



"Our mission is to bring healthcare of international standards within the reach of every individual. We are committed to the achievement and maintenance of excellence in education, research and healthcare for the benefit of humanity"

**Dr. Prathap C Reddy**  
***Founder and Executive Chairman***  
**Apollo Hospitals Group**

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# Board of Directors

**Executive Chairman** Dr. Prathap C Reddy

**Managing Director** Smt. Preetha Reddy

**Executive Director-Finance** Smt. Suneeta Reddy

**Executive Director-Operations** Smt. Sangita Reddy

**Directors** Shri. P. Obul Reddy

Shri. N. Vaghul

Shri. T.K. Balaji

Shri. Rajkumar Menon

Shri. Rafeeqe Ahamed

Shri. Habibullah Badsha

Shri. Deepak Vaidya

Shri. T.M. Joseph

Dr. Jennifer Lee Gek Choo

Shri. Khairil Anuar Abdullah

Shri. G. Venkatraman

**Chief Financial Officer & Company Secretary** Shri. S.K. Venkataraman

**Group President** Shri. K. Padmanabhan

# Corporate Information

<b>Auditors</b>	M/s. S. Viswanathan, Chartered Accountants, Chennai - 600 004
<b>Bankers</b>	Indian Overseas Bank. Andhra Bank, Canara Bank. Indian Bank. State Bank of Travancore. Citibank. IDBI Bank. HDFC Bank. ICICI Bank. UTI Bank. Oriental Bank of Commerce. Standard Chartered Bank.
<b>Registered Office</b>	# 19, Bishop Gardens, Raja Annamalaipuram, Chennai - 600 028
<b>Administrative Office</b>	Ali Towers, # 55, Greams Road, Chennai - 600 006 E-mail: apolloshares@vsnl.net Website: www.apollohospitals.com
<b>Apollo Hospitals</b>	
<b>Chennai</b>	# 21 & 24, Greams Lane, Off Greams Road, Chennai - 600 006 # 320, Anna Salai, Nandanam, Chennai - 600 035 # 646, T.H. Road, Tondiarpet, Chennai - 600 081 # 154, Poonamallee High Road, Chennai - 600 010
<b>Madurai</b>	Lake View Road, KK Nagar, Madurai - 625 020
<b>Aragonda</b>	Thavanampalle Mandal, Chittoor District, Andhra Pradesh - 517 129
<b>Hyderabad</b>	Jubilee Hills, Hyderabad - 500 033 Old MLA Quarters, Hyderguda, Hyderabad - 500 029 Rajiv Gandhi Marg, Vikramপুরi Colony, Secunderabad - 500 003 Apollo Hospitals - DRDO, DMRL 'X' Roads, Kancharbagh, Hyderabad - 500 058 Bhagyanagar Colony, Kukatpally, Hyderabad - 500 072
<b>Bilaspur</b>	Lingiyadi Village, Bilaspur, Chattisgarh - 495 001
<b>Kakinada</b>	Main Road, Kakinada - 533 001
<b>Vishakapatnam</b>	# 10-50-80, Waltair Main Road, Vishakapatnam - 530 002
<b>Bangalore</b>	# 154/11, Bannerghatta Road, Opp. IIM, Bangalore - 560 076
<b>Ahmedabad</b>	Plot No. 1A, GIDC Estate, Bhat Village, Gandhi Nagar, Gujarat - 382 428
<b>Kolkata</b>	Apollo Gleneagles Hospital, # 58, Canal Circular Road, Kolkata - 700 054
<b>New Delhi</b>	Sarita Vihar, Delhi Mathura Road, New Delhi - 110 044
<b>Colombo</b>	# 578, Elvitigala Mawatha, Colombo - 5, Sri Lanka.
<b>Lifestyle Centres</b>	# 105, G.N. Chetty Road, T Nagar, Chennai - 600 017 # T-95, 3rd Avenue, Anna Nagar, Chennai - 600 040 City Centre, # 445 Mint Street, Chennai - 600 079 Apollo Heart Centre, # 156, Greams Road, Chennai - 600 006 # 12, Prithvi Avenue, Alwarpet, Chennai - 600 018 Apollo Centre of Excellence for Women, # 15/42, Gandhi Mandapam Road Kotturpuram, Chennai - 600 085 Apollo Emergency Centre, Near Santi Fire Works, Malakpet, Hyderabad - 500 036 Apollo Emergency Centre, Mehdipatnam 'X' Roads, Mehdipatnam, Hyderabad - 500 028 Apollo Gleneagles Clinic, # 48/1F, Leela Roy Sarani, Ghariahat, Kolkata - 700 019 City Centre, # 1, Tulsibaug Society, Opp. Doctor House, Ellisbridge, Ahmedabad - 380 006

