

**INDEPENDENT AUDITOR'S REPORT
TO THE PARTNERS OF HCG EKO ONCOLOGY LLP**

Report on the Financial Statements

We have audited the accompanying financial statements of **HCG EKO ONCOLOGY LLP** ('LLP'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss and Cashflow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The LLP's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the LLP in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable to the LLP. This responsibility also includes safeguarding the assets of the LLP and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the LLP as at 31 March 2018;

S G M & Associates LLP
Chartered Accountants

No.444 Ground Floor, 6th Cross, 7th Main,
J P Nagar 3rd Phase, Bengaluru 560 078.
CIN AAI-0262

- (b) in the case of the Statement of Profit and Loss, of the loss of the LLP for the year ended on that date; and
- (c) in the case of the Cashflow Statement, of the cashflow of the LLP for the year ended on that date

Report on Other Requirements

We report that:

- (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the LLP so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss and the Cashflow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable to the LLP.

For S G M & Associates LLP
Chartered Accountants
(LLP Registration No. 200058S)

S Vishwamurthy
Partner
(Membership No.215675)

Bengaluru, 08 August 2018

HCG EKO ONCOLOGY LLP**Balance Sheet as at 31 March 2018**

(Amount in Rupees, unless otherwise specifically mentioned)

Particulars	Note	As at	
	No.	31-Mar-18	31-Mar-17
Capital and Liabilities			
Partners' capital account	3	1,000,000	1,000,000
Partners' current account	3	79,511,680	4,000,000
Non-current liabilities			
Long-term borrowings	4	222,046,179	-
Current liabilities			
Trade payables	5	88,502	-
Other current liabilities	6	4,130,754	100,000
Total		306,777,115	5,100,000
Assets			
Non-current assets			
Capital work-in-progress		257,028,186	-
Long-term loans and advances	7	46,607,657	5,000,000
Current assets			
Cash and cash equivalents	8	1,739,070	100,000
Short-term loans and advance	9	1,402,202	-
Total		306,777,115	5,100,000

See accompanying notes forming part of the financial statements

In terms of our report attached

For S G M & Associates LLP

Chartered Accountants

For HCG EKO ONCOLOGY LLP**S Vishwamurthy**

Partner

Bengaluru

Date : 08 August 2018

Anant S. Kittur

Designated Partner

Bengaluru

Date : 08 August 2018

Dr. Nand Singh Rathore

Designated Partner

HCG EKO ONCOLOGY LLP**Statement of Profit and Loss for the year ended 31 March 2018**

(Amount in Rupees, unless otherwise specifically mentioned)

Particulars	Note	For the year ended	
	No.	31-Mar-18	31-Mar-17
Other income	10	324,641	-
Total revenue (A)		324,641	-
Expenses			
Finance costs	11	1,100,010	-
Other expenses	12	345,820	-
Total expenses (B)		1,445,830	-
Profit before tax (C) = (A-B)		(1,121,189)	-
Tax expense			
Current tax		-	-
Deferred tax		-	-
Total tax expense / (income) (D)		-	-
Profit for the year transferred to partners' current account (E) = (C-D)		(1,121,189)	-

See accompanying notes forming part of the financial statements

In terms of our report attached.

For S G M & Associates LLP

Chartered Accountants

For HCG EKO ONCOLOGY LLP**S Vishwamurthy**

Partner

Bengaluru

Date: 08 August 2018

Anant S. Kittur

Designated Partner

Bengaluru

Date: 08 August 2018

Dr. Nand Singh Rathore

Designated Partner

HCG EKO ONCOLOGY LLP**Cashflow Statement for the year ended 31 March 2018**

(Amount in Rupees, unless otherwise specifically mentioned)

Particulars	For the year ended	
	31-Mar-18	31-Mar-17
Cash flow from operating activities		
Net loss before taxation	(1,121,189)	-
Adjustments for:		
- Interest Income on bank deposit	(324,641)	-
- Interest expense	1,100,010	-
Operating profit before working capital changes	(345,820)	-
Adjustment for (increase)/ decrease in operating assets:		
- Long-term loans and advances	(5,658,991)	-
- Short-term loans and advances	(1,402,202)	-
Adjustment for increase/ (decrease) in operating liabilities:		
- Trade payables	88,502	-
- Other current liabilities	36,965	100,000
Cash generated from operations	(7,281,546)	100,000
Taxes paid during the year	-	-
Net cash generated from operating activities (A)	(7,281,546)	100,000
Cash flows from investing activities		
- Capital expenditure on fixed assets (including capital advance)	(270,817,544)	(5,000,000)
- Interest income	264,129	-
Net cash flow from investing activities (B)	(270,553,415)	(5,000,000)
Cash flows from financing activities		
- Investment / (drawings) by partners	76,632,869	5,000,000
- Long-term borrowings availed	222,046,179	-
- Interest (net)	(2,367,726)	-
Net cash flows from financing activities (C)	296,311,322	5,000,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	18,476,361	100,000
Cash and cash equivalents at beginning of the year	100,000	-
Cash and cash equivalents at end of the year	18,576,361	100,000
Cash and cash equivalents as per balance sheet*		
* Comprises of:		
(a) Cash on hand	-	-
(b) Balances with banks:		
- in current account	1,739,070	100,000
- in other earmarked accounts - balance held as margin money	16,837,291	-
Total	18,576,361	100,000

See accompanying notes forming part of the financial statements

In terms of our report attached.

