evidence obtained by us (including the written representations by the Management which was taken on record by the Board of Directors) and the audit evidence obtained by other auditors in terms of their reports referred to in the Other Matters paragraphs below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the Standalone Annual Results included in the Standalone Statement.

D. Basis for Qualified Opinion

1. As explained in Note 16 of the Standalone Statement, pursuant to certain events/transactions, the erstwhile Audit and Risk Management Committee (the 'ARMC') of the Company decided to carry out an independent investigation through an external legal firm on certain matters more fully described in the said Note. The terms of reference for the investigation, the significant findings of the external legal firm (including identification of certain systemic lapses and override of internal controls), which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report, are summarised in the said Note.

Also, as explained in the said Note:

- a) As per the assessment of the Board, based on the investigation carried out through the external legal firm, and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, have been made in these Standalone Statement.
- b) With respect to the other matters identified in the Investigation Report, the Board will appoint an external agency of repute to undertake a scrutiny of the internal controls and compliance framework in order to strengthen processes and build a robust governance framework. The Company's Board of Director will also assess the additional requisite steps to be taken in relation to the significant matters identified in the Investigation Report including, *inter alia*, initiating an internal enquiry.
- c) At this juncture the Board of Directors of the Company are unable to make a determination on whether a fraud has occurred on the Company in respect of the matters covered in the investigation by the external legal firm, considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report.
- d) Various regulatory authorities are currently undertaking their own investigation (refer Note 16(i) of the Standalone Statement), and it is likely that they may make a determination on whether any fraud or any other non-compliance/ illegalities have occurred in relation to the matters addressed in the Investigation Report.
- e) Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.

In view of the above, we are unable to comment on the regulatory non-compliances, if any, and the adjustments / disclosures which may become necessary as a result of further findings



of the ongoing or future regulatory / internal investigations and the consequential impact, if any, on these Standalone Annual Results, included in the Standalone Statement.

2. As explained in Note 12 of the Standalone Statement, a Civil Suit has been filed by a third party (to whom the ICDs were assigned by a subsidiary, Fortis Hospitals Limited ('FHSL')) ('Assignee' or 'Claimant') against various entities including the Company (together "the Defendants"), before the District Court, Delhi and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La-Femme" in addition to certain financial claims and for passing a decree that consequent to a Term Sheet dated December 6, 2017 ('Term Sheet') with a certain party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit.

The Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company has in its written statement also stated that it has not signed the alleged binding Term Sheet with the said certain party.

Whilst this matter was included as part of the investigation carried out by the external legal firm referred to in paragraph 1 above, the external legal firm did not report on the merits of the case since the matter was *sub judice*.

In addition to the above, the Company has also received four notices from the Claimant claiming (i) Rs. 1,800 lacs as per notices dated 31 May, 2018 and 1 June, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June, 2018; and (iii) and Rupees 1,962 lacs as per notice dated 4 June, 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, the certain party has also alleged rights to invest in the Company. It has also alleged failure on part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Since the matter is *sub-judice*, the outcome of which is not determinable at this stage, we are unable to comment on the consequential impact, if any, of the same on these Standalone Annual Results, included in the Standalone Statement.

3. As explained in Note 16(f) of the Standalone Statement, related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 16 (d) (iv), (ix) and (x) of the Standalone Statement) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Company and, hence, not known to the Management.

In the absence of all required information, we are unable to comment on the completeness/accuracy of the related party relationships as required under Ind AS 24 – Related Party Disclosures, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and the compliance with the other applicable regulations and the consequential impact, if any, of the same on these Standalone Annual Results, included in the Standalone Statement.

4. As explained in Note 20 of the Standalone Statement, the Company having considered all necessary facts and taking into account external legal advice, has decided to treat as *non-Est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead Strategic



Initiatives' in the Strategy Function. The external legal counsel has also advised that the payments made to him under this LoA would be considered to be covered under the limits of section 197 of the Companies Act, 2013. The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company has sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs is shown as recoverable in the Standalone Annual Result. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rs. 2,002 lacs has been made which has been shown as an exceptional item.

As stated above, due the nature of dispute and uncertainty involved, we are unable to comment on the tenability of the refund claim, the provision made for the uncertainty in recovery of the amounts, the recovery of the assets in possession of the erstwhile Director and other non-compliances, if any, with the applicable regulations and the consequential impact, if any, of the same on these Standalone Annual Results, included in the Standalone Statement.

E. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us:

1. The Standalone Statement, read with Note 2 of the Standalone Statement, is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016; and
2. except for the effects / possible effects of the matters described in section D. Basis for Qualified Opinion above, the Standalone Annual Results included in the Standalone Statement, gives a true and fair view in conformity with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India of the net loss and Total comprehensive loss and other financial information of the Company for the year ended March 31, 2018.

F. Emphasis of Matter

We draw attention to Note 19 of the Standalone Statement wherein it has been explained that the Standalone Annual Results have been prepared on a going concern basis for the reasons stated in the said Note.

Our opinion is not modified in respect of these matters.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366 W/W-100018)



RASHIM TANDON
Partner
(Membership No. 095540)

FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

(Rupees in lacs)

Particulars	Standalone				
	Quarter ended			Year ended	
	31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Audited	Audited
1. Income from operations	15,458	16,619	15,199	65,948	64,511
2. Other income (refer Note 4)	3,278	3,229	4,091	13,789	16,920
3. Total income (1+2)	18,736	19,848	19,290	79,737	81,431
4. Expenses					
(a) Cost of material consumed	3,040	3,332	3,394	13,556	15,051
(b) Employee benefits expenses	3,163	4,317	4,566	16,134	19,015
(c) Finance costs	1,699	1,322	2,061	6,374	10,636
(d) Hospital service fee expense	3,405	3,482	3,310	13,927	13,604
(e) Professional charges to doctors	2,034	2,135	1,826	8,439	7,647
(f) Reversal of derivative gain (refer Note 10)	-	-	-	-	5,636
(g) Net depreciation/ impairment & amortisation	769	745	750	2,888	2,662
(h) Other expenses	4,402	4,450	4,798	17,654	18,211
Total expenses	18,512	19,783	20,705	78,972	92,462
5. Net profit / (loss) from continuing operations (3-4)	224	65	(1,415)	765	(11,031)
6. Exceptional gain/ (loss) (refer note 6)	(6,631)	(21)	(90)	(6,795)	(373)
7. Profit / (loss) before tax from continuing operations (5-6)	(6,407)	44	(1,505)	(6,029)	(11,404)
8. Tax expense/ (credit)	(50)	133	(1,348)	343	(3,934)
9. Net profit / (loss) for the period from continuing operations (7-8)	(6,357)	(89)	(157)	(6,372)	(7,470)
10. Profit from discontinued operations before tax	-	-	-	-	-
11. Tax expense of discontinued operations	-	-	-	-	-
12. Net profit / (loss) for the period from discontinuing operations (10-11)	-	-	-	-	-
13. Net profit / (loss) for the period (9+12)	(6,357)	(89)	(157)	(6,372)	(7,470)
14. Other Comprehensive Income/(loss) ('OCI')	7	36	164	32	107
15. Total comprehensive Income/(Loss) (13+14)	(6,350)	(53)	7	(6,340)	(7,363)
16. Paid-up equity share capital (Face Value Rupees 10 per Share)	51,866	51,852	51,773	51,866	51,773
17. Reserves				370,816	375,413
18. Earnings per equity share for continuing operations					
Basic earnings (loss) per share - In Rupees	(1.23)	(0.02)	(0.03)	(1.23)	(1.57)



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

(Rupees In lacs)

Particulars	Standalone				
	Quarter ended			Year ended	
	31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Audited	Audited
Diluted earnings (loss) per share - In Rupees	(1.23)	(0.02)	(0.03)	(1.23)	(1.57)
19. Earnings per equity share for discontinued operations					
Basic earnings (loss) per share - In Rupees	-	-	-	-	-
Diluted earnings (loss) per share - In Rupees	-	-	-	-	-
20. Earnings per equity share from continuing and discontinued operations					
Basic earnings (loss) per share - In Rupees	(1.23)	(0.02)	(0.03)	(1.23)	(1.57)
Diluted earnings (loss) per share - In Rupees	(1.23)	(0.02)	(0.03)	(1.23)	(1.57)
21. Earnings before depreciation and amortization expense, finance costs, exceptional items, tax expenses (EBITDA) (refer note 5)	2,692	2,132	1,396	10,027	2,267

Notes to the results

- The above financial results for the quarter and year ended March 31, 2018 have been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors at their meetings held on July 06, 2018.
- The Auditors report on the results for the quarter ended December 31, 2017 and September 30, 2017 contained a disclaimer of opinion on the financial statement. Figures for the quarter ended March 31, 2018, included in the above results, is the balancing figure between audited figure in respect of the full financial year and the published year to date figures up to the end of third quarter of the relevant financial year, which contained a disclaimer of opinion.

The figures for the quarter ended March 31, 2017 are the balancing figures between audited figures in respect of the full financial year ended March 31, 2017 and the unaudited published year to date figures up to December 31, 2016, being the end of the third quarter of the respective financial years, which were subject to limited review by the auditors.

- The financial results along with the comparatives have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 Interim Financial Reporting, prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued there under and the other accounting principles generally accepted in India.
- Other income includes Interest on bank deposits, Interest on loan others, Interest on income tax refunds, profit on redemption of mutual funds, financial guarantee income, gain on foreign currency transactions and translation (net), miscellaneous income, etc. whichever is relevant for the period.
- The Company has presented Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) additionally in the financial results. In its measurement, the Group includes other income, but does not include depreciation and amortization expense, finance costs, exceptional items and tax expenses.



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

6. Exceptional gain/ (loss) included in the above standalone audited financial results include:

(Rupees in lacs)

Particulars	Quarter ended			Year ended	
	31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
a) Expenses on Composite Scheme of Arrangement and Amalgamation (Refer Note 7)	5	(21)	(90)	(159)	(373)
b) Allowance for doubtful advance and security deposit given to body corporate along with impairment of Capital work-in-progress (Refer Note 15)	(4,743)	-	-	(4,743)	-
c) Allowance for doubtful loan given to Subsidiary Company	(55)	-	-	(55)	-
d) Impairment of goodwill of Shalimar Bagh	(571)	-	-	(571)	-
e) Exceptional gain on recovery of salary & other reimbursements paid in previous year (Refer Note 20)	735	-	-	735	-
f) Allowance for doubtful amount recoverable for salary & other reimbursement of expenses (Refer Note 20)	(2,002)	-	-	(2,002)	-
Net exceptional gain/ (loss)	(6,631)	(21)	(90)	(6,795)	(373)

7. The Board of Directors of the Company at their meeting held on August 19, 2016 approved the proposal to demerge its diagnostic business including that is housed in its majority owned subsidiary SRL Limited ("SRL") into another majority owned subsidiary, Fortis Malar Hospitals Limited ("Fortis Malar") pursuant to a composite scheme of arrangement and amalgamation ("the Composite Scheme").

Subsequent to year-end on dated June 13, 2018, the Board of the Company, SRL and FMHL decided to withdraw from the scheme, subject to the approval of National Company Law Tribunal ("NCLT"). The approval of the NCLT was received on June 15, 2018.