# Notice to the Shareholders

Notice is hereby given that the **Twenty Fifth Annual General Meeting** of the Company will be held on Monday, the 7th day of August 2006 at 10.00 a.m., at Kamaraj Arangam, No. 492, Anna Salai, Teynampet, Chennai- 600 006 to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2006 and the Balance Sheet as at that date, the Directors' and Auditors' Report thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in the place of Smt. Suneeta Reddy, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in the place of Smt. Sangita Reddy, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in the place of Shri. Deepak Vaidya who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in the place of Shri. P. Obul Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors for the current year and fix their remuneration, M/s. S.Viswanathan, Chartered Accountants, Chennai retire and are eligible for re-appointment.

## SPECIAL BUSINESS

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT, Shri. Khairil Anuar Abdullah who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 25th November 2005 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT, Shri. G. Venkatraman who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 12th December 2005 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, the re-appointment of Smt. Preetha Reddy as Managing Director of the Company for a period of five (5) years from 3rd February 2006 to 2nd February 2011 be and is hereby approved. "

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) read with Schedule XIII to the Companies Act, 1956, consent of the company be and is hereby accorded to the payment of a sum equivalent to 2% of the net profits of the Company (determined in accordance with the provisions of Companies Act, 1956), as remuneration for each financial year to Smt. Preetha Reddy, Managing Director of the Company during the tenure of her appointment."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year Smt. Preetha Reddy be paid minimum remuneration as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 as in force in each financial year."

"RESOLVED FURTHER THAT the remuneration approved hereby be paid either monthly or quarterly or half yearly or otherwise as may be agreed to between the Managing Director and the Board of Directors of the Company."

"RESOLVED FURTHER THAT the terms and conditions of this appointment may be altered or varied from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Managing Director in accordance with Schedule XIII to the Act including any amendments thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution."

11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, the re-appointment of Smt. Suneeta Reddy as a Whole-time Director designated as Executive Director - Finance of the Company for a period of five (5) years from 3rd February 2006 to 2nd February 2011 be and is hereby approved."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) read with Schedule XIII to the Companies Act, 1956, consent of the company be and is hereby accorded to the payment of a sum equivalent to 1.25% of the net profits of the Company (determined in accordance with the provisions of Companies Act, 1956), as remuneration for each financial year to Smt. Suneeta Reddy, Executive Director - Finance of the Company during the tenure of her appointment."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year Smt. Suneeta Reddy be paid minimum remuneration as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 as in force in each financial year."

"RESOLVED FURTHER THAT the remuneration approved hereby be paid either monthly or quarterly or half yearly or otherwise as may be agreed to between Smt. Suneeta Reddy and the Board of Directors of the Company."

"RESOLVED FURTHER THAT the terms and conditions of this appointment may be altered or varied from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Whole-time Directors in accordance with Schedule XIII to the Act including any amendments thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution."

12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, the re-appointment of Smt. Sangita Reddy as a Whole-time Director designated as Executive Director - Operations of the Company for a period of five (5) years from 3rd February 2006 to 2nd February 2011 be and is hereby approved."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) read with Schedule XIII to the Companies Act, 1956, consent of the company be and is hereby accorded to the payment of a sum equivalent to 0.50% of the net profits of the Company (determined in accordance with the provisions of Companies Act, 1956), as remuneration for each financial year to Smt. Sangita Reddy, Executive Director - Operations of the Company during the tenure of her appointment."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year Smt. Sangita Reddy be paid minimum remuneration as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 as in force in each financial year."

"RESOLVED FURTHER THAT the remuneration approved hereby be paid either monthly or quarterly or half yearly or otherwise as may be agreed to between Smt. Sangita Reddy and the Board of Directors of the Company."

"RESOLVED FURTHER THAT the terms and conditions of this appointment may be altered or varied from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Whole-time Directors in accordance with Schedule XIII to the Act including any amendments thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution."

13. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT in supersession of the special resolution passed by the members at the Annual General Meeting held on 19th September 2002 and pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and provisions of Listing Agreement entered into with the Stock Exchanges and subject to approval of Central Government and/or any other relevant statutory/regulatory authorities/institutions, consent of the Company be and is hereby accorded to increase the limit of commission paid to each Non-Whole-time Director (Non-Executive Director) of the Company from Rs.150,000/- p.a. to Rs.500,000/- p.a. for each financial year, provided that aggregate of such payments does not exceed 1% of the net profits of the Company (determined in accordance with the provisions of Companies Act, 1956) for each financial year."

"RESOLVED FURTHER THAT the aforesaid payments be made to the Non- Whole-time Directors for a period of five years with effect from 1st April 2006."



"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to distribute the commission in such manner as they may deem fit and to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution."

14. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the rules framed there under, Listing Agreements and all other applicable rules, regulations and guidelines and subject to approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions, or regulators, as may be necessary and subject to the necessary conditions and modifications, if any as may be prescribed or imposed by any authority while granting such approvals, permissions, and sanctions, which may be agreed to by the Board of Directors of the Company (hereunder referred as the Board, which term shall be deemed to include any committee thereof for the time being exercising powers conferred on the Board by the resolution) the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from the Madras Stock Exchange Limited at such time as the Board may decide."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary for the purpose and to settle any questions, difficulties or doubts that may arise in this regard."

By order of the Board

For **APOLLO HOSPITALS ENTERPRISE LIMITED**

Place : Chennai  
Date : 12th June 2006

**S.K. Venkataraman**  
Chief Financial Officer  
and Company Secretary

# Notes

1. **A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on his / her behalf. A proxy need not be a member of the Company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power or authority shall be deposited either at Registered Office of the Company, No.19, Bishop Gardens, Raja Annamalaipuram, Chennai - 600 028 or at the Secretarial Department, Ali Towers, No. 55 Greams Road, Chennai - 600 006 not less than 48 hours before the commencement of the meeting.**
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business as set out above is annexed hereto.
3. The Register of Members and Share Transfer Books will remain closed from **29th July 2006 to 7th August 2006 (both days inclusive)**.
4. Dividend upon its declaration at the meeting will be paid to those members whose names appear:
  - (i) as members on the Register of Members of the Company as on 7th August 2006 after giving effect to all valid share transfers in physical form which would be received by the company up to the closing hours of the business on 28th July 2006 ; and
  - (ii) as beneficial owners as per list to be furnished by Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the closing hours of the business on 28th July 2006.
5. Members desiring any information as regards the accounts are requested to write to the Company at least seven days before the meeting so as to enable the management to keep the information ready.
6. The Company transferred all unclaimed dividend declared up to the financial year ended 31st March 1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend from the Registrar of Companies, Tamil Nadu, Shastri Bhavan, Haddows Road, Chennai - 600 006.
7. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, as amended, Company has transferred all unclaimed dividend for the financial year ended 31st March 1995, 31st March 1996, 31st March 1997 and 31st March 1998 to the Investor Education and Protection Fund (IEP Fund) established by Central Government pursuant to Section 205 C of the Companies Act, 1956. It may also be noted that once the unclaimed dividend is transferred to the IEP Fund, no claim shall lie in respect thereof.
8. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March 1999 and thereafter, which remain unclaimed for a period of 7 years from the date of transfer of the same to the unclaimed dividend account as referred to in sub-section (1) of section 205A of the Act, will be transferred to the Investor Education and Protection Fund (IEP Fund) of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 1999 or subsequent financial years are requested to make their claim to the Secretarial Department, Ali Towers, III Floor, No.55 Greams Road, Chennai - 600 006. It may also be noted that once the unclaimed dividend is transferred to the IEP Fund as above, no claim shall lie in respect thereof.

Information in respect of unclaimed dividend when due for transfer to the IEP Fund is given below :

Financial Year Ended	Date of Declaration of Dividend	Last date for claiming unpaid dividend
31.03.1999	10.09.1999	28.10.2006
31.03.2000 (Interim)	01.05.2000	18.06.2007
31.03.2000 (Final)	20.09.2000	07.11.2007
31.03.2001	17.09.2001	23.10.2008
31.03.2002	19.09.2002	25.10.2009
31.03.2003	22.08.2003	27.09.2010
31.03.2004	14.09.2004	20.10.2011
31.03.2005	11.08.2005	16.09.2012