For S G M & Associates LLP

Chartered Accountants

For HCG EKO ONCOLOGY LLP**S Vishwamurthy**

Partner

Anant S. Kittur

Designated Partner

Dr. Nand Singh Rathore

Designated Partner

Bengaluru

Date: 08 August 2018

Bengaluru

Date : 08 August 2018

HCG EKO ONCOLOGY LLP

Notes forming part of financial statements

**Note
No.**

1 Nature of operations:

HCG EKO Oncology LLP ('HCG EKO' or 'LLP') is a Limited Liability Partnership registered under Limited Liability Partnership Act, 2008 and incorporated on 15 May 2015. HealthCare Global Enterprises Limited ('HCG') and EKO Diagnostic Private Limited ('EKO') are partners in LLP having capital and profit sharing ratio of 50.50 : 49.50. HCG EKO is engaged in managing hospitals and medical diagnostic services including scientific testing and consultancy services in the pharmaceutical and medical sector. The LLP is incorporated and domiciled in India and has its registered office at # 8, P. Kalinga Rao Road, Sampangi Ram Nagar, Bengaluru – 560 027

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The financial statements of the LLP have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and relevant provisions of the Limited Liability Partnership Act 2008. The accrual method of accounting is followed, except where otherwise stated.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

2.3 Revenue recognition

Income is recognised on accrual basis. Fees are recognised on the basis of net revenue sharing with business facilitators.

Rental income is recognised on accrual basis and as per the term & conditions of the rental agreement.

Interest income on deposits with banks is accounted on accrual basis.

2.4 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Costs directly attributable to the acquisition are capitalized until the asset is ready for use, as intended by the management. Subsequent expenditure relating to Property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.

2.5 Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible Property, plant and equipment has been provided on the written-down value method at the rates arrived on the basis of useful life of the assets assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, maintenance support, etc., except in case of Property, plant and equipment costing up to Rs. 5,000/- where it is being depreciated 100% in the year of acquisition itself.

2.6 Inventories

Inventories consist of consumables that are carried at lower of cost or net realisable value. Cost is determined on first-in-first-out basis.

2.7 Foreign currency transactions

Initial recognition: Transactions in foreign currencies entered into by the LLP are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date: Foreign currency monetary items (other than derivative contracts), outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the LLP are carried at historical cost.

Treatment of exchange differences: Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the LLP are recognized as income or expense in the Statement of Profit and Loss.

Exchange difference on long-term foreign currency monetary items: The exchange differences arising on settlement / restatement of long-term foreign currency monetary items relating to acquisition of depreciable Property, plant and equipment are capitalised as part of the Property, plant and equipment and depreciated over the remaining useful life of such assets. If such monetary items do not relate to acquisition of depreciable Property, plant and equipment, the exchange difference is amortised over the maturity period / up to the date of settlement of such monetary items, whichever is earlier, and charged to the Statement of Profit and Loss.

HCG EKO ONCOLOGY LLP

Notes forming part of financial statements

**Note
No.**

2.8 Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset up to the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

2.9 Employee benefits

- (i) Short Term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the period in which the related service is rendered. Privilege leaves are short term employee benefits and are charged to the statement of income and expenditure at the amount based on the management's decision.
- (ii) Post employment benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered service. The expense is recognised at the present value of the amount payable towards contribution. The present value is determined using the market yields of government bonds, at the balance sheet date, as the discounting rate.
- (iii) Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

2.10 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Alternate Minimum Tax (AMT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the LLP will pay normal income tax. Accordingly, AMT is recognized as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the LLP.

'Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the LLP has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their reliability.

2.11 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased such reversal of impairment loss is recognized in the Statement of Profit and Loss.

2.12 Provisions and contingencies

A provision is recognized when the LLP has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

2.13 Operating cycle

Based on the nature of products / activities of the LLP and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

HCG EKO ONCOLOGY LLP**Notes forming part of financial statements**

(Amount in Rupees, unless otherwise specifically mentioned)

Note
No.**3 Partners' Capital Account**

Particulars	As at					
	31-Mar-18			31-Mar-17		
	HCG	EKO	Total	HCG	EKO	Total
Fixed capital						
Opening balance	505,000	495,000	1,000,000	505,000	495,000	1,000,000
Received / (paid) during the year			-			-
Closing balance	505,000	495,000	1,000,000	505,000	495,000	1,000,000

Partners' Current Account:

Particulars	As at					
	31-Mar-18			31-Mar-17		
	HCG	EKO	Total	HCG	EKO	Total
Opening balance	1,995,000	2,005,000	4,000,000	-	-	-
Add: Share of loss for the year	(566,200)	(554,989)	(1,121,189)	-	-	-
Add: Invested during the year	41,144,339	35,488,530	76,632,869	1,995,000	2,005,000	4,000,000
Closing balance	42,573,139	36,938,541	79,511,680	1,995,000	2,005,000	4,000,000