8. **Balance Sheet:**

(Rupees in lacs)

Particulars	As at 31-Mar-18 (Audited)	As at 31-Mar-17 (Audited)
ASSETS		
Non-current assets		
(a) Property, plant and equipment	16,822	14,182
(b) Capital work-in-progress	15,934	19,260
(c) Goodwill	2,722	3,293
(d) Other intangible assets	751	1,089
(e) Intangible assets under development	707	640
(f) Financial assets		
(i) Investments		
a) Investments in associates/Joint venture	-	5
b) Other investments	365,770	360,262
(ii) Loans	46,003	69,797



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

(Rupees in lacs)

Particulars	As at 31-Mar-18 (Audited)	As at 31-Mar-17 (Audited)
(iii) Other financial assets	1,043	866
(g) Deferred tax assets (Net)	6,341	6,700
(h) Non-current tax assets (Net)	5,144	5,645
(i) Other non-current assets	400	613
Total non-current assets	461,637	482,352
Current assets		
(a) Inventories	695	558
(b) Financial assets		
(i) Trade receivables	7,096	7,554
(ii) Cash and cash equivalents	1,656	569
(ii) Bank balances other than (ii) above	7,235	-
(iii) Loans	12,194	7,471
(iv) Other financial assets	8,111	16,680
(c) Other current assets	2,943	913
	39,930	33,746
Total current assets	39,930	33,746
Total assets	501,567	516,098
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	51,866	51,773
(b) Other equity	370,816	375,414
Total equity	422,682	427,187
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	23,162	18,311
(b) Provisions	1,127	1,037
Total non-current liabilities	24,289	19,348
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	19,448	44,175
(ii) Trade payables	15,308	14,027
(iii) Other financial liabilities	15,855	8,383
(b) Provisions	1,336	1,296
(d) Other current liabilities	2,649	1,682
Total current liabilities	54,596	69,563
Total liabilities	78,885	88,911
Total equity and liabilities	501,567	516,098



FORTIS HEALTHCARE LIMITED
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9. During the previous year ended March 31, 2017, the Company completed acquisition of control in Fortis Hospotel Limited ('FHTL') by way of acquiring 51% economic interest over equity through purchase of the compulsorily convertible debentures (CCDs) from Fortis Global Healthcare Infrastructure Pte Ltd (FGHIPL) and amendment to the Shareholders Agreement with Fortis Health Management Limited (FHML). FGHIPL and FHML are subsidiaries of RHT Health Trust (RHT) which is an associate of the Company.
10. The Statement of Profit and Loss for the year ended March 31, 2017 includes a charge of Rupees 5,636 lacs relating to the derecognition of an option in the Shareholders' Agreement on acquisition of control in FHTL during that year. This option was earlier recognized in the Statement of Profit and Loss during the year ended March, 2016 on the first time adoption of the Ind AS by the Company.
11. The Board of Directors in their meeting held on November 14, 2017 approved a significant restructuring initiative aimed at consolidating the entire India asset portfolio of RHT Health Trust ("RHT") into the Company and its subsidiaries. The Company and the Trustee Manager of RHT signed a binding Term Sheet on November 14, 2017 and entered into an exclusivity arrangement for the acquisition of all the securities of RHT's entities in India, directly or indirectly holding the clinical establishments and businesses for an enterprise value of approximately Rupees 465,000 lacs ("the Proposed Transaction"). The exclusivity period to execute definitive agreements for the Proposed Transaction was 60 days commencing from the date of the Term Sheet. On January 12, 2018, the parties to the Term Sheet mutually agreed to extend the exclusivity period by an additional period of 31 days from January 12, 2018.

On February 12, 2018, the parties to the Term Sheet entered into definitive agreement(s) with respect to the Proposed Transaction. The completion of the Proposed Transaction is subject to the satisfaction of conditions precedent under the definitive agreement(s) including regulatory approvals and any other approvals as may be required. Requisite approvals of the shareholders of the Company have been obtained.

12. A third party (to whom the ICDs were assigned by a Subsidiary, Fortis Hospitals Limited ('FHsL') ("Assignee" or "Claimant") has filed a Civil Suit before the District Court, Delhi in February 2018 against various entities including the Company (together "the defendants") and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La Femme" in addition to certain financial claims and for passing a decree that consequent to a Term Sheet dated December 6, 2017 ('Term Sheet') with a certain party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit (also refer note 16).

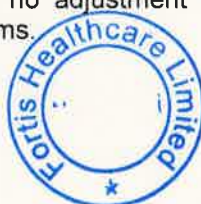
The Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company has in its written statement also stated that it has not signed the alleged binding Term Sheet with certain party.

In addition to the above, the Company has also received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated 30 May, 2018 and 1 June, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June 2018; and (iii) Rupees 1,962 lacs as per notice dated 4 June 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, certain party has also alleged rights to invest in the Company. It has also alleged failure on part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment has been made in these Standalone Financial Statement with respect to these claims.



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13. As on December 31, 2017, the Promoters and Promoter Group entities together held 34.33% of the paid-up capital of the Company of which approximately 98% was pledged to various bank as a security towards the loans raised by the Promoters / Promoter Group entities. In a matter relating to the Promoters and the Promoter Group entities, the Hon'ble Supreme Court of India vide their interim orders dated August 11, 2017 and August, 31, 2017 had directed that status quo was required to be maintained over the shares pledged by the Promoter and Promoter Group entities. Subsequently, the Hon'ble Supreme Court of India in its Order on February 15, 2018, has clarified that the earlier direction to maintain status quo of the promoter holding in the Company shall not apply to shares of the Company as may have been encumbered on or before the date of the interim orders. Based on this clarification, the Banks in whose favor the shares of the Company were pledged have invoked their right over the shares. The holding of the Promoters and Promoter Group entities have reduced to 0.77% of the paid-up capital of the Company as at March 31, 2018.
14. During the year ended March 31, 2018 and until the date of issuance of these financial results, the following changes have occurred in the constitution of the Board of Directors of the Company:
- (a) In November 2017, Ms. Shradha Suri Marwah, resigned as a non-executive independent director of the Company;
 - (b) On February 8, 2018, Mr. Malvinder Mohan Singh, Executive Chairman and Dr. Shivinder Mohan Singh, Non-Executive Vice Chairman, the Promoters of the Company, tendered their resignation from the directorship of the Company, effective immediately. The erstwhile Board of Directors of the Company discussed the matter in detail at their meeting held on February 13, 2018 and accepted these resignations with effect from February 8, 2018.
 - (c) During March 2018, Ms. Joji Sekhon Gill, Dr. Preetinder Singh Joshi and Mr. Pradeep Ratilal Raniga resigned from their directorships in the Company.
 - (d) Mr. Rohit Bhasin was appointed as an additional independent director in the Company in April 2018. He subsequently resigned on June 26, 2018.
 - (e) In April 2018, Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee were appointed as Non-Executive Independent Directors of the Company and their appointment was ratified by the members of the Company in the extra-ordinary general meeting ("EGM") of the Company in May 2018.
 - (f) During May 2018, Mr. Harpal Singh, Director, Lt. Gen. Tejinder Singh Shergill and Ms. Sabina Vaisoha, Additional Directors in the Company, resigned from their directorships in the Company and Dr. Brian Tempest, Independent Director and Chairman of the Audit and Risk Management Committee, disassociated from his position at the behest of the resolution of the members in the EGM held in May 2018.
 - (g) Further, Mr. Ravi Rajagopal has been appointed as Chairman of the Board with effect from June 1, 2018. As such, the re-constituted Board of Directors comprises the following directors who were all appointed in April 2018 after the financial year ended March 31, 2018:
 - i. Mr. Ravi Rajagopal – Chairman & Independent Director
 - ii. Mr. Indrajit Banerjee - Independent Director
 - iii. Ms. Suvalaxmi Chakraborty - Independent Director
 - iv. Mr. Rohit Bhasin - Independent Director (Additional Director) (Resigned w.e.f June 26, 2018)
- together referred to as the "Re-constituted Board".
15. The Company had paid security deposits and advances aggregating to Rupees 2,173 lacs in the financial year 2013-14, to a private company ("Lessor") towards lease of office space. Due to delays in obtaining occupancy certificate (OC), the lease agreement was terminated by the Company. Additionally, expenditure aggregating to Rupees 2,570 lacs was incurred towards capital work-in-progress on the premises proposed to be take on lease from the Lessor, which amount is also being claimed from the Lessor pursuant to the aforesaid termination. The Company has invoked arbitration



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against the Lessor and issued a Legal Notice under Section 21 of the Arbitration and Conciliation Act 1996.

In view of the facts stated above and the uncertainty in the ultimate recovery of the aforesaid balances, the Group has recorded provisions aggregating to Rupees 4,743 lacs in the Standalone Financial Results (also refer to note 16(d)(ix)).

16. Investigation initiated by the erstwhile Audit and Risk Management Committee

- (a) There were reports in the media and enquiries from, *inter alia*, the stock exchanges received by the Company about certain inter-corporate loans ("ICDs") given by a wholly owned subsidiary of the Company. The erstwhile Audit and Risk Management Committee of the Company in its meeting on February 13, 2018 decided to carry out an independent investigation through an external legal firm.
- (b) The terms of reference of the investigation, *inter alia*, comprised: (i) ICDs amounting to a total of Rupees 49,414.00 lacs (principal), placed by the Company's wholly-owned subsidiary, FHsL, with three borrowing companies as on July 1, 2017 ; (ii) the assignment of these ICDs to a third party and the subsequent cancellation thereof as well as evaluation of legal notice (now a civil suit) received from such third party (refer Note 12 above); (iii) review of intra-group transactions for the period commencing FY 2014-15 and ending on December 31, 2017 (refer Note 15 above); (iv) investments made in certain overseas funds by the overseas subsidiaries of the Company (i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited); (v) certain other transactions involving acquisition of Fortis Healthstaff Limited ("Fortis Healthstaff") from a promoter group company, and subsequent repayment of loan by said subsidiary to the promoter group company.
- (c) The investigation report ("Investigation Report") was submitted to the re-constituted Board on June 8, 2018.
- (d) The re-constituted Board discussed and considered the Investigation Report and noted certain significant findings of the external legal firm, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their investigation report, as follows:
- i. The Investigation Report, on the basis of documents / emails reviewed and interviews conducted, revealed that the ICDs were not given under the normal treasury operations of the Company/FHsL including under the treasury policy and the mandate of the Treasury Committee; and were not specifically authorized by the Board of FHsL. All ICDs from December 2011 were repaid until March 31, 2016. However, from the first quarter of the financial year 2016-17, it has been observed that a roll-over mechanism was devised whereby, the ICDs were repaid by cheque by the borrower companies at the end of each quarter and fresh ICDs were released at the start of succeeding quarter under separately executed ICD agreements. Further, in respect of the roll-overs of ICDs placed on July 1, 2017 with the borrower companies, FHsL utilized the funds received from the Company for the purposes of effecting roll-over.
 - ii. In respect of ICDs granted, the Investigation Report revealed that there were certain systemic lapses and override of controls including shortcomings in executing documents and creating a security charge. To clarify, the charge was later created in February 2018 for the ICDs granted in July 01, 2017, while the Company/ FHsL was under financial stress.
 - iii. While the Investigation Report did not conclude on utilization of funds by the borrower companies, there are findings in the report to suggest that the ICDs were utilized by the borrower companies for granting/ repayment of loans to certain additional entities including those whose current and/ or past promoters/ directors are known to/ connected with the promoters of the Company.



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- iv. In terms of the relationship with the borrower companies, there was no direct relationship between the borrower companies and the Company and / or its subsidiaries during the period December 2011 till December 14, 2017 (these borrower companies became related parties from December 15, 2017). The Investigation Report has made observations where promoters were evaluating certain transactions concerning certain assets owned by them for the settlement of ICDs thereby indirectly implying some sort of affiliation with the borrower companies. The Investigation Report has observed that the borrower companies could possibly qualify as related parties of the Company and/ or FHsL, given the substance of the relationship. In this regard, reference was made to Indian accounting Standards dealing with related party disclosures, which states that for considering each possible related party relationship, attention is to be directed to the substance of the relationship and not merely the legal form.
- v. Objections on record indicate that management personnel and other persons involved were forced into undertaking the ICD transactions under the repeated assurance of due repayment and it could not be said that the management was in collusion with the promoters to give ICDs to the borrower companies. Relevant documents/information and interviews also indicate that the management's objections were overruled. However, the former Executive Chairman of the Company, in his written responses, has denied any wrongdoing, including override of controls in connection with grant of the ICDs.
- vi. There were certain systemic lapses in respect to the assignment of the ICDs from FHsL to a third party in September 2017 (and subsequent termination of the arrangement in January 2018), viz., no diligence was undertaken in relation to the assignment, it was not approved by the Treasury Committee and was antedated. The Board of FHsL took note of the same only in February 2018.
- vii. Separately, it was also noted in the Investigation Report that the aforesaid third party to whom the ICDs were assigned has also initiated legal action against the Company. Whilst the matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.
- viii. During the year, the Company through its subsidiary (i.e. Escorts Heart Institute and Research Centre Limited ("EHIRCL")), acquired 71% equity interest in Fortis Healthstaff Limited at an aggregate consideration of Rupees 3.46 lacs. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rupees 794.50 lacs to a promoter group company. Certain documents suggest that the loan repayment by Fortis Healthstaff Limited and some other payments to the promoter group company may have been ultimately routed through various intermediary companies and used for repayment of the ICDs /vendor advance to FHsL / Company.
- ix. The investigation did not cover all related party transactions during the period under investigation and focused on identifying undisclosed parties having direct/indirect relationship with the promoter group, if any. In this regard, it was observed in internal correspondence within the Company that transactions with certain other entities have been referred to as related party transactions. However, no further conclusions have been made in this regard.
- x. Additionally, it was observed in the Investigation Report that there were significant fluctuations in the NAV of the investments in overseas funds by the overseas subsidiaries during a short span of time. Further, similar to the paragraph above, in the internal correspondence within the Company, investments in the overseas funds have been referred to as related party transactions. The investment was realized at discount in April 2018 with no loss in the principal value of investments.
- (e) Other Matters:

In the backdrop of the investigation, the Management has reviewed some of the past information/ documents in connection with transactions undertaken by the Company and



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certain subsidiaries. It has been noted that the Company through its subsidiary (i.e. Fortis Hospitals Limited ("FHsL")) acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of the share purchase transaction, FHsL advanced a loan to Fortis Emergency Services Limited, which was used to repay an outstanding unsecured loan amount to the said promoter group company. It may be possible that the loan repayment by Fortis Emergency Services Limited to the said promoter group company was ultimately routed through various intermediary companies and was used for repayment of the ICDs / vendor advance to FHsL.