9. Members holding shares in physical form are requested to intimate the following directly to the Company's Registrar and Share Transfer Agents, Integrated Enterprises (India) Limited, Kences Towers, II Floor, No, 1 Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017.
- Bank Mandate with full particulars for remittance of dividend directly into their bank accounts, if declared at the meeting.
  - Changes, if any, in their address at an early date.
  - Apply for consolidation of folios, if shareholdings are under multiple folios.
  - Send their share certificates for consolidation.
  - Request for nomination forms for making nomination as per amended provisions of the Companies Act, 1956.
10. Members are requested to quote ledger folio numbers in all their correspondence.
11. Members holding shares in dematerialized (electronic form) are requested to intimate any change in their address, bank mandate etc., directly to their respective Depository Participants.
12. Electronic Clearing Service (ECS) Facility:

With respect to payment of dividend, the Company provides the facility of ECS to shareholders residing at the following cities:

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

Shareholders holding shares in the physical form who now wish to avail ECS facility, are requested to forward their ECS mandate in the prescribed form to Company's Registrar and Share Transfer Agent, Integrated Enterprises (India) Limited.

#### **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**

##### **Item No.8**

Shri. Khairil Anuar Abdullah was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 25th November 2005. Pursuant to Section 260 of the Companies Act 1956, Shri. Khairil Anuar Abdullah will hold office of Director only up to the date of this Annual General Meeting. Company received a notice in writing from a member together with the deposit amount of Rs.500/- proposing the candidature of Shri. Khairil Anuar Abdullah for the office of the director of the Company under the provisions of the Companies Act, 1956. Accordingly, the Board recommends the resolution set out in Item No.8 of the Notice for approval of the members.

### **Memorandum of Interest of Directors**

None of the Directors of the Company other than Shri. Khairil Anuar Abdullah may deemed to be concerned or interested in passing of this resolution.

### **Item No.9**

Shri. G. Venkatraman was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 12th December 2005. Pursuant to Section 260 of the Companies Act 1956, Shri. G. Venkatraman will hold office of Director only up to the date of this Annual General Meeting. Company received a notice in writing from a member together with the deposit amount of Rs.500/- proposing the candidature of Shri. G. Venkatraman for the office of the Director of the Company under the provisions of the Companies Act, 1956. Accordingly, the Board recommends the resolution set out in Item No.9 of the Notice for approval of the members.

### **Memorandum of Interest of Directors**

None of the Directors of the Company other than Shri. G. Venkatraman may deemed to be concerned or interested in passing of this resolution.

### **Item No. 10**

The tenure of appointment of Smt. Preetha Reddy as Managing Director came to an end on 2nd February 2006. Considering the valuable contribution made by Smt. Preetha Reddy to the Company during her tenure, the Board of Directors at its meeting held on 25th November 2005 re-appointed Smt. Preetha Reddy as Managing Director for a further period of 5 years with effect from 3rd February 2006 on the remuneration recommended by the Remuneration & Nomination Committee subject to approval of the members at the ensuing Annual General Meeting.

The Committee recommended the same remuneration as was previously approved by the shareholders at the Annual General Meeting held on 22nd August 2003 i.e., remuneration equivalent to 2% of the net profits of the Company determined in accordance with the provisions of the Companies Act, 1956.

The Board recommends the resolution set out in Item No.10 of the Notice for approval of the members.

### **Memorandum of Interest of Directors**

Smt. Preetha Reddy may deemed to be concerned or interested in passing of this resolution. Further Dr. Prathap C Reddy, Smt. Suneeta Reddy, Shri. P. Obul Reddy and Smt. Sangita Reddy, who are relatives of Smt. Preetha Reddy may deemed to be concerned or interested in passing of this resolution.

### **Item No. 11**

The tenure of appointment of Smt. Suneeta Reddy as Director - Finance came to an end on 2nd February 2006. Considering the valuable contribution made by Smt. Suneeta Reddy to the Company and the increased responsibilities of the Whole-time Directors, the Remuneration & Nomination Committee of the Board of Directors recommended remuneration package linked to the net profits of the Company.

The committee recommended a remuneration equivalent to 1.25% of the net profits of the Company determined in accordance with the provisions of the Companies Act 1956 for each financial year.

The Board of Directors at its meeting held on 25th November 2005 re-appointed Smt.Suneeta Reddy as Whole-time Director re-designated as Executive Director - Finance for a further period of 5 years with effect from 3rd February 2006 on the remuneration as recommended by the Remuneration & Nomination Committee subject to approval of the members at the ensuing Annual General Meeting.

The Board recommends the resolution set out in Item No.11 of the Notice for approval of the members.

