

**Fortis Healthcare Limited**

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South City 1, Sector – 41, Gurgaon,
Haryana – 122 001 (India)

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Website : www.fortishealthcare.com

FHL/SEC/STEX/RR/2018-19**August 9, 2018**

**The National Stock Exchange of India Ltd.
Corporate Communications Department
“Exchange Plaza”, 5th Floor, Bandra-Kurla
Complex, Bandra (East), Mumbai - 400051
Scrip Symbol: FORTIS**

**BSE Limited
Corporate Services Department
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001
Scrip Code:532843**

Sub: Update to Outcome of the Board Meeting dated July 7, 2018

Dear Sir(s),

This is with reference to the intimation made vide FHL/SEC/STEX/RR/2018-19 dated July 7, 2018 captioned “Outcome of the Board Meeting”, please find attached Statement on Impact of Audit Qualifications on the approved Audited Consolidated and Standalone Financial Results of the Company for the quarter and year ended on March 31, 2018.

Further, the Company regretted the delay with respect to intimating the same.

We will keep the stock exchanges updated/informed in this regard. This is for your information and records please. We assure you of our full cooperation at all times.

This is for your information and records please.

Thanking you,

Yours faithfully,

For **Fortis Healthcare Limited**

**Rahul Ranjan
Company Secretary
Membership No.: A17035**

FORTIS HEALTHCARE LIMITED

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018
ON ANNUAL AUDITED STANDALONE FINANCIAL RESULTS**

Qualifications in the Auditor's Report

The re-constituted Board of Fortis Healthcare Limited, wherein all the Board members have been appointed subsequent to the year-end i.e. March 31, 2018, have dealt with the matters stated in the qualifications in statutory auditor's report to the Standalone Financial Results of Fortis Healthcare Limited for the year ended March 31, 2018 ("the Standalone Annual Results") included in the Statement of Standalone Financial Results ("the Standalone Statement") to the extent information was available with them.

Sl. No.	Particulars	(Rupees in lacs)	
		Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
1	Turnover / Total income	79,737	Not Determinable
2	Total Expenditure	86,109	---Do---
3	Net Profit/(Loss)	(6,372)	---Do---
4	Earnings Per Share	(1.23)	---Do---
5	Total Assets	501,567	---Do---
6	Total Liabilities	78,885	---Do---
7	Net Worth	422,682	---Do---
8	Any other financial item(s) (as felt appropriate by the management)	-	-

Qualification D.1 of the Auditor's Report

1. Details of Audit Qualification:

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 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. **Type of Audit Qualification :**
Qualified Opinion

3. **Frequency of qualification:**
First time

4. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
Not Applicable

5. **For Audit Qualification(s) where the impact is not quantified by the auditor:**

(i) **Management's estimation on the impact of audit qualification:**
Not quantifiable.

(ii) **If management is unable to estimate the impact, reasons for the same:**

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 Fortis Hospitals Ltd ("FHsL") a wholly owned subsidiary of Fortis Healthcare Ltd. The erstwhile Audit and Risk Management Committee of the Company in its meeting held on February 13, 2018 decided to carry out an independent investigation through an external legal firm. 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.

(iii) **Auditors' Comments on (i) or (ii) above:**

In view of the fact that the Board will be assessing additional requisite steps to be taken to address various matters identified in the report and various regulatory authorities are currently undertaking their own investigation, 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 the Standalone Annual Results/the Standalone Statement for the year ended March 31, 2018. This has resulted in an audit qualification.

Qualification D.2 of the Auditor's Report

1. **Details of Audit Qualification:**

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.

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Not Applicable.

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not quantifiable.

(ii) If management is unable to estimate the impact, reasons for the same:

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

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 additions to the above, the Company has also received four notices from the Claimant claiming financial claims which has been duly responded to by the Company denying any liability whatsoever.

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

(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) above, 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, on the Standalone Annual Results/the Standalone Statement for the year ended March 31, 2018. This has resulted in an audit qualification.

Qualification D.3 of the Auditor's Report

1. Details of Audit Qualification:

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.

2. Type of Audit Qualification :
Qualified Opinion

3. Frequency of qualification:
First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:
Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:
Not quantifiable.

(ii) If management is unable to estimate the impact, reasons for the same:

The related party relationship 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 and the information available with the Management. 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, not known to the Management.

(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) above, 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 the Standalone Annual Results/the Standalone Statement for the year ended March 31, 2018. This has resulted in an audit qualification.