- (f) Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 16 (d) (iv), (ix) and (x) above) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Company and, hence, not known to the Management.
- (g) As per the assessment of the Board, based on the investigation carried out through the external legal firm, and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, have been made in these Standalone Financial Results.
- (h) With respect to the other matters identified in the Investigation Report, the Board will appoint an external agency of repute to undertake a scrutiny of the internal controls and compliance framework in order to strengthen processes and build a robust governance framework. Towards this end, they will also evaluate internal organizational structure and reporting lines, the delegation of powers of the Board or any committee thereof, the roles of authorized representatives and terms of reference of executive committees and their functional role. We will also assess the additional requisite steps to be taken in relation to the significant matters identified in the Investigation Report, including *inter alia*, initiating an internal enquiry.
- (i) The regulatory authorities are currently undertaking their own investigation (refer Note 17 below), and it is likely that they may make their determination on whether any fraud or any other non-compliance/ illegalities have occurred in relation to the matters addressed in the Investigation Report on the basis of facts, including those facts that the independent investigator would not have had access to, given their limited role and limitations stated in the Investigation Report. Accordingly, in light of the foregoing, the Board of Directors at this juncture is unable to make a determination on whether a fraud has occurred. That said, the Board of Directors is committed to fully co-operating with the relevant regulatory authorities to enable them to make a determination on these matters and to undertake the remedial action, as required under, and to ensure compliance with, applicable law and regulations.

Except for the findings of the Investigation Report, including matters on internal control described above, and inability of the Board of Directors to, at this juncture, make a determination on whether a fraud has occurred on the Company considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report, proper and sufficient care has been taken for the 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 fraud and other irregularities.

In the event other exposures were to come to light, the Company / FHsL are committed to appropriately addressing the same, including making additional provisions where required.

- (j) Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.



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17. Investigation by Various Regulatory Authorities

- (a) The Company received a communication dated February 16, 2018 from the Securities and Exchange Board of India (SEBI), confirming that an investigation has been instituted by SEBI in the matter of the Company. In the aforesaid letter, SEBI has summoned the Company under section 11C (3) of the SEBI Act, 1992 to furnish by February 26, 2018 certain information and documents relating to the short-term investments of Rupees 473 Crores reported in the media. Failure to produce the information required for investigation could result in penalties as provided under section 15A and criminal proceedings under section 11C(6) of the SEBI Act, 1992. SEBI has also appointed forensic auditors to conduct a forensic audit, who are also in the process of collating information from the Company and certain of its subsidiaries. The Company / its subsidiaries are in the process of furnishing all the requisite information and documents requested by SEBI and its forensic auditors.
- (b) The Registrar of Companies (ROC) under section 206(1) of the Companies Act, 2013, *inter alia*, had also sought information in relation to the Company. All requisite information in this regard has been duly shared by the Company with the ROC.
- (c) The Company has also received a letter from the Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under section 217(1)(a) of the Companies Act, 2013, *inter alia*, initiating an investigation and seeking information in relation to the Company, its material subsidiaries, joint ventures and associates. The Company in the process of submitting all requisite information in this regard with SFIO and has in this regard requested SFIO for additional time to submit the information.
- (d) The Investigation Report of the external legal firm has been submitted by the Company to the Securities and Exchange Board of India, the Serious Frauds Investigation Office ("SFIO") on June 12, 2018.

The Company is fully co-operating with the regulators in relation to the ongoing investigations to enable them to make their determination on these matters. Any further adjustments/disclosures, if required, would be made in the books of accounts as and when the outcome of the above investigations is known.

18. Proposed investment in the Company

The Board of Directors approved a Composite Scheme of Arrangement with Manipal Health Enterprises Private Limited on March 27, 2018. Post that the Company received binding bids from IHH Healthcare Berhad, Hero-Burman Consortium, Radiant, and TPG-Manipal Consortium. The Board decided to appoint an Expert Advisory Committee (EAC) & an additional financial advisor to evaluate all binding offers. Subsequently, in the Board Meeting held on May 10, 2018, the Board by majority approved a preferential allotment of equity shares for Rupees 800 Crores and preferential allotment of warrants for Rupees 1,000 Crores to Hero-Burman Consortium. With this the agreement executed with TPG-Manipal Consortium terminated. Further on the May 28, 2018 the Board received a letter from Hero-Burman Consortium giving its consent to initiate a fresh bidding process. As a result, Hero-Burman Consortium's offer accepted by the Board on May 10, 2018 stands mutually terminated. The Board in its meeting held on May 29, 2018 decided to initiate a fresh, time-bound process. The details of the process have been disclosed on National Stock Exchange and BSE Ltd. Pursuant to the above, the Board of Directors of the Company have received binding bids on July 3, 2018.

Upon approval of transaction pursuant to acceptance of the binding bids, there will be change in the capital structure.

19. Going concern assumption

The Company has incurred a net loss of Rupees. 6,372 lacs during the year ended March 31, 2018 consequent to various events during the year, which necessitated creating one time provisions in the financial results (refer note 6). These events have adversely impacted the Company's working



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capital position and its credit rating. Further, the Company's current liabilities exceeded its current assets by Rupees 14,666 lacs as at March 31, 2018.

However, the Management believes that the events stated above do not impact the entity's ability to continue as a going concern due to the following:

- a) In June 2018, the Company has secured new line of credit facility aggregating to Rupees 12,500 lacs. Further, the Company is in process of securing additional line of credit of Rupees 34,000 lacs;
- b) The Company has access to unencumbered assets that can be offered as security for any additional funding requirements in the future.

Accordingly, the Company's financial results have been prepared on a going concern basis.

Additionally, the Board of Directors have, also, initiated measures to obtain capital infusion into the Company through a bidding process.

20. Letter of Appointment of erstwhile Executive Chairman

The Company having considered all necessary facts and taking into account external legal advice, has decided to treat as *non-Est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. Basis legal advice taken by the Company, the payments made to him under this LOA would be considered to be covered under the limits of section 197 of the Companies Act, 2013. The Company is in the process of taking suitable legal measures to recover the payments made to him under the LOA as also to recover all the Company's assets in his possession. The Company has sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements, aggregating to Rupees. 2,002 lacs (comprising reversal of FY 2016-17 expenditure of Rupees 735 lacs, which has been disclosed as an exceptional income in these Standalone Financial Results, and expenditure of Rupees 1,267 lacs relating to FY 2017-18) is shown as recoverable in the Standalone Financial Results of the Company for the year ended March 31 2018. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees. 2,002 lacs has been made which has been shown as an exceptional item

21. During the previous year ended March 31, 2017, the Company allotted 18,070,650 equity shares to Standard Chartered (Mauritius) III Limited against USD 30 Million Foreign Currency Convertible Bonds (FCCB), on exercise of conversion option as per Offering Circular.
22. During the previous year ended March 31, 2017, the Company allotted 35,690,887 equity shares to International Finance Corporation against USD 55 Million FCCB, on exercise of conversion option as per FCCB Subscription Agreement.

23. Management's response to comments of the statutory auditors in the Audit Report

- (a) With regard to the comments of the statutory auditors in paragraph 1 of the Basis for Qualified Opinion of Audit Report, pertaining to the Investigation Report, it is submitted that, based on the investigation carried out by the external legal firm, and the information available at this stage, all identified / required adjustments/ disclosures arising from the findings in the Investigation Report, have been made. However, the Board will be assessing additional requisite steps to be taken to address various matters identified in the report. Further, various regulatory authorities are currently undertaking their own investigation. Any further adjustments/ disclosures, if required, would be made in the books of account, pursuant to the



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actions to be taken by the Board and as and when the results of the various investigations are known. For more details please refer to Note 16.


- (b) With regard to the comments of the statutory auditors in paragraph 2 of the Basis for Qualified Opinion of Audit Report, pertaining to certain claims against the Company, the Company has filed appropriate submissions in the court denying all allegations and praying for dismissal of the suit. For more details, please refer to Note 12.
- (c) With regard to the comments of the statutory auditors in paragraph 3 of the Basis for Qualified Opinion of Audit Report, pertaining to related party transactions, please refer to Note 16.
- (d) With regard to the comments of the statutory auditors in paragraph 4 of the Basis for Qualified Opinion of Audit Report, pertaining to the LoA issued to the erstwhile Executive Chairman, please note that the Company, having considered all necessary facts, has decided to treat as non est the LoA issued to the erstwhile Executive Chairman and is taking suitable legal measures to recover the payments made to him under the LoA as well as all the Company's assets in this possession. For more details, please refer to Note 20.

Date: July 07, 2018

Place: Gurugram

For and on behalf of the Board of Directors


Ravi Rajagopal
Chairman
DIN: 00067073





INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF FORTIS HEALTHCARE LIMITED

- A.** We have audited the Consolidated Financial Results of **FORTIS HEALTHCARE LIMITED** ("the Parent" or "the Company") and its subsidiaries (the Parent/Company and its subsidiaries together referred to as "the Group") and its share of the profit/(loss) of its joint ventures and associates for the year ended March 31, 2018 ("Consolidated Annual Results") included in the Statement of Consolidated Financial Results ("the Consolidated Statement") being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

Attention is drawn to Note 2 of the Consolidated Statement wherein it is stated that the figures for the quarter ended March 31, 2018, included in the Consolidated Statement, is the balancing figure between figure in respect of the full financial year ("Consolidated Annual Results") and the published year to date figures up to the end of third quarter of the relevant financial year. We also invite attention to paragraph C.2 in the Auditor's Responsibility section below regarding our conclusion on the figures in the Consolidated Statement for the quarters ended December 31, 2017 and March 31, 2018.

B. Management's Responsibility for the Consolidated Statement

The Consolidated Statement is the responsibility of the Parent's Management and has been approved by the Board of Directors of the Parent. The Parent's Management is responsible for compiling the Consolidated Statement from the related consolidated Ind AS financial statements for the year ended March 31, 2018 prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder ("Ind AS") and other accounting principles generally accepted in India.

Also, refer to the matters described in section D. Basis for Qualified Opinion below.

C. Auditor's Responsibility

1. Our responsibility is to express an opinion on the Consolidated Annual Results, included in the Consolidated Statement based on our audit of Consolidated Ind AS Financial Statements.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Annual Results, included in the Consolidated Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Annual Results, including the Consolidated Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parent's preparation and fair presentation of the Consolidated Annual Results, included the Consolidated Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Consolidated Annual Results, included in the Consolidated Statement.



2. We were also engaged to review the unaudited figures of the Group for the quarter and nine month period ended December 31, 2017 under SRE 2410 "Review Of Interim Financial Information Performed By The Independent Auditor Of The Entity", but were not able to obtain sufficient appropriate evidence to form a conclusion and hence did not express a conclusion in our report dated February 28, 2018 on the Consolidated Financial Results for the said periods.

We have not carried out any separate procedures on the figures for the quarter ended March 31, 2018, included in the Consolidated Statement and therefore we do not express a conclusion on the consolidated financial results for the quarter ended March 31, 2018, included in the Consolidated Statement.