### **Memorandum of Interest of Directors**

Smt. Suneeta Reddy may be deemed to be concerned or interested in passing of this resolution. Further Dr. Prathap C Reddy, Smt. Preetha Reddy, Shri. P. Obul Reddy and Smt. Sangita Reddy, who are relatives of Smt. Suneeta Reddy may be deemed to be concerned or interested in passing of this resolution.

#### **Item No. 12**

The tenure of appointment of Smt. Sangita Reddy as Director - Operations came to an end on 2nd February 2006. Considering the valuable contribution made by Smt. Sangita Reddy to the Company during her tenure, and the increased responsibilities of the Whole-time Directors, the Remuneration & Nomination Committee of the Board of Directors recommended remuneration package linked to the net profits of the Company.

The committee recommended a remuneration equivalent to 0.50% of the net profits of the Company determined in accordance with the provisions of the Companies Act 1956 for each financial year.

The Board of Directors at its meeting held on 25th November 2005 re-appointed Smt. Sangita Reddy as Whole-time Director re-designated as Executive Director - Operations for a further period of 5 years with effect from 3rd February 2006 on the remuneration as recommended by the Remuneration & Nomination Committee subject to approval of the members at the ensuing Annual General Meeting.

The Board recommends the resolution set out in Item No. 12 of the Notice for approval of the members.

### **Memorandum of Interest of Directors**

Smt. Sangita Reddy may be deemed to be concerned or interested in passing of this resolution. Further Dr. Prathap C Reddy, Smt. Preetha Reddy and Smt. Suneeta Reddy, who are relatives of Smt. Sangita Reddy may be deemed to be concerned or interested in passing of this resolution.

#### **Item No. 13**

The Company had obtained the consent of the members at the Annual General Meeting held on 19th September 2002 to pay commission of Rs.150,000/- p.a. to each Non-Whole-time Director (Non-Executive Director) within the overall ceiling limit of 1% of the net profits of the Company.

Considering the valuable suggestions, advice given by the Directors during the Board/Committee Meetings and consequential commendable growth of the Company for the past years through effective, prudent and efficient management of the affairs of the Company by the Board of Directors, including Non-Whole-time Directors (Non-Executive Directors), the Board thought it fit to increase the commission limit to each Non-Whole-time Director from Rs.150,000/- to Rs.500,000/- p.a. for each financial year for further period of five years w.e.f 1st April 2006 provided that such aggregate payment does not exceed 1% of the net profits of the Company for each financial year.

Section 309(4) of the Companies Act, 1956 and clause 49 of the Listing Agreement entered into with Stock Exchanges require the consent of the members in general meeting by way of a special resolution for the payment of commission to Non Whole-time Directors (Non-Executive Directors).

Further Section 310 of the Companies Act, 1956 prescribes that any increase in remuneration paid to Non-Whole-time Directors requires approval of the Central Government.

Accordingly, the Board recommends the special resolution set out in Item No. 13 of the Notice for approval of the members.

### **Memorandum of Interest of Directors**

All Non-Whole-time Directors (Non-Executive Directors) of the Company may be deemed to be concerned or interested in passing of this resolution.

**Item No. 14**

At present, the Company's equity shares are listed on The Bombay Stock Exchange Ltd., (BSE), The National Stock Exchange of India Ltd., (NSE), and the Madras Stock Exchange Ltd., (MSE). There had been low or nil trading in our shares on the MSE for the last 3 to 4 years, due to the spread of nation wide online terminals of BSE and NSE, coupled with internet trading. The phenomenal changes in technology have opened gates for extensive networking of nation wide online terminals and eased access of the investors to these terminals. Securities and Exchange Board of India (SEBI) has issued guidelines viz. SEBI (Delisting of Securities) Guidelines - 2003 ("the guidelines"), allowing the delisting of the shares by the Company voluntarily. The guidelines do not require the Company to provide exit opportunity, if the shares are listed and traded on the Stock Exchanges having nationwide trading terminals.

Therefore it has been proposed to delist the equity shares of the Company from MSE. Pursuant to the guidelines, the Company shall obtain the approval of the shareholders by way of a special resolution for the purposes of delisting of securities from any of the Stock Exchanges.

The Company has proposed this resolution as set out in Item No. 14 to enable it to delist its equity shares from MSE at an appropriate time in future.

The proposed delisting of the Company's equity shares from MSE, as and when it takes place will not affect the investors in any way since the Company's equity shares will continue to be listed on BSE and NSE.