Qualification D.4 of the Auditor's Report

1. Details of Audit Qualification:

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 Results. 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.

2. Type of Audit Qualification :
Qualified Opinion



3. **Frequency of qualification:**
First time

4. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
Not Applicable

5. **For Audit Qualification(s) where the impact is not quantified by the auditor:**

(i) **Management's estimation on the impact of audit qualification:**
Not quantifiable.

(ii) **If management is unable to estimate the impact, reasons for the same:**

The Company having considered all necessary facts and taking into account 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.

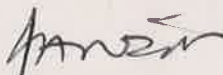
In view of this, the amount paid to him under the aforesaid LOA and certain additional amount reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act, 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs is shown as recoverable in the Standalone Annual Results 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.

(iii) **Auditors' Comments on (i) or (ii) above:**

As explained in (ii) 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 the Standalone Annual Results/the Standalone Statement for the year ended March 31, 2018. This has resulted in an audit qualification.

**For Deloitte Haskins & Sells
LLP**

Firm Registration Number:
117366W/W-100018
Chartered Accountants



Rashim Tandon

Partner

Membership Number: 095540

9/8/2018



For and on behalf of the Board of Directors of

Fortis Healthcare Limited

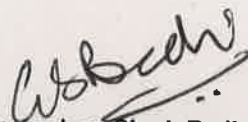


Ravi Rajagopal

Chairman- Audit and Risk Management Committee

Meeting dated July 6, 2018

DIN: 00067073



Gagandeep Singh Bedi

Chief Financial Officer



Bhavdeep Singh

Chief Executive Officer



FORTIS HEALTHCARE LIMITED

**STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018
ON CONSOLIDATED FINANCIAL RESULTS**

Qualifications in the Auditor's Report

The re-constituted Board of Fortis Healthcare Limited, wherein all the Board members have been appointed subsequent to the year-end i.e. March 31, 2018, have dealt with the matters stated in the qualifications in statutory auditor's report on 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 profit/(Loss) of its joint ventures and associates for the year ended March 31, 2018 ("the Consolidated Annual Results") included in the Statement of Consolidated Financial Results ("the Consolidated Statement") to the extent information was available with them.

(Rupees in lacs)

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)#	Adjusted Figures (audited figures after adjusting for qualifications)\$
1	Turnover / Total income	470,054	465,620	Not Determinable
2	Total Expenditure	563,496	559,062	--Do--
3	Net Profit/(Loss)	(93,442)	(93,442)	--Do--
4	Earnings Per Share	(19.46)	(19.46)	--Do--
5	Total Assets	862,169	862,169	--Do--
6	Total Liabilities	330,473	330,473	--Do--
7	Net Worth	531,696	531,696	--Do--
8	Any other financial item(s) (as felt appropriate by the management)	-	-	-

for Qualification D.2 of the Auditor's Report.

\$ for Qualifications D.1, D.3 to D.7 of the Auditor's Report.

Qualification D.1 of the Auditor's Report

1. Details of Audit Qualification:

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. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not quantifiable.

(ii) If management is unable to estimate the impact, reasons for the same:

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 Fortis Hospitals Ltd ("FHSL") a wholly owned subsidiary of Fortis Healthcare Ltd. The erstwhile Audit and Risk Management Committee of the Company in its meeting held on February 13, 2018 decided to carry out an independent investigation through an external legal firm. 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.

(iii) Auditors' Comments on (i) or (ii) above:

In view of the fact that the Board will be assessing additional requisite steps to be taken to address various matters identified in the report and various regulatory authorities are currently undertaking their own investigation, 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 the Consolidated Annual Results/ the Consolidated Statement for the year ended March 31, 2018. This has resulted in an audit qualification.



Qualification D.2 of the Auditor's Report

1. Details of Audit Qualification:

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.

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Fortis Hospitals Ltd ("FHsL"), a wholly owned subsidiary of Fortis Hospitals Ltd, has recognised interest income aggregating to Rupees 4,434 lacs as at March 31, 2018 on doubtful ICDs and property advance since they were due from the respective parties and for the purpose of including the same in the legal claim on the borrowers/entity. In view of the uncertainty in realisability, the interest accrued has been provided for in the Consolidated Annual Results/the Consolidated Statement.

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not Applicable

(ii) If management is unable to estimate the impact, reasons for the same:

Not Applicable

(iii) Auditors' Comments on (i) or (ii) above:

Not Applicable



Qualification D.3 of the Auditor's Report

1. Details of Audit Qualification:

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.

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not quantifiable.