3. Except as indicated in the Basis for Qualified Opinion paragraphs below, we believe that the audit evidence obtained by us (including the written representations by the Management which was taken on record by the Board of Directors) and the audit evidence obtained by other auditors in terms of their reports referred to in the Other Matters paragraphs below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the Consolidated Annual Results included in the Consolidated Statement.

D. Basis for Qualified Opinion

1. As explained in Note 23 of the Consolidated Statement, pursuant to certain events/transactions, the erstwhile Audit and Risk Management Committee (the 'ARMC') of the Company decided to carry out an independent investigation through an external legal firm on certain matters more fully described in the said Note. The terms of reference for the investigation, the significant findings of the external legal firm (including identification of certain systemic lapses and override of internal controls), which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report, are summarised in the said Note.

Also, as explained in the said Note:

- a) As per the assessment of the Board, based on the investigation carried out through the external legal firm, and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, have been made in these Consolidated Statement.
- b) With respect to the other matters identified in the Investigation Report, the Board will appoint an external agency of repute to undertake a scrutiny of the internal controls and compliance framework in order to strengthen processes and build a robust governance framework. The Company's Board of Director will also assess the additional requisite steps to be taken in relation to the significant matters identified in the Investigation Report including, *inter alia*, initiating an internal enquiry.
- c) At this juncture, the Board of Directors of the Company are unable to make a determination on whether a fraud has occurred on the Company in respect of the matters covered in the investigation by the external legal firm, considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report.
- d) Various regulatory authorities are currently undertaking their own investigation (refer Note 23(i) of the Consolidated Statement), and it is likely that they may make a determination on whether any fraud or any other non-compliance/ illegalities have occurred in relation to the matters addressed in the Investigation Report.
- e) Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.



In view of the above, we are unable to comment on the regulatory non-compliances, if any, and the adjustments / disclosures which may become necessary as a result of further findings of the ongoing or future regulatory / internal investigations and the consequential impact, if any, on these Consolidated Annual Results, included in the Consolidated Statement.

2. As explained in Notes 8 and 10 of the Consolidated Statement, the Group has recognised a provision aggregating to Rupees 44,503 lacs against the outstanding ICDs placed (including interest accrued thereon of Rupees 4,260 lacs) and Rupees 2,549 lacs against property advance (including interest accrued thereon of Rupees 174 lacs), due to uncertainty of recovery of these balances. The recognition of interest income aggregating to Rupees 4,434 lacs as at March 31, 2018 on these doubtful ICDs and property advance is not in compliance with Ind AS 18 'Revenue' and consequently interest income and exceptional items (net) are overstated to that extent.
3. As explained in Note 13 of the Consolidated Statement, a Civil Suit has been filed by a third party (to whom the ICDs were assigned – refer Note 8 of the Consolidated Statement) ('Assignee' or 'Claimant') against various entities including the Company (together "the Defendants"), before the District Court, Delhi and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La-Femme" in addition to certain financial claims and for passing decree that consequent to a term sheet dated December 6 2017 ('Term Sheet') with a certain party, the Company is liable for claims owed the by Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit.

The Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company has in its written statement also stated that it has not signed the alleged binding Term Sheet with the certain party.

Whilst this matter was included as part of the investigation carried out by the external legal firm referred to in paragraph 1 above, the external legal firm did not report on the merits of the case since the matter was *sub judice*.

In addition to the above, the Company has also received four notices from the Claimant claiming (i) Rs. 1,800 lacs as per notices dated 30 May, 2018 and 1 June, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June, 2018; and (iii) and Rupees 1,962 lacs as per notice dated 4 June, 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, the certain party has also alleged rights to invest in the Company. It has also alleged failure on part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. The Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment has been made in these Consolidated Annual Results, with respect to these claims.

Since the matter is *sub-judice*, the outcome of which is not determinable at this stage, we are unable to comment on the consequential impact, if any, of the same on these Consolidated Annual Results, included in the Consolidated Statement.



4. a) As explained in Note 8 and Note 23(d)(ii) and (vi) of the Consolidated Statement, a wholly owned subsidiary of the Company has granted loans in the form of ICDs to three borrower companies, which are stated to have been secured at the time of grant on July 1, 2017. However, it has been noted in the Investigation Report that:
- i. there were certain systemic lapses and override of internal controls including shortcomings in executing documents and creating a security charge. The charge was later on created in February 2018 for the ICDs granted in July 2017 while the Group was under financial stress; and
 - ii. there were certain systemic lapses in respect to the assignment of the ICDs and subsequent termination of the arrangement, viz., no diligence was undertaken in relation to assignment, it was not approved by the Treasury Committee and was antedated. The Board of the subsidiary took note of the same only in February 2018.

Further, we note from the Investigation Report that the external legal firm was unable to assess as to whether the security (charge) is realisable considering the nature of assets held by the borrower companies.

In view of the above, we are unable to comment whether aforesaid loans and advances made by the subsidiary on the basis of security have been properly secured or whether they are prejudicial to the interests of the Group.

- b) As explained in Note 23(d)(i) of the Consolidated Statement, in respect of the ICDs placed, the Investigation Report has stated that a roll-over mechanism was devised whereby, the ICDs were repaid by cheque by the borrower companies at the end of each quarter and fresh ICDs were released at the start of succeeding quarter under separately executed ICD agreements. Further, in respect of the roll-overs of ICDs placed on July 1, 2017 with the borrower companies, Subsidiary utilized the funds received from the Company for the purposes of effecting roll-over.

We are unable to determine whether these transactions in substance represent book entries or whether they are prejudicial to the interests of the Group as these were simultaneously debited and credited to the bank statement.

However, as explained in Note 8 of the Consolidated Statement, the Company's Management has, in the Consolidated Annual Results, fully provided for the outstanding balance of the ICDs and the interest accrued thereon as at March 31, 2018.

- c) As explained in Note 23(d) (viii), during the year, the Company through its subsidiary (i.e. Escorts Heart Institute and Research Centre Limited ("EHIRCL")), acquired 71% equity interest in Fortis Healthstaff Limited at an aggregate consideration of Rupees 3.46 lacs. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rupees 794.50 lacs to a promoter group company. Certain documents suggest that the loan repayment by Fortis Healthstaff Limited and some other payments to the promoter group company may have been ultimately routed through various intermediary companies and used for repayment of the ICDs /vendor advance to Group.

Further as explained in Note 23 (e), the Company through its subsidiary (i.e. Fortis Hospitals Limited ("FHsL")) acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of the share purchase transaction, FHsL advanced a loan to Fortis Emergency Services Limited, which was used to repay an outstanding unsecured loan amount to the said promoter group company. It may be possible that the loan repayment by Fortis Emergency Services Limited to the said promoter group company was ultimately routed through various intermediary companies and was used for repayment of the ICDs /vendor advance to FHsL.



With regard to the above acquisitions, we are informed that pre-approval from the Audit Committee was obtained for acquiring the equity interest, but not for advancing the loans to these subsidiaries. Further, we understand that the aggregate of the amounts paid towards acquisition of shares and the loans given in the aforesaid transactions were substantially higher than the enterprise value of these companies at the time of acquisition, as determined by the Group.

In view of the above, we are unable to determine whether these transactions are prejudicial to the interests of the Group.

5. As explained in Note 23(f) of the Consolidated Statement, related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 23 (d) (iv), (ix) and (x) of the Consolidated Statement) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Group and, hence, not known to the Management.

In the absence of all required information, we are unable to comment on the completeness/accuracy of the related party relationships as required under Ind AS 24 – Related Party Disclosures, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and the compliance with the other applicable regulations and the consequential impact, if any, of the same on these Consolidated Annual Results included in the Consolidated Statement.

6. As explained in Note 28 of the Consolidated Statement, the Company through its overseas subsidiaries made investments in an overseas fund. Subsequent to the year end, investments held in the fund were sold at a discount of 10%. As at March 31, 2018, the consequential foreseeable loss of Rupees 5,510 lacs (between the previously recorded carrying value of the investment and the amount subsequently realised) has been considered in these Consolidated Annual Results.

In absence of sufficient information available with the Group demonstrating the reasonability of the discount recorded as provision for foreseeable loss in the value of the investment in the overseas fund, we are unable to comment on the same.

7. As explained in Note 26 of the Consolidated Statement, the Company, having considered all necessary facts and taking into account external legal advice, has decided to treat as *non est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. The external legal counsel has also advised that the payments made to him under this LoA would be considered to be covered under the limits of section 197 of the Companies Act, 2013. The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company has sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs is shown as recoverable in the Consolidated Annual Result. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees 2,002 lacs has been made which has been shown as an exceptional item.



As stated above, due the nature of dispute and uncertainty involved, we are unable to comment on the tenability of the refund claim, the provision made for the uncertainty in recovery of the amounts, the recovery of the assets in possession of the erstwhile Director and other non-compliances, if any, with the applicable regulations and the consequential impact, if any, of the same on these Consolidated Annual Results, included in the Consolidated Statement.

E. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on separate financial statements and the other financial information of subsidiaries, associates and joint ventures referred to in paragraphs G.1. to G.3 below:

1. the Consolidated Statement includes the results of the following entities:
 - a. Fortis Healthcare Limited (the Parent / Company)
 - b. Fortis Hospitals Limited ("FHsL") (wholly owned subsidiary of the Company) and results of its subsidiaries and joint ventures:
 - i. Birdie & Birdie Realtors Private Limited (wholly owned subsidiary of FHsL)
 - ii. Fortis C-Doc Healthcare Limited (joint venture of FHsL)
 - iii. Fortis Health Management (East) Limited (wholly owned subsidiary of FHsL)
 - iv. Fortis Cancer Care Limited ("FCCL") (wholly owned subsidiary of FHsL) and the results of its subsidiary Lalitha Healthcare Private Limited
 - v. Fortis Cauvery (joint venture of FCCL)
 - vi. Fortis Malar Hospitals Limited (subsidiary of FHsL) and the results of its wholly owned subsidiary Malar Stars Medicare Limited.
 - vii. Fortis Emergency Services Limited (wholly owned subsidiary of FHsL)
 - viii. Stellant Capital Advisory Services Private Limited (wholly owned subsidiary of FHsL) and the results of its wholly owned subsidiary Religare Health Trust Trustee Manager Pte Limited.
 - ix. Fortis Global Healthcare (Mauritius) Limited (wholly owned subsidiary of FHsL w.e.f 4 October, 2016)
 - c. Escorts Heart Institute and Research Centre Limited ("EHIRCL") (wholly owned subsidiary of the Company) and results of its subsidiaries and associate:
 - i. Fortis Health Staff Limited (wholly owned subsidiary of EHIRCL)
 - ii. Fortis Asia Healthcare Pte. Limited (wholly owned subsidiary of EHIRCL) and the results of its wholly owned subsidiary Fortis Healthcare International Pte. Limited ("FHIPL")
 - iii. Lanka Hospitals Corporation Plc (associate of FHIPL)
 - iv. Fortis Healthcare Middle East LLC (subsidiary of FHIPL)
 - v. Mena Healthcare Investment Company Limited (subsidiary of FHIPL) and the results of its wholly owned subsidiary Medical Management Company Limited
 - vi. SRL Diagnostics FZ-LLC (wholly owned subsidiary of FHIPL) up to 07 July, 2016
 - d. SRL Limited ("SRL") (subsidiary of the Company) and the results of its subsidiaries and joint ventures:
 - i. SRL Diagnostics Private Limited (wholly owned subsidiary of SRL)
 - ii. SRL Reach Limited (wholly owned subsidiary of SRL)
 - iii. DDRC SRL Diagnostics Services Private Limited (joint venture of SRL)
 - iv. Super Religare Reference Laboratories (Nepal) Private Limited (joint venture of SRL)
 - v. SRL Diagnostics FZ-LLC (wholly owned subsidiary of SRL) with effect from 07 July, 2016
 - e. Hiranandani Healthcare Private Limited (wholly owned subsidiary of the Company)



- f. Fortis Healthcare International Limited ("FHIL") (wholly owned subsidiary of the Company) and results of its subsidiaries and associates:
 - i. Fortis Global Healthcare (Mauritius) Limited (wholly owned subsidiary of FHIL up to 3 October, 2016)
 - ii. Fortis Medicare International Limited (associate of FHIL) up to 07 September, 2017
 - iii. RHT Health Trust (previously known as Religare Health Trust) and its subsidiaries (associate of FHIL)
 - iv. Medical and Surgical Centre Limited (associate of FHIL)
 - g. Fortis La Femme Limited (wholly owned subsidiary of the Company)
 - h. Fortis Hospotel Limited (subsidiary of the Company) with effect from 13 October, 2016.
2. the Consolidated Statement, read with Note 2 of the Consolidated Statement, is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016; and
 3. except for the effects / possible effects of the matters described in section D. Basis for Qualified Opinion above, the Consolidated Annual Results included in the Consolidated Statement gives a true and fair view in conformity with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India of the net loss, Total comprehensive loss and other financial information of the Group for the year ended March 31, 2018.