The Board recommends the resolution set out in Item No. 14 of the Notice for approval of the members.

**Memorandum of Interest of Directors**

None of the Directors of the company is in any way concerned or interested in passing of this resolution.

By order of the Board  
For **APOLLO HOSPITALS ENTERPRISE LIMITED**

**S.K. Venkataraman**  
Chief Financial Officer  
and Company Secretary

Place : Chennai  
Date : 12th June 2006

**Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges following information is furnished about the Directors proposed to be appointed / re-appointed.**

#### **SMT. PREETHA REDDY**

**Smt. Preetha Reddy** has been serving as the Managing Director of the Company since 1993. Prior to that, she served as the Joint Managing Director of the company from 1991 to 1993.

Smt. Preetha Reddy received her Bachelor of Science degree in Chemistry from Madras University and Master's degree in Public Administration from Annamalai University. Smt. Preetha Reddy was awarded the Outstanding Personality Award by the Indian Medical Association in 1999 and received the Good Samaritan Award from the Rotary Club in 1999.

Smt. Preetha Reddy has been instrumental in getting JCI Accreditation for Apollo Hospitals, Greams Road, Chennai.

Smt. Preetha Reddy is a Director on the Board of Apollo Hospitals International Limited, PCR Investments Limited, Apollo Gleneagles Hospital Limited, Apollo Gleneagles PET-CT Limited, Apollo Sindoori Hotels Limited, A B Medical Centres Limited, Apollo Mumbai Hospitals Limited, Pinakini Hospitals Limited, The Lanka Hospitals Corporation Limited, Samudra Healthcare Enterprises Limited, Imperial Cancer Hospital and Research Centre Limited, Apollo Hospital (UK) Limited and Lifetime Wellness Rx International Limited.

Smt. Preetha Reddy is also a member of Investors' Grievance Committee of the Company.

#### **Shareholding in the Company**

Smt. Preetha Reddy holds 724,670 equity shares in the Company.

#### **SMT. SUNEETA REDDY**

**Smt. Suneeta Reddy** has been serving as the Director - Finance of the Company since May 2000 with responsibility of overseeing the entire finance function of the Company. Prior to that, she served as the Joint Managing Director of the erstwhile Indian Hospitals Corporation Limited.

Smt. Suneeta Reddy received her Bachelor of Arts Degree in Economics and Marketing from the Madras University with a University Rank. She holds a diploma in Financial Management and has completed the Owner/President Management Program at Harvard Business School, Boston, USA.

Smt. Suneeta Reddy is the Chairperson of Aircel Cellular Limited, Apollo Sindoori Capital Investments Limited and Joint Managing Director of Apollo Sindoori Hotels Limited.

Smt. Suneeta Reddy is a Director on the Board of Apollo Hospitals International Limited, Apollo Mumbai Hospitals Limited, PCR Investments Limited, Apollo Health and Lifestyle Limited, Family Health Plan Limited, Apollo Gleneagles Hospital Limited, The Lanka Hospitals Corporation Limited, AB Medical Centres Limited, Apollo Infrastructure Project Finance Co. Ltd, Indraprastha Medical Corporation Limited, Samudra Healthcare Enterprises Limited, Imperial Cancer Hospital and Research Centre Limited and Apollo Hospital (UK) Limited.

Smt. Suneeta Reddy is also a member of Investors' Grievance Committee of the Company and a member of Remuneration Committee of Indraprastha Medical Corporation Limited.

#### **Shareholding in the Company**

Smt. Suneeta Reddy holds 396,795 equity shares in the Company.

#### **SMT. SANGITA REDDY**

**Smt. Sangita Reddy** has been serving as the Director - Operations of the Company since October 2000 with the responsibility of overseeing the operational activities and IT initiatives of the Company. Prior to that, she served as the Managing Director of erstwhile Deccan Hospitals Corporation Limited.

Smt. Sangita Reddy received her Bachelor of Science degree in Nutrition and Dietetics from Woman's Christian College, Chennai. She holds a diploma in Hospital Management Course conducted by Harvard University, U.S.A and NSU Singapore. She also holds a diploma in Financial Management.

Smt. Sangita Reddy received "Young Manager of the year 1988" Award from Hyderabad Management Association and "Jaycees" Award for outstanding personalities. She was a member of the Prime Minister's Delegation to Malaysia organized by Confederation of Indian Industry (CII).

Smt. Sangita Reddy is the Managing Director of Apollo Health Street Pvt Limited.