4 Long-term borrowings

Particulars	31-Mar-18	31-Mar-17
Secured		
Long-term loan from bank (Refer note (i))	73,808,327	-
Unsecured		
Deferred payment obligations (Refer note (ii))	148,237,852	-
Total	222,046,179	-

(i) Terms of repayment and security	31-Mar-18	31-Mar-17
Secured long-term from banks		
Non-current portion	73,808,327	-
Amounts included under current maturities of long-term debt	-	-
Security: Exclusive charge on (i) all assets (equipment) purchased / funded through the above loan; (ii) all movable fixed assets and current assets (both present and future) of the LLP, including any refundable lease/rental deposit placed with lessor, excluding any assets which are charged exclusively to any lessor/vendor. Unconditional and irrevocable corporate guarantee and debt shortfall undertaking from the Partners in the LLP.		
Repayment terms and interest: Repayment in quarterly structured installments with a moratorium of 3 years. Rate of interest is 1.25% spread over and above the bank's half yearly MCLR.		
Unsecured loan		
Non-current portion	148,237,852	-
Amounts included under current maturities of long-term debt	-	-
Repayment terms and interest: Repayment in installments after a period of 3 years from the transaction date. Rate of interest / commission is 0.75% p.a.		

5 Trade payables

Particulars	31-Mar-18	31-Mar-17
Total outstanding dues of micro enterprises and small enterprises (Refer note below)		
Total outstanding dues of creditors other than micro enterprises and small enterprises	88,502	-
Total	88,502	-

Note: There are no dues to Micro and Small Enterprises. The information disclosed with regard to Micro and Small Enterprises is based on information collected by the Management. This has been relied upon by the auditors.

HCG EKO ONCOLOGY LLP**Notes forming part of financial statements**

(Amount in Rupees, unless otherwise specifically mentioned)

Note
No.**6 Other current liabilities**

Particulars	31-Mar-18	31-Mar-17
Other payables		
Statutory remittances	136,965	100,000
Payable on purchase of fixed assets	3,993,789	-
Total	4,130,754	100,000

7 Long-term loans and advances

Particulars	31-Mar-18	31-Mar-17
Capital advance	24,050,863	5,000,000
Prepaid expense	5,658,991	-
Term deposit more than 12 months maturity	16,837,291	-
Interest accrued on long-term deposit	60,512	-
Total	46,607,657	5,000,000

8 Cash and cash equivalents

Particulars	31-Mar-18	31-Mar-17
Balances with banks		
In current accounts	1,739,070	100,000
Total	1,739,070	100,000

9 Short-term loans and advances

Particulars	31-Mar-18	31-Mar-17
Prepaid expenses	1,402,202	-
Total	1,402,202	-

10 Other income

Particulars	31-Mar-18	31-Mar-17
Interest income from :		
- Deposits with bank	324,641	-
Total	324,641	-

11 Finance costs

Particulars	31-Mar-18	31-Mar-17
Net loss on foreign currency transactions and translation	1,100,010	-
Total	1,100,010	-

12 Other expenses

Particulars	31-Mar-18	31-Mar-17
Legal and professional fees	248,470	-
Rates and taxes	8,850	-
Payment to auditors		
- For statutory audit	59,000	-
- For other services	29,500	-
Total	345,820	-

HCG EKO ONCOLOGY LLP**Notes forming part of financial statements**

(Amount in Rupees, unless otherwise specifically mentioned)

**Note
No.**

- 13 Contingent liabilities and commitments (to the extent not provided for): There were no contingent liabilities during the current year and in the previous year.

14 Related party disclosure**Name of related party and nature of relationship**

Name of Related Party	Nature
HealthCare Global Enterprises Limited (HCG)	Majority partner
EKO Diagnostic Private Limited (EKO)	Partner

Transaction during the period with related parties

Particulars	HCG	EKO
Capital infusion	41,144,339 <i>2,500,000</i>	35,488,530 <i>2,500,000</i>

Closing Balance as on 31 March 2018

Particulars	HCG	DCMSPL
Fixed Contribution	505,000 <i>505,000</i>	495,000 <i>495,000</i>
Current Contribution (net of share of losses)	42,573,139 <i>1,995,000</i>	36,938,541 <i>2,005,000</i>

*Note: Previous year numbers are in italics***15 Unhedged foreign currency exposure:**

Currency	31-Mar-18	31-Mar-17
Payable in USD	148,237,852	-

- 16 The LLP's operations comprises of only one segment viz., is engaged in managing hospitals and medical diagnostic services including scientific testing and consultancy services in the pharmaceutical and medical sector. The LLP's operations are in India and therefore there are no secondary geographical segments.

17 Expenditure debited to Statement of Profit and Loss account is net of following expense capitalised:

Particulars	31-Mar-18	31-Mar-17
Employee benefit expenses	3,584,895	-
Travel and conveyance	296,790	-
Rates and taxes	98,621	-
Interest, bank charges and processing fees	3,714,869	-
Foreign currency exchange loss (net)	1,100,010	-
Total	8,795,185	-

- 18 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.