F. Emphasis of Matter

1. We draw attention to the following Notes in the Consolidated Statement
 - (a) Note 11 b) relating to outcome of income tax assessments in respect of Escorts Heart Institute and Research Centre Limited (EHIRCL), one of the subsidiaries in the Group, regarding amalgamation of two Societies and its subsequent conversion to EHIRCL.
 - (b) Notes 11 a) and 11 c) relating to the outcome of the civil suit / arbitrations with regard to termination of certain land leases allotted by Delhi Development Authority (DDA) and the matter related to non-compliance with the order of the Honourable High Court of Delhi in relation to provision of free treatment / beds to poor by Escorts Heart Institute and Research Centre Limited.
 - (c) Note 12 regarding matter relating to termination of Hospital lease agreement of Hiranandani Healthcare Private Limited, one of the subsidiaries in the Group, by Navi Mumbai Municipal Corporation ('NMMC') vide order dated January 18, 2018.

Based on the advice given by external legal counsel, no provision/ adjustment has been considered necessary by the Management with respect to the above matters in these Consolidated Annual Results, included in the Consolidated Statement.

Our opinion is not modified in respect of these matters.

2. We draw attention to Note 29 of the Consolidated Statement wherein it has been explained that the Consolidated Annual Results have been prepared on a going concern basis for the reasons stated in the said Note.

Our opinion is not modified in respect of these matters.



G. Other Matters

1. We did not audit the financial statements of 4 subsidiaries included in the Consolidated Annual Results, whose financial statements reflect total assets of Rupees 21,336 lacs as at 31 March, 2018, total revenues of Rupees 814 lacs, total net loss after tax of Rupees 2,447 lacs and total comprehensive loss of Rupees 2,440 lacs for the year ended on that date, as considered in the Consolidated Annual Results. The Consolidated Annual Results also include the Group's share of net profit of Rupees 591 lacs and Total comprehensive income of Rupees 595 lacs for the year ended 31 March, 2018, as considered in the Consolidated Annual Results, in respect of 1 joint venture, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Annual Results included in the Consolidated Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint venture, is based solely on the reports of the other auditors.
2. We did not audit the financial statements of 4 subsidiaries, whose financial statements, prepared under Singapore Financial Reporting Standards "SFRS" and International Financial Reporting Standards "IFRS", reflect total assets of Rupees 100,456 lacs as at 31 March, 2018, total revenues of Rupees 5,913 lacs, total net loss after tax of Rupees 9,488 lacs and total comprehensive loss of Rupees 9,106 lacs for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. The financial statements of the subsidiaries prepared in accordance with SFRS have been audited by other auditors who have submitted their conclusions, prepared under generally accepted auditing standards of their respective countries. The Management of the Company has converted these financial statements of the subsidiaries to Ind AS, for the purpose of the preparation of the Consolidated Statements. Our report in so far it relates to amount and disclosures included in respect of the subsidiaries, is based solely on the report of other auditors and the conversion adjustments prepared by the Management and audited by us.
3. We did not audit financial statements of 3 overseas associates and 1 overseas joint venture included in the consolidated results whose financial statements, prepared under Singapore Financial Reporting Standards "SFRS" and Nepal Accounting Standard "NAS" respectively, reflect Group's share of net profit of Rupees 6,403 lacs and Total comprehensive income of Rupees 6,020 lacs for the year ended 31 March, 2018, as considered in the Consolidated Annual Results. The financial statements of the associates prepared in accordance with SFRS and joint venture prepared in accordance with NAS have been audited by other auditors who have submitted their conclusions, prepared under generally accepted auditing standards of their respective countries. The Management of the Company has converted these financial statements of the joint venture and associates to Ind AS, for the purpose of the preparation of the Consolidated Statement. Our opinion on the Consolidated Annual Results included in the Consolidated Statement, in so far it relates to amount and disclosures included in respect of the joint venture and associates, is based solely on the report of other auditors and our audit of the conversion process followed by the Management.

Our opinion on the Consolidated Annual Results included in the Consolidated Statement is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors.

4. The Consolidated Annual Results included in the Consolidated Statement includes the unaudited financial statements of 8 subsidiaries, whose financial statements reflect total assets of Rupees 11,281 lacs as at 31 March, 2018, total revenue of Rupees 13,075 lacs, total net loss after tax of Rupees 826 lacs and Total Comprehensive loss of Rupees 813 lacs for the year ended 31 March, 2018, as considered in the Consolidated Annual Results. The Consolidated Annual Results also includes the Group's share of profit after tax of Rupees 223 lacs and total Comprehensive Income of Rupees 787 lacs for the year ended 31 March, 2018, as considered in the Consolidated Annual Results, in respect of 3 associates and 2 joint venture, whose financial statements have not been audited by us. These financial statements



are unaudited and have been furnished to us by the Management and our opinion on this Consolidated Annual Results included in the Consolidated Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, joint venture and associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the Consolidated Annual Results included in the Consolidated Statement is not modified in respect of the above matters with respect to our reliance on the financial statements certified by the Management.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366 W/W-100018)




RASHIM TANDON
Partner
(Membership No. 095540)

Gurugram, 07 July, 2018
RT/YK/2018

FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

(Rupees In lacs)

Particulars	Consolidated				
	Quarter ended			Year ended	
	31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Audited	Audited
1. Income from operations	108,638	112,065	112,343	456,081	457,371
2. Other income (refer note 4)	1,871	4,262	3,607	13,973	16,601
3. Total income (1+2)	110,509	116,327	115,950	470,054	473,972
4. Expenses					
(a) Cost of material consumed	22,993	25,063	24,561	99,902	99,756
(b) Employee benefits expenses	20,612	23,401	23,327	90,565	90,541
(c) Finance costs	6,415	6,320	6,661	25,779	22,944
(d) Hospital service fee	9,210	9,442	9,248	37,862	50,508
(e) Professional charges to doctors	14,216	14,308	13,716	57,056	53,472
(f) Net depreciation & amortisation	6,028	5,902	6,301	23,896	22,218
(g) Other expenses	40,340	34,692	33,591	143,384	127,806
Total expenses	119,814	119,128	117,405	478,444	467,245
5. Net profit / (loss) from continuing operations before share in profit/ (loss) of associates and joint ventures (3-4)	(9,305)	(2,801)	(1,455)	(8,390)	6,727
6. Add : Share in profit /(loss) of associate companies and joint ventures (refer note 15)	306	1,170	410	5,316	48,606
7. Net profit / (loss) before exceptional items and tax (5+6)	(8,999)	(1,631)	(1,045)	(3,074)	55,333
8. Exceptional gain/ (loss) (refer note 7)	(83,350)	(20)	(77)	(88,103)	(164)
9. Profit / (loss) before tax from continuing operations (7-8)	(92,349)	(1,651)	(1,122)	(91,177)	55,169
10. Tax expense/ (credit)	(917)	259	2,630	2,265	7,240
11. Net profit / (loss) for the period from continuing operations (9-10)	(91,432)	(1,910)	(3,752)	(93,442)	47,929
12. Profit from discontinued operations before tax	-	-	-	-	-
13. Tax expense of discontinued operations	-	-	-	-	-
14. Net profit / (loss) for the period from discontinuing operations (12-13)	-	-	-	-	-
15. Net profit / (loss) for the period (11+14)	(91,432)	(1,910)	(3,752)	(93,442)	47,929
16. Profit/ (loss) from continuing operations attributable to:					
Owners of the Company	(93,202)	(3,676)	(6,783)	(100,923)	42,167
Non-Controlling Interest	1,770	1,766	3,031	7,479	5,762
17. Profit/ (loss) from discontinuing operations attributable to:					
Owners of the Company	-	-	-	-	-
Non-Controlling Interest	-	-	-	-	-
18. Other Comprehensive Income/(loss) (including OCI relating to associates and joint venture (after tax)) ('OCI')	1,360	973	(470)	367	(2,734)



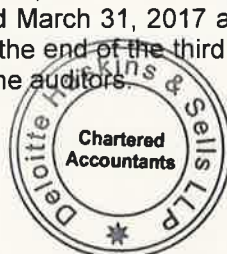
FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

(Rupees In lacs)

Particulars	Consolidated				
	Quarter ended			Year ended	
	31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Unaudited (Refer note 2)	Audited	Audited
19. Total comprehensive Income/(Loss) (15+18)	(90,072)	(937)	(4,222)	(93,075)	45,195
20. Total comprehensive Income/(Loss) attributable to:					
Owners of the Company	(91,889)	(2,691)	(7,229)	(100,541)	39,457
Non Controlling interest	1,817	1,754	3,007	7,466	5,738
21. Paid-up equity share capital (Face Value Rupees 10 per Share)	51,866	51,852	51,773	51,866	51,773
22. Reserves				354,307	462,576
23. Earnings per equity share for continuing operations					
Basic earnings (loss) per share - In Rupees	(17.97)	(0.71)	(0.79)	(19.46)	8.87
Diluted earnings (loss) per share - In Rupees	(17.97)	(0.71)	(0.79)	(19.46)	8.87
24. Earnings per equity share for discontinued operations					
Basic earnings (loss) per share - In Rupees	-	-	-	-	-
Diluted earnings (loss) per share - In Rupees	-	-	-	-	-
25. Earnings per equity share from continuing and discontinued operations					
Basic earnings (loss) per share - In Rupees	(17.97)	(0.71)	(0.79)	(19.46)	8.87
Diluted earnings (loss) per share - In Rupees	(17.97)	(0.71)	(0.79)	(19.46)	8.87
26. Earnings before depreciation and amortization expense, finance costs, exceptional items, tax expenses and share in profit /(loss) of associate companies and joint ventures (EBITDA) (refer note 5)	3,138	9,421	11,507	41,285	51,889

Notes to the results

- The above financial results for the quarter and year ended March 31, 2018 have reviewed by the Audit and Risk Management Committee and approved by the Board of Directors at their meetings held on July 06, 2018.
- The Auditors report on the results for the quarter ended 31 December, 2017 and 30 September, 2017 contained a disclaimer of opinion on the financial statement results. Figures for the quarter ended March 31, 2018, included in the Consolidated Statement, is the balancing figure between audited figure in respect of the full financial year and the published year to date figures up to the end of third quarter of the relevant financial year, which contained a disclaimer of opinion. The figures for the quarter ended March 31, 2017 are the balancing figures between audited figures in respect of the full financial year ended March 31, 2017 and the unaudited published year to date figures up to December 31, 2016, being the end of the third quarter of the respective financial years, which were subject to limited review by the auditors.