Smt. Sangita Reddy is a Director on the Board of Apollo Hospitals International Limited, PCR Investments Limited, Apollo Health and Lifestyle Limited, Apollo Mumbai Hospitals Limited, Medvarsity Online Limited, Family Health Plan Limited, Apollo Gleneagles PET-CT Limited and Samudra Healthcare Enterprises Limited.

#### **Shareholding in the Company**

Smt. Sangita Reddy holds 1,281,254 equity shares in the Company.

#### **SHRI. DEEPAK VAIDYA**

**Shri. Deepak Vaidya** has been serving as a Director of the Company since July 2000. He qualified as a Fellow of the Institute of Chartered Accountants (England and Wales) and has a Bachelor's degree in Commerce from Bombay University. Shri. Vaidya is currently a Partner in the Mumbai office of Schroder Ventures Funds and represents Schroder Ventures Funds on a number of investee company boards in India.

Prior to joining Schroder Ventures Funds Shri. Deepak Vaidya worked as a consultant establishing joint venture partnerships with various multinational companies such as Rothschild Asset Management Limited (United Kingdom), Jardine Matheson, Hong Leong (Malaysia), Dao Heng Company (Hong Kong), Gerrard & National (United Kingdom).

Shri. Deepak Vaidya is a Director on the Board of Apollo Gleneagles Hospital Limited, Indraprastha Medical Corporation Limited, Strides Arcolabs Limited, Orchid Chemicals & Pharmaceuticals Limited, Hotel Scopevista Limited, Golden Greens Golf & Resorts Limited, Heritage Resorts Limited and Favourite Food Limited.

Shri. Deepak Vaidya is the Chairman of Audit Committee of the Company, and also a member of Audit Committee and Remuneration Committee of Orchid Chemicals & Pharmaceuticals Limited. He chairs the Audit Committee, Investors Grievances Committee and Remuneration Committee of Strides Arcolabs Limited.

#### **Shareholding in the Company**

Shri. Deepak Vaidya does not hold any shares in the Company.

#### **SHRI. P. OBUL REDDY**

**Shri. P. Obul Reddy** has been serving as a Director of the Company since 1979. Shri. P. Obul Reddy received his Bachelor's degree in Commerce from Madras University.

Shri. P. Obul Reddy is currently the Managing Director of Nippo Batteries Company Limited and chairs the board of Panasonic Carbon India Co Limited and Panasonic Home Appliances India Co Limited.

Shri. P. Obul Reddy is a member of Audit Committee of the Company and is also a member of Remuneration Committee of Panasonic Home Appliances India Co Limited and Nippo Batteries Co Limited. He chairs the Shareholders'/Investors' Grievance Committee of Panasonic Carbon India Co Limited. Shri. P. Obul Reddy has served as the President of Hindustan Chamber of Commerce and the Cosmopolitan Club, the Honorary Chairman of the Madras Telugu Academy and also as a Trustee of the Music Academy and Life Trustee of Andhra Mahila Sabha.

Shri. P. Obul Reddy is the founder of the following institutions :

- 1 A Charitable Hospital at Tada which was handed over to the Government of Andhra Pradesh to serve the poor and needy.
- 2 A public school and Institute of Technology and Management at Jubilee Hills, Hyderabad, currently run by Andhra Mahila Sabha, Hyderabad.
- 3 Senior Citizens Home in Andhra Mahila Sabha Premises, Chennai.

He is actively involved in several other cultural and religious activities.



### **Shareholding in the Company**

Shri. P. Obul Reddy holds 5,000 equity shares in the Company.

### **SHRI. KHAIRIL ANUAR ABDULLAH**

**Shri. Abdullah** graduated in economics from University of Malaya and graduated from Harvard Business School, USA with a master's degree in Business Administration.

He is currently Chairman of the Media Shoppe Berhad, VisDynamics Holding Berhad, BCT Technology Berhad and Accelteam Sdn Bhd. He serves the Board of Symphony House Berhad, Kuwait Finance House (M) Berhad and Airocom Technology Berhad. He is also an associate director of AT Kearney, a global management consulting company.

A fellow of the Malaysian Institute of Banks, and a life member of the Malaysian Economic Association, he serves on the committee of the Harvard Club Malaysia.

Shri. Abdullah began his career in the Economic Planning Unit, Prime Minister's Department, Malaysia serving in various positions from 1973-1982.