(ii) If management is unable to estimate the impact, reasons for the same:

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

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 additions to the above, the Company has also received four notices from the Claimant claiming financial claims which has been duly responded to by the Company denying any liability whatsoever.

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

(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) above, 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, on the Consolidated Annual Results/the Consolidated Statement for the year ended March 31, 2018. This has resulted in an audit qualification.



Qualification D.4 of the Auditor's Report

1. Details of Audit Qualification:

- 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.

2. Type of Audit Qualification :
Qualified Opinion

3. Frequency of qualification:
First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:
Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:
Not quantifiable

(ii) If management is unable to estimate the impact, reasons for the same:

a) With regard to Qualification 4 (a) and 4 (b):

Fortis Hospitals Ltd ("FHsL"), a wholly owned subsidiary of Fortis Healthcare Ltd ("FHL") had placed secured short-term investments in the nature of Inter Corporate Deposits (ICDs) with three companies (borrowers) aggregating to Rs. 49,414 lacs on July 1, 2017 for a term of 90 days.

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.

Please refer to Notes 8 and 23 of Consolidated Statement for more details.

b) With regard to Qualification 4(c):

The Company through its subsidiary (i.e. Escort Hart Institute and Research Centre Limited ("EHIRCL")) acquired 71% equity interest in Fortis Healthstaff Limited. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rs. 794.50 lacs to a promoter group company. Please refer to 23 (d) (viii) of Consolidated Statement for more details.

The Company through its subsidiary (i.e. Fortis Hospitals Ltd ("FHsL")) has acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of 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. Please refer to 23 (e) of Consolidated Statement for more details.

(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) above, with respect to:

a) Granting of loans in the form of ICDs to three borrower companies - 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. The Group has recognised a provision aggregating to Rupees 44,503 lacs against outstanding ICDs placed (including interest accrued thereon of Rupees 4,260 lacs)

b) Roll-over mechanism devised for granting of ICDs to three borrower companies - 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.



- c) Acquisition of equity interests in and advancing of loan to Fortis Healthstaff Limited and Fortis Emergency Services Limited - we are unable to determine whether these transactions are prejudicial to the interests of the Group.

The above matters have resulted in audit qualifications.



Qualification D.5 of the Auditor's Report

1. Details of Audit Qualification:

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.

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not quantifiable

(ii) If management is unable to estimate the impact, reasons for the same:

The related party relationship 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 and the information available with the Management. 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, not known to the Management.

(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) above, 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 Consolidated Annual Results/the Consolidated Statement for the year ended March 31, 2018. This has resulted in an audit qualification.



Qualification D.6 of the Auditor's Report

1. Details of Audit Qualification:

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 realized) 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.

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not quantifiable

(ii) If management is unable to estimate the impact, reasons for the same:

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 funds. Subsequent to the year end, investments held in 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 value based on subsequent realisation. The consequential foreseeable loss of Rupees 5,510 lacs (the difference between the previously recorded carrying value of the investment and the amount subsequently realised) has been considered in the Consolidated Annual Results.

The investigation report of external legal firm (appointed by the erstwhile Audit and Risk Management Committee of the Company) noted 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, in the internal correspondence within the Company the investment in the overseas funds have been referred to as related party transactions.

(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) above, 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. This has resulted in an audit qualification.



Qualification D.7 of the Auditor's Report

1. Details of Audit Qualification:

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 Results. 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.

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

First time

4. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not quantifiable.

(ii) If management is unable to estimate the impact, reasons for the same:

The Company having considered all necessary facts and taking into account 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 this, the amount paid to him under the aforesaid LOA and certain additional amount 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 Results 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.

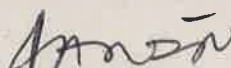


(iii) Auditors' Comments on (i) or (ii) above:

As explained in (ii) 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 Consolidated Annual Results/the Consolidated Statement for the year ended March 31, 2018. This has resulted in an audit qualification.

**For Deloitte Haskins & Sells
LLP**

Firm Registration Number:
117366WW-100018
Chartered Accountants


Rashim Tandon

Partner

Membership Number: 095540

9/8/2018

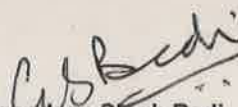


For and on behalf of the Board of Directors of

Fortis Healthcare Limited


Ravi Rajagopal

Chairman- Audit and Risk Management Committee
Meeting dated July 6, 2018
DIN: 00067073


Gagandeep Singh Bedi
Chief Financial Officer


Bhavdeep Singh
Chief Executive Officer