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

3. The financial results along with the comparatives have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 Interim Financial Reporting, prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued there under and the other accounting principles generally accepted in India.
4. Other income includes interest income from Inter-Corporate Deposits (ICDs) and from Banks, foreign exchange fluctuation gain (net), profit on sale of assets (net), fair value adjustments, dividend on investments, forward cover premium amortization (net) and miscellaneous income, etc. whichever is relevant for the period.
5. The Company has presented Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) additionally in the financial results. In its measurement, the Group includes other income, but does not include depreciation and amortization expense, finance costs, exceptional items, tax expenses and share in profit/(loss) of associates and joint ventures.
6. **Balance Sheet:**

Particulars	(Rupees in lacs)	
	As at 31-Mar-18 (Audited)	As at 31-Mar-17 (Audited)
ASSETS		
Non-current assets		
(a) Property, plant and equipment	284,898	297,399
(b) Capital work-in-progress	19,401	23,538
(c) Goodwill	204,880	232,587
(d) Other intangible assets	9,426	11,918
(e) Intangible assets under development	3,206	3,274
(f) Financial assets		
(i) Investments		
a) Investments in associates/Joint venture	139,686	148,627
(ii) Trade receivables	-	1,093
(iii) Loans	35	1,749
(iv) Other financial assets	6,206	8,923
(g) Non-current tax assets (Net)	33,149	38,329
(h) Deferred tax assets (Net)	29,512	23,314
(i) Other non-current assets	3,618	3,464
Total non-current assets	734,017	794,215
Current assets		
(a) Inventories	6,663	6,157
(b) Financial assets		
(i) Other investments	33,506	39,160
(ii) Trade receivables	47,019	47,294
(iii) Cash and cash equivalents	12,962	54,430
(iv) Bank balances other than (iii) above	9,006	219
(v) Loans	1,649	8,693
(vi) Other financial assets	12,266	11,106
(c) Other current assets	4,732	5,744
	127,803	172,803
Assets classified as held for sale	349	4,679
Total current assets	128,152	177,482
Total assets	862,169	971,697



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

(Rupees in lacs)

Particulars	As at 31-Mar-18 (Audited)	As at 31-Mar-17 (Audited)
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	51,866	51,773
(b) Other equity	354,307	462,576
Equity attributable to owners of the Company	406,173	514,349
Non-controlling interests	125,523	116,728
Total equity	531,696	631,077
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	94,813	127,870
(ii) Other financial liabilities	1,244	1,447
(b) Provisions	6,370	5,510
(c) Deferred tax liabilities (Net)	14,311	12,887
(d) Other non-current liabilities	255	261
Total non-current liabilities	116,993	147,975
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	45,229	68,034
(ii) Trade payables	78,296	58,866
(iii) Other financial liabilities	70,817	40,674
(b) Provisions	6,659	6,460
(c) Current tax liabilities (Net)	276	1,581
(d) Other current liabilities	12,079	12,454
Liabilities directly associated with assets classified as held for sale	124	4,576
Total current liabilities	213,480	192,645
Total liabilities	330,473	340,620
Total equity and liabilities	862,169	971,697



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

7. Exceptional gain/ (loss) included in the above consolidated financial results include (also refer matter described in Note 28):

(Rupees in lacs)

S. No	Particulars	Quarter ended			Year ended	
		31-Mar-18	31-Dec-17	31-Mar-17	31-Mar-18	31-Mar-17
(a)	Impairment of goodwill on consolidation in books pertaining to certain cash generating units (CGU's) and impairment on closure of one hospital facility	(23,175)	-	-	(27,764)	-
(b)	Impairment of investment in a associate	(4,905)	-	-	(4,905)	-
(c)	Reversal of impairment of goodwill and assets of a CGU	-	-	-	-	196
	Impairment of investment & Goodwill (A)	(28,080)	-	-	(32,669)	196
(a)	Allowance for Inter-corporate deposits and interest thereon (refer note 8)	(44,503)	-	-	(44,503)	-
(b)	Allowance for advance and security deposit given to body corporate along with impairment of Capital work-in-progress (refer note 9)	(5,333)	-	-	(5,333)	-
(c)	Allowance for loan given to body corporate and interest thereon (refer note 10)	(2,549)	-	-	(2,549)	-
(d)	Allowance for loan given to an associate and interest thereon	(1,623)	-	-	(1,623)	-
(e)	Expenses on composite scheme of arrangement and amalgamation	5	(20)	(90)	(159)	(373)
(f)	Exceptional gain on recovery of salary & other reimbursements paid in previous year (refer note 26)	735	-	-	735	-
(g)	Allowance for amount recoverable for salary & other reimbursement of expenses (refer note 26)	(2,002)	-	-	(2,002)	-
(h)	Statutory Bonus (net)	-	-	13	-	13
	Other provisions & exceptional item (B)	(55,270)	(20)	(77)	(55,434)	(360)
	Net exceptional gain/ (loss) [Total (A)+(B)]	(83,350)	(20)	(77)	(88,103)	(164)

8. FHsL, a wholly owned subsidiary of the Company, had placed Secured Short-Term Investments in the nature of Inter Corporate Deposits (ICDs) with three companies ('borrowers') aggregating to Rupees 49,414 lacs on July 1, 2017 for a term of 90 days (of which Rupees 40,243 lacs remained outstanding as of March 31, 2018). Further, FHsL received intimation that the borrowers became a part of the Promoter Group with effect from December 15, 2017. These borrowers continued to be related parties until February 16, 2018 when the shareholding of the Promoter Group in the Company reduced to 0.77%.

In terms of agreements dated September 30, 2017, FHsL assigned the outstanding ICDs to a third party ('Assignee company'). Such assignments were subsequently terminated on January 5, 2018.



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

On February 28, 2018, these ICDs were secured by way of a charge on the present and future assets of the Borrowers.

As at March 31, 2018, ICDs aggregating to Rupees 44,503 lacs (as at March 31, 2017 Rupees Nil) including interest accrued thereon of Rupees 4,260 lacs (as at March 31, 2017 Rupees Nil) remained outstanding.

On failure to meet repayment obligations by the Borrowers, FHsL initiated legal action to recover the outstanding ICDs, including interest thereon. FHsL has accrued for the interest on the ICDs for the purpose of including the same in the legal claim on the borrowers.

In view of the uncertainty in realisability of the security and/or collection of the amounts, the amounts due, including interest accrued, aggregating to Rupees 44,503 lacs as at March 31, 2018 has been provided for in the Consolidated Ind AS Financial Statements.

Reference is invited to Note 23 regarding the findings in the Investigation Report which indicate that the placement of the ICDs, including the method of such placement, their subsequent assignment and the cancellation of such assignment were done without following the normal treasury operations and treasury mandate; and without specific authorization by the Board of FHsL of such policies.

9. The Company and its subsidiary SRL Limited had paid security deposits and advances aggregating to Rupees 2,676 lacs in the financial year 2013-14 and 2017-18 respectively, to a private company ("Lessor") towards lease of office space. Due to delays in obtaining occupancy certificate (OC), the lease agreement/MOUs were terminated by the Company or expired during the current year. SRL Limited attempted to encash the cheques issued by the Lessor for refund of the advance paid but the same were returned unpaid. The amounts outstanding from the Lessor as at March 31, 2018 aggregated to Rupees 2,676 lacs. Additionally, expenditure aggregating to Rupees 2,657 lacs was incurred towards capital work-in-progress on the premises proposed to be take on lease from the Lessor, which amount is also being claimed from the Lessor pursuant to the aforesaid termination. The Company has invoked arbitration against the Lessor and issued a Legal Notice under Section 21 of the Arbitration and Conciliation Act 1996. The subsidiary, SRL Limited, has serve legal notice under Section 138 of the Negotiable Instruments Act against the body corporate.

In view of the facts stated above and the uncertainty in the ultimate recovery of the aforesaid balances, the Group has recorded provisions aggregating to Rupees 5,333 lacs in these Consolidated Financial Results (also refer to note 23(d)(ix)).

10. FHsL, a wholly owned subsidiary of the Company, had advanced moneys to an entity towards acquisition of property in Mumbai in financial year 2013-14 which did not materialize. Of the total advance of Rupees 10,000 lacs, a balance of Rupees 2,375 lacs is outstanding as of March 31, 2018. Post-dated cheques received from the entity have been dishonoured, and FHsL has initiated legal proceedings in this regard. FHsL has accrued for the interest amounting to Rupees 174 lacs upto March 31, 2018 on the advance for the purpose of including the same in the legal claim on the entity.

In view of the facts stated above and the uncertainty in the ultimate recovery of the aforesaid balances, the Group has recorded provisions aggregating to Rupees 2,549 lacs towards the amounts due, including interest, in these Consolidated Financial Results. (also refer to note 23(d)(ix)).

11. In case of one of the subsidiaries ("Escorts Heart Institute and Research Centre Limited") ('EHIRCL'), that was formed after amalgamation of Escorts Heart Institute and Research Centre ('EHIRC'), Delhi Society with EHIRC, Chandigarh Society and thereafter registration of EHIRC, Chandigarh Society as a company:

- a) Delhi Development Authority ('DDA') had terminated the lease deeds and allotment letters relating to land parcels on which a hospital of EHIRCL exists. Consequent to termination, DDA issued show cause notice and initiated eviction proceedings against EHIRCL. Both these matters are currently pending before the Hon'ble High Court of Delhi, Hon'ble Supreme Court



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and Estate Officer. Based on the external legal counsel opinions, The Company is confident that EHIRCL will be able to suitably defend the termination order and eviction proceedings and accordingly considers that no adjustments are required to the Consolidated Financial Results.

- b) Further, EHIRCL also has open tax demands of Rupees 9,627 lacs (after adjusting Rupees 13,342 lacs of an escrow account which was maintained out of sale consideration payable by the Company to the erstwhile promoters) for various assessment years. Further, as per the Share Purchase Agreement, one third of any excess of the net demand, amounting to Rupees 3,209 lacs after adjusting the recovery from escrow account, would be borne by the said erstwhile promoters and the rest by the Company. During the year ended March 31, 2015, the Commissioner of Income Tax (Appeals) decided the case in favour of EHIRCL. Income Tax Department has filed an appeal before Income Tax Appellate Tribunal (ITAT), and the matter is currently pending at ITAT. Based on management assessment, Group believes that it has good chance of success in these cases.
- c) In relation to the judgement of the Hon'ble High Court of Delhi relating to provision of free treatment/ beds to poor, Directorate of Health Services ('DoHS'), Government of NCT of Delhi, appointed a Firm to calculate "unwarranted profits" arising to it due to non-compliance. During the year ended March 31, 2014, the Special Committee of DoHS stated that before giving a hearing to the hospital, a formal intimation shall be given regarding the recoverable amount as per calculation of the appointed Firm, which as per their method of calculations amounts to Rupees 73,266 lacs for the period 1984-85 to 2011-12, seeking hospital's comments and inputs, if any. The company responded to the said intimation explaining errors and objections to the calculations. During the year ended March 31, 2016, EHIRCL received notice from DoHS to appear for a formal and final hearing which raised a demand of Rupees 50,336 lacs for the period till FY 2006 -2007, against which the Company again responded explaining errors and objections to the calculations. During the quarter ended June 30, 2016, DoHS issued a demand notice dated June 9, 2016 directing EHIRCL to deposit Rupees 50,336 lacs within one month. EHIRCL challenged the demand notice by way of a writ petition in Hon'ble High Court of Delhi which vide order dated August 1, 2016 has set aside the demand and disposed of the petition of EHIRCL. DoHS agreed to grant hearing to EHIRCL on the reply submitted to it. Hearings have been held before DoHS but an order dated May 28, 2018 (subsequent to year ended March 31 2018) was passed imposing the penalty of Rupees 50,336.53 lacs. This order was challenged before the Delhi High Court and the Court vide order dated June 1, 2018 has issued notice and directed that no corrosive steps may be taken subject to EHIRCL depositing a sum of Rupees 500 lacs before the concerned authority. EHIRCL has deposited Rs 500 lacs on June 20, 2018. Based on its internal assessment and advice from its counsels on the basis of the documents available, The Group believes that it is in compliance of conditions of free treatment and free beds to the poor and expects the demand to be set aside.

12. In case of one of the subsidiaries ("Hiranandani Healthcare Private Limited") ('HHPL'):

Navi Mumbai Municipal Corporation ('NMMC') has terminated the Hospital lease agreement with HHPL vide order dated 18 January, 2017 (Termination Order) for certain alleged contravention of the Hospital Lease agreement. NMMC has granted a period of one month to HHPL to hand over the possession of the hospital to NMMC and also directed HHPL not to admit any new patients. HHPL has filed Writ Petition before the Hon'ble Supreme Court of India challenging the Termination Order. The Writ Petition has been tagged with Special Leave Petition also filed by HHPL inter alia challenging the actions of State Government, City Industrial Development Corporation and NMMC which led to the passing of the said Termination Order. The Hon'ble Supreme Court of India in the hearing held on 30 January, 2017 ordered "Status Quo". SLP has been admitted on January 22, 2018 and "Status Quo" has been continuing. Based on the external legal counsel opinion, management is confident that HHPL is in compliance of conditions of Hospital Lease Agreement and accordingly considers that no adjustment is required to the Consolidated Financial Results.

13. A third party (to whom the ICDs were assigned – refer note 8 above) ("Assignee" or "Claimant") has filed a Civil Suit before the District Court, Delhi in February 2018 against various entities including the Company (together "the defendants") and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La Femme" in addition to certain financial claims and for passing a decree that consequent to a Term Sheet dated December 6, 2017 ('Term Sheet') with a certain



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party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit (also refer note 23).

The Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company has in its written statement also stated that it has not signed the alleged binding Term Sheet with certain party.

In addition to the above, the Company has also received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated 30 May, 2018 and 1 June, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June 2018; and (iii) Rupees 1,962 lacs as per notice dated 4 June 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, a certain party has also alleged rights to invest in the Company. It has also alleged failure on part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment has been made in these Consolidated Financial Statements with respect to these claims.

14. During the previous year ended March 31, 2017, the Company completed acquisition of control in Fortis Hospotel Limited ('FHTL') by way of acquiring 51% economic interest over equity through purchase of the compulsorily convertible debentures (CCDs) from Fortis Global Healthcare Infrastructure Pte Ltd (FGHIPL) and amendment to the Shareholders Agreement with Fortis Health Management Limited (FHML). FGHIPL and FHML are subsidiaries of RHT Health Trust (RHT) which is an associate of the Group. Subsequent to the acquisition of 51% economic interest in FHTL, the consolidated financial results for the year ended March 31, 2017 includes financial results of FHTL for the post acquisition period starting October 13, 2016. As per requirement of Ind AS 103 'Business Combination', the Group has recorded goodwill on acquisition amounting to Rupees 23,376 lacs and fair value of net tangible assets acquired amounting to Rupees 160,494 lacs as at the acquisition date.
15. Share in profit/ (loss) of associate companies and joint ventures for the year ended March 31, 2017 includes the Group's share of profit (in full) of around Rs. 42,117 lacs on gain recognized by its associate (RHT) arising from the disposal of FHTL business to the Company and consequent fair valuation of RHT's residual interest in FHTL under Ind AS 110. The same has been accounted for in full by the Group under Ind AS 28 considering it to be a disposal of a business by RHT, and a business acquisition for the Group accounted under Ind AS 103.
16. The consolidated financial results include financial results of FHTL from October 13, 2016, hence figures for the year ended March 31, 2018 are not comparable with figures for the year ended March 31, 2017.
17. The Board of Directors of the Company at their meeting held on August 19, 2016 approved the proposal to demerge its diagnostic business including that is housed in its majority owned subsidiary SRL Limited ("SRL") into another majority owned subsidiary, Fortis Malar Hospitals Limited ("Fortis Malar") pursuant to a composite scheme of arrangement and amalgamation ("the Composite Scheme").

Subsequent to year-end on dated June 13, 2018, the Board of the Company, SRL and FMHL decided to withdraw from the scheme, subject to the approval of National Company Law Tribunal ("NCLT"). The approval of the NCLT was received on June 15, 2018.



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18. The Board of Directors in their meeting held on November 14, 2017 approved a significant restructuring initiative aimed at consolidating the entire India asset portfolio of RHT Health Trust ("RHT") into the Company and its subsidiaries. The Company and the Trustee Manager of RHT signed a binding Term Sheet on November 14, 2017 and entered into an exclusivity arrangement for the acquisition of all the securities of RHT's entities in India, directly or indirectly holding the clinical establishments and businesses for an enterprise value of approximately Rupees 465,000 lacs ("the Proposed Transaction"). The exclusivity period to execute definitive agreements for the Proposed Transaction was 60 days commencing from the date of the Term Sheet. On January 12, 2018, the parties to the Term Sheet mutually agreed to extend the exclusivity period by an additional period of 31 days from January 12, 2018.

On February 12, 2018, the parties to the Term Sheet entered into definitive agreement(s) with respect to the Proposed Transaction. The completion of the Proposed Transaction is subject to the satisfaction of conditions precedent under the definitive agreement(s) including regulatory approvals and any other approvals as may be required. Requisite approvals of the shareholders of the Company have been obtained

19. During the previous year ended March 31, 2017, the Company allotted 18,070,650 equity shares to Standard Chartered (Mauritius) III Limited against USD 30 Million Foreign Currency Convertible Bonds (FCCB), on exercise of conversion option as per Offering Circular.
20. During the previous year ended March 31, 2017, the Company allotted 35,690,887 equity shares to International Finance Corporation against USD 55 Million FCCB, on exercise of conversion option as per FCCB Subscription Agreement.
21. As on December 31, 2017, the Promoters and Promoter Group entities together held 34.33% of the paid-up capital of the Company of which approximately 98% was pledged to various bank as a security towards the loans raised by the Promoters / Promoter Group entities. In a matter relating to the Promoters and the Promoter Group entities, the Hon'ble Supreme Court of India vide their interim orders dated August 11, 2017 and August, 31, 2017 had directed that status quo was required to be maintained over the shares pledged by the Promoter and Promoter Group entities. Subsequently, the Hon'ble Supreme Court of India in its Order on February 15, 2018, has clarified that the earlier direction to maintain status quo of the promoter holding in the Company shall not apply to shares of the Company as may have been encumbered on or before the date of the interim orders. Based on this clarification, the Banks in whose favor the shares of the Company were pledged have invoked their right over the shares. The holding of the Promoters and Promoter Group entities have reduced to 0.77% of the paid-up capital of the Company as at March 31, 2018.
22. During the year ended March 31, 2018 and until the date of issuance of these financial results, the following changes have occurred in the constitution of the Board of Directors of the Company:
- (a) In November 2017, Ms. Shradha Suri Marwah, resigned as a non-executive independent director of the Company;
 - (b) On February 8, 2018, Mr. Malvinder Mohan Singh, Executive Chairman and Dr. Shivinder Mohan Singh, Non-Executive Vice Chairman, the Promoters of the Company, tendered their resignation from the directorship of the Company, effective immediately. The erstwhile Board of Directors of the Company discussed the matter in detail at their meeting held on February 13, 2018 and accepted these resignations with effect from February 8, 2018.
 - (c) During March 2018, Ms. Joji Sekhon Gill, Dr. Preetinder Singh Joshi and Mr. Pradeep Ratilal Raniga resigned from their directorships in the Company.
 - (d) Mr. Rohit Bhasin was appointed as an additional independent director in the Company in April 2018. He subsequently resigned on June 26, 2018.
 - (e) In April 2018, Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee were appointed as Non-Executive Independent Directors of the Company and their appointment was ratified by the members of the Company in the extra-ordinary general meeting ("EGM") of the Company in May 2018.



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- (f) During May 2018, Mr. Harpal Singh, Director, Lt. Gen. Tejinder Singh Shergill and Ms. Sabina Vaisoha, Additional Directors in the Company, resigned from their directorships in the Company and Dr. Brian Tempest, Independent Director and Chairman of the Audit and Risk Management Committee, disassociated from his position at the behest of the resolution of the members in the EGM held in May 2018.
- (g) Further, Mr. Ravi Rajagopal has been appointed as Chairman of the Board with effect from June 1, 2018. As such, the re-constituted Board of Directors comprises the following directors who were all appointed in April 2018 after the financial year ended March 31, 2018:
- i. Mr. Ravi Rajagopal – Chairman & Independent Director
 - ii. Mr. Indrajit Banerjee - Independent Director
 - iii. Ms. Suvalaxmi Chakraborty - Independent Director
 - iv. Mr. Rohit Bhasin - Independent Director (Additional Director) (Resigned w.e.f June 26, 2018)

together referred to as the "Re-constituted Board".

23. Investigation initiated by the erstwhile Audit and Risk Management Committee:

- (a) There were reports in the media and enquiries from, *inter alia*, the stock exchanges received by the Company about certain inter-corporate loans ("ICDs") given by a wholly owned subsidiary of the Company. The erstwhile Audit and Risk Management Committee of the Company in its meeting on February 13, 2018 decided to carry out an independent investigation through an external legal firm.
- (b) The terms of reference of the investigation, *inter alia*, comprised: (i) ICDs amounting to a total of Rupees 49,414.00 lacs (principal), placed by the Company's wholly-owned subsidiary, FHsL, with three borrowing companies as on July 1, 2017 (refer Note 8 above); (ii) the assignment of these ICDs to a third party and the subsequent cancellation thereof as well as evaluation of legal notice (now a civil suit) received from such third party (refer Notes 13 and 8 above); (iii) review of intra-group transactions for the period commencing FY 2014-15 and ending on December 31, 2017 (refer Note 9 and 10 above); (iv) investments made in certain overseas funds by the overseas subsidiaries of the Company (i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited) (refer Note 28 below); (v) certain other transactions involving acquisition of Fortis Healthstaff Limited ("Fortis Healthstaff") from a promoter group company, and subsequent repayment of loan by said subsidiary to the promoter group company.
- (c) The investigation report ("Investigation Report") was submitted to the re-constituted Board on June 8, 2018.
- (d) The re-constituted Board discussed and considered the Investigation Report and noted certain significant findings of the external legal firm, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their investigation report, as follows:
- i. The Investigation Report, on the basis of documents / emails reviewed and interviews conducted, revealed that the ICDs were not given under the normal treasury operations of the Company/FHsL including under the treasury policy and the mandate of the Treasury Committee; and were not specifically authorized by the Board of FHsL. All ICDs from December 2011 were repaid until March 31, 2016. However, from the first quarter of the financial year 2016-17, it has been observed that a roll-over mechanism was devised whereby, the ICDs were repaid by cheque by the borrower companies at the end of each quarter and fresh ICDs were released at the start of succeeding quarter under separately executed ICD agreements. Further, in respect of the roll-overs of ICDs placed on July 1, 2017 with the borrower companies, FHsL utilized the funds received from the Company for the purposes of effecting roll-over.



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- ii. In respect of ICDs granted, the Investigation Report revealed that there were certain systemic lapses and override of controls including shortcomings in executing documents and creating a security charge. To clarify, the charge was later created in February 2018 for the ICDs granted in July 01, 2017, while the Company/ FHsL was under financial stress.
- iii. While the Investigation Report did not conclude on utilization of funds by the borrower companies, there are findings in the report to suggest that the ICDs were utilized by the borrower companies for granting/ repayment of loans to certain additional entities including those whose current and/ or past promoters/ directors are known to/ connected with the promoters of the Company.
- iv. In terms of the relationship with the borrower companies, there was no direct relationship between the borrower companies and the Company and / or its subsidiaries during the period December 2011 till December 14, 2017 (these borrower companies became related parties from December 15, 2017). The Investigation Report has made observations where promoters were evaluating certain transactions concerning certain assets owned by them for the settlement of ICDs thereby indirectly implying some sort of affiliation with the borrower companies. The Investigation Report has observed that the borrower companies could possibly qualify as related parties of the Company and/ or FHsL, given the substance of the relationship. In this regard, reference was made to Indian accounting Standards dealing with related party disclosures, which states that for considering each possible related party relationship, attention is to be directed to the substance of the relationship and not merely the legal form.
- v. Objections on record indicate that management personnel and other persons involved were forced into undertaking the ICD transactions under the repeated assurance of due repayment and it could not be said that the management was in collusion with the promoters to give ICDs to the borrower companies. Relevant documents/information and interviews also indicate that the management's objections were overruled. However, the former Executive Chairman of the Company, in his written responses, has denied any wrongdoing, including override of controls in connection with grant of the ICDs.
- vi. There were certain systemic lapses in respect to the assignment of the ICDs from FHsL to a third party in September 2017 (and subsequent termination of the arrangement in January 2018), viz., no diligence was undertaken in relation to the assignment, it was not approved by the Treasury Committee and was antedated. The Board of FHsL took note of the same only in February 2018.
- vii. Separately, it was also noted in the Investigation Report that the aforesaid third party to whom the ICDs were assigned has also initiated legal action against the Company. Whilst the matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.
- viii. During the year, the Company through its subsidiary (i.e. Escorts Heart Institute and Research Centre Limited ("EHIRCL")), acquired 71% equity interest in Fortis Healthstaff Limited at an aggregate consideration of Rupees 3.46 lacs. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rupees 794.50 lacs to a promoter group company. Certain documents suggest that the loan repayment by Fortis Healthstaff Limited and some other payments to the promoter group company may have been ultimately routed through various intermediary companies and used for repayment of the ICDs /vendor advance to FHsL / Company.
- ix. The investigation did not cover all related party transactions during the period under investigation and focused on identifying undisclosed parties having direct/indirect relationship with the promoter group, if any. In this regard, it was observed in internal correspondence within the Company that transactions with certain other entities have been referred to as related party transactions. However, no further conclusions have been made in this regard.



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- x. Additionally, it was observed in the Investigation Report that there were significant fluctuations in the NAV of the investments in overseas funds by the overseas subsidiaries during a short span of time. Further, similar to the paragraph above, in the internal correspondence within the Company, investments in the overseas funds have been referred to as related party transactions. The investment was realized at a discount in April 2018 with no loss in the principal value of investments.
- (e) Other Matters:
- In the backdrop of the investigation, the Management has reviewed some of the past information/ documents in connection with transactions undertaken by the Company and certain subsidiaries. It has been noted that the Company through its subsidiary (i.e. Fortis Hospitals Limited ("FHsL")) acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of the share purchase transaction, FHsL advanced a loan to Fortis Emergency Services Limited, which was used to repay an outstanding unsecured loan amount to the said promoter group company. It may be possible that the loan repayment by Fortis Emergency Services Limited to the said promoter group company was ultimately routed through various intermediary companies and was used for repayment of the ICDs /vendor advance to FHsL.
- (f) Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 23 (d) (iv), (ix) and (x) above) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Group and, hence, not known to the Management.
- (g) As per the assessment of the Board, based on the investigation carried out through the external legal firm, and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, have been made in these Consolidated Ind AS Financial Statements.
- (h) With respect to the other matters identified in the Investigation Report, the Board will appoint an external agency of repute to undertake a scrutiny of the internal controls and compliance framework in order to strengthen processes and build a robust governance framework. Towards this end, they will also evaluate internal organizational structure and reporting lines, the delegation of powers of the Board or any committee thereof, the roles of authorized representatives and terms of reference of executive committees and their functional role. We will also assess the additional requisite steps to be taken in relation to the significant matters identified in the Investigation Report, including *inter alia*, initiating an internal enquiry.
- (i) The regulatory authorities are currently undertaking their own investigation (refer Note 24 below), and it is likely that they may make their determination on whether any fraud or any other non-compliance/ illegalities have occurred in relation to the matters addressed in the Investigation Report on the basis of facts, including those facts that the independent investigator would not have had access to, given their limited role and limitations stated in the Investigation Report. Accordingly, in light of the foregoing, the Board of Directors at this juncture is unable to make a determination on whether a fraud has occurred. That said, the Board of Directors is committed to fully co-operating with the relevant regulatory authorities to enable them to make a determination on these matters and to undertake the remedial action, as required under, and to ensure compliance with, applicable law and regulations.

Except for the findings of the Investigation Report, including matters on internal control described above, and inability of the Board of Directors to, at this juncture, make a determination on whether a fraud has occurred on the Company considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as



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described in their Investigation Report, proper and sufficient care has been taken for the 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 fraud and other irregularities

In the event other exposures were to come to light, the Company / FHsL are committed to appropriately addressing the same, including making additional provisions where required.

- (j) Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.

24. Investigation by Various Regulatory Authorities:

- a) The Company received a communication dated February 16, 2018 from the Securities and Exchange Board of India (SEBI), confirming that an investigation has been instituted by SEBI in the matter of the Company. In the aforesaid letter, SEBI has summoned the Company under section 11C (3) of the SEBI Act, 1992 to furnish by February 26, 2018 certain information and documents relating to the short-term investments of Rupees 473 Crores reported in the media. Failure to produce the information required for investigation could result in penalties as provided under section 15A and criminal proceedings under section 11C(6) of the SEBI Act, 1992. SEBI has also appointed forensic auditors to conduct a forensic audit, who are also in the process of collating information from the Company and certain of its subsidiaries. The Company / its subsidiaries are in the process of furnishing all the requisite information and documents requested by SEBI and its forensic auditors.
- b) The Registrar of Companies (ROC) under section 206(1) of the Companies Act, 2013, *inter alia*, had also sought information in relation to the Company. All requisite information in this regard has been duly shared by the Company with the ROC.
- c) The Company has also received a letter from the Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under section 217(1)(a) of the Companies Act, 2013, *inter alia*, initiating an investigation and seeking information in relation to the Company, its material subsidiaries, joint ventures and associates. The Company in the process of submitting all requisite information in this regard with SFIO and has in this regard requested SFIO for additional time to submit the information.
- d) The Investigation Report of the external legal firm has been submitted by the Company to the Securities and Exchange Board of India, the Serious Frauds Investigation Office ("SFIO") on June 12, 2018.

The Company is fully co-operating with the regulators in relation to the ongoing investigations. to enable them to make their determination on these matters. Any further adjustments/disclosures, if required, would be made in the books of account as and when the outcome of the above investigations is known.

25. The Board of Directors approved a Composite Scheme of Arrangement with Manipal Health Enterprises Private Limited on March 27, 2018. Post that the Company received binding bids from IHH Healthcare Berhad, Hero-Burman Consortium, Radiant, and TPG-Manipal Consortium. The Board decided to appoint an Expert Advisory Committee (EAC) & an additional financial advisor to evaluate all binding offers. Subsequently, in the Board Meeting held on May 10, 2018, the Board by majority approved a preferential allotment of equity shares for Rupees 800 Crores and preferential allotment of warrants for Rupees 1,000 Crores to Hero-Burman Consortium. With this the agreement executed with TPG-Manipal Consortium terminated. Further on the May 28, 2018 the Board received a letter from Hero-Burman Consortium giving its consent to initiate a fresh bidding process. As a result, Hero-Burman Consortium's offer accepted by the Board on May 10, 2018 stands mutually terminated. The Board in its meeting held on May 29, 2018 decided to initiate a fresh, time-bound process. The details of the process have been disclosed on National Stock Exchange and BSE Ltd. Pursuant to the above, the Board of Directors of the Company have received binding bids on July



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3, 2018. Upon approval of transaction pursuant to acceptance of the binding bids, there will be change in the capital structure.

26. Letter of Appointment of erstwhile Executive Chairman

The Company having considered all necessary facts and taking into account external legal advice, has decided to treat as *non est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. Basis legal advice taken by the Company, the payments made to him under this LOA would be considered to be covered under the limits of section 197 of the Companies Act, 2013. The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company has sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs (comprising reversal of FY 2016-17 expenditure of Rupees 735 lacs, which has been disclosed as an exceptional income in these Consolidated Financial Results, and expenditure of Rupees 1,267 lacs relating to FY 2017-18) is shown as recoverable in the Consolidated Financial Results of the Company for the year ended March 31 2018. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees 2,002 lacs has been made which has been shown as an exceptional item.

27. SRL, a subsidiary of the Company, has paid Rupees 603 lacs managerial remuneration to its Executive Chairman, Malvinder Mohan Singh, which is in excess of the limits set out under Section 197 of the Companies Act 2013. The amount paid in excess of the limits aggregating to Rupees 48 lacs has been shown as advances recoverable as part of other financial assets. As the Executive Chairman was associated with the subsidiary Company in his capacity of a Whole Time Director till 27 May, 2018, the subsidiary Company will adjust the excess amounts paid to him for the year ended 31 March, 2018 from the amounts payable to him for the period 1 April, 2018 to 27 May, 2018.

28. The Company through its overseas subsidiaries [i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited] made investments in Global Dynamic Opportunity Fund, an overseas fund. Subsequent to the year end, investments held in the Global Dynamic Opportunity Fund were sold at a discount of 10%. As at March 31, 2018, the carrying value of the investment in the overseas fund has been recorded at the net recoverable values based on subsequent realisation. The consequential foreseeable loss of Rupees 5,510 lacs (between the previously recorded carrying value of the investment and the amount subsequently realised) has been considered in these Consolidated Financial Results. (Also refer to note 23).

29. Going Concern

The Group has incurred a net loss of Rupees 93,442 lacs during the year ended March 31, 2018 consequent to various events during the year, which necessitated creating one time provisions in the financial results (refer Notes 7 and 28). These events have adversely impacted the Group's working capital position and its credit rating. Further, the Group's current liabilities exceeded its current assets by Rupees 85,329 lacs as at March 31, 2018.

However, the Group's operations during the year continued to generate positive cash flows from operations and the Management believes that the events stated above do not impact the entity's ability to continue as a going concern due to the following:

1. In June 2018, the Company has secured new line of credit aggregating to Rupees 12,500 lacs. Further, the Company is in process of securing additional line of credit of Rupees 34,000 lacs;



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2. The Group has access to unencumbered assets that can be offered as security for any additional funding requirements in the future.

Accordingly, the Group's financial statement have been prepared on a going concern basis.

Additionally, the Board of Directors have, also, initiated measures to obtain capital infusion into the Group through a bidding process.

30. Subsequent to the year end in May 2018, the Company has sold 18.2 million units of RHT Health Trust, an associate of the Company for a consideration of 13.65 million Singapore Dollars.

31. Management's response to comments of the statutory auditors in the Audit Report

- (a) With regard to the comments of the statutory auditors in paragraph 1 of the Basis for Qualified Opinion of Audit Report, pertaining to the Investigation Report, it is submitted that, based on the investigation carried out by the external legal firm, and the information available at this stage, all identified / required adjustments/ disclosures arising from the findings in the Investigation Report, have been made. However, the Board will be assessing additional requisite steps to be taken to address various matters identified in the report. Further, various regulatory authorities are currently undertaking their own investigation. Any further adjustments/ disclosures, if required, would be made in the books of account, pursuant to the actions to be taken by the Board and as and when the results of the various investigations are known. For more details please refer to Note 23.
- (b) With regard to the comments of the statutory auditors in paragraph 2 of the Basis for Qualified Opinion of Audit Report, pertaining to the recognition of interest income, please refer to Notes 8 and 10.
- (c) With regard to the comments of the statutory auditors in paragraph 3 of the Basis for Qualified Opinion of Audit Report, pertaining to certain claims against the Company, the Company has filed appropriate submissions in the court denying all allegations and praying for dismissal of the suit. For more details, please refer to Note 13.
- (d) With regard to the comments of the statutory auditors in paragraph 4(a) of the Basis for Qualified Opinion of Audit Report, pertaining to matters relating to grant of loans in the form of ICD's to three borrower companies, this is a part of the investigation referred to in point no.1 above. Please refer to Notes 8 and 23 for more details.
- (e) With regard to the comments of the statutory auditors in paragraph 4(b) of the Basis for Qualified Opinion of Audit Report, pertaining to the roll-over of ICDs, this is a part of the investigation referred to in point no.1 above. Please refer to Notes 23 and 8 for more details.
- (f) With regard to the comments of the statutory auditors in paragraph 4(c) of the Basis for Qualified Opinion of Audit Report, pertaining to the acquisition of equity interest in Fortis Healthstaff Limited, this is a part of the investigation referred to in point no.1 above. Please refer to 23 for more details.
- (g) With regard to the comments of the statutory auditors in paragraph 4(c) of the Basis for Qualified Opinion of Audit Report, pertaining to matters relating to acquisition of equity interest in Fortis Emergency Services Limited, please refer to 23.
- (h) With regard to the comments of the statutory auditors in paragraph 5 of the Basis for Qualified Opinion of Audit Report, pertaining to related party transactions, please refer to Note 23.
- (i) With regard to the comments of the statutory auditors in paragraph 6 of the Basis for Qualified Opinion of Audit Report, pertaining to the foreseeable loss in the value in the overseas fund, please note that the consequential foreseeable loss of Rupees 5,510.14 lacs, has been recorded and considered in the consolidated financial statements. For more details, please refer to Note 28.



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- (j) With regard to the comments of the statutory auditors in paragraph 7 of the Basis for Qualified Opinion of Audit Report, pertaining to the LoA issued to the erstwhile Executive Chairman, please note that the Company, having considered all necessary facts, has decided to treat as non est the LoA issued to the erstwhile Executive Chairman and is taking suitable legal measures to recover the payments made to him under the LoA as well as all the Company's assets in this possession. For more details, please refer to Note 26.

Date: July 07, 2018

Place: Gurugram

For and on behalf of the Board of Directors




Ravi Rajagopal
Chairman
DIN: 00067073