In 1983, he became a corporate planner, company secretary and assistant to the Chairman of the Guthrie Group, an international agribusiness conglomerate. He was also Managing Director of Batu Lintang Rubber Company Berhad and Director of Arthur D Little (Malaysia).

In 1993, he became a Founding Director of the Malaysian Securities Commission in charge of policy and development. He was actively involved in the activities of IOSCO, the international organization of securities regulators as well as the Bank of International Settlement. He became a director of the Labuan Offshore Financial Services Authority, and served as a member of the Kuala Lumpur Stock Exchange Central Depository Advisory Committee.

In 1997, Shri. Abdullah was appointed as Founding Chairman of MESDAQ Berhad, Malaysia's Securities Exchange for technology and growth companies till it merged with the Kuala Lumpur Stock Exchange in 2003.

### **Shareholding in the Company**

Shri. Abdullah does not hold any shares in the Company.

### **SHRI. G. VENKATRAMAN**

**Shri. G Venkatraman** graduated from University of Bombay in Economics and post Graduate in law from University of Bombay. He also completed Certificated Associateship of the Indian Institute of Bankers (CAIIB).

Shri Venkatraman served with IDBI and retired as its Chief General Manager in November 2004 after 39 years of varied experience in developmental banking.

He headed the Chandigarh Branch office of IDBI and Western Zonal office of IDBI for three years each. He represented IDBI on the Boards of large Corporates during the tenure of his service.

Shri Venkatraman is a Director on the Board of State Industries Corporation of Maharashtra Limited and Apollo Sindoori Hotels Limited .

He is a member of Audit Committees of the Company and Apollo Sindoori Hotels Limited. He chairs the Audit Committee of State Industrial and Investment Corporation of Maharashtra Limited.

### **Shareholding in the Company**

Shri. Venkatraman does not hold any shares in the Company.

# Chairman's Message

Dear Members

Yet another very satisfying year has just gone by. And your Company continued to show sterling performance. Our revenues have gone up by 21% and so has our retained net earnings. Amply justifying the confidence reposed by you in the management's decisions and actions. And the Board has recommended an all time high dividend of 45%.

When we met last year, I had mentioned that the Indian healthcare industry is going through a critical juncture. I am not just happy but proud that we have passed through with flying colours and proven that our medical facilities and capability to render advanced healthcare is no inferior if not superior to the advanced western nations. And I know you will share my pride, as it is Apollo Hospitals that led the way by being first hospital in the country to receive the JCI accreditation.

Apollo Hospitals has always observed clinical standards of the highest order. And follows a no compromise edict in every element of patient safety and care. Be it the zero infection sterile zones, or highest safety in medication, or design and layout of patient facilities, zero infection blood, or meticulous documentation of protocols and procedures. The JCI accreditation by itself is nothing more than a reaffirmation of these standards. But it has also paved the way for significant increase in patient flow from foreign nations including from the advanced countries. As now, the patients have the reassurance of receiving health care of the highest standards available at the best hospitals in the western countries together with the assurance that US insurance companies now will accept claims for treatment in our hospitals.

With our Delhi and Chennai hospitals, JCI accredited and Hyderabad soon to follow, the efficiency and commitment of employees is well proved and our group's strength and acceptance as the leaders in patient care becomes even more formidable. Making us in effect the numero uno in patient care. Another noteworthy development is the collaboration with Johns Hopkins Medicine, the world's best hospital for 16 years running. The comprehensive agreement covers education, training and close cooperation in several emerging areas of medicine. For example minimally invasive surgery where the duration of hospitalisation comes down tremendously, reducing costs and adding to patient convenience. Again an honour for Apollo Hospitals as it is the only hospital in India with such an arrangement.

While we have the best of equipment, technology and manpower in every discipline making each of them a Centre of Excellence in its own right, considering the national priorities, Cardiology has always been our mainstay. With cardiac diseases on the rise and affecting more and more younger people, I believe it is our bounden duty to do our utmost to contain this scourge. As you know Apollo Hospitals was the first to introduce in India the latest technology – the 64 slice CT Angio I am happy to announce that several thousand people have taken benefit of this 'ultimate check' and are leading more reassured lives now. To make it even more patient friendly, we have now housed the 64 slice CT Angio in the exclusive Apollo Heart Centre which offers comprehensive diagnostic and consultation facilities.

I have always maintained that a majority of women in our country get a raw deal. While they devote their lives in looking after the health of others, their own health is invariably ignored. The self effacing nature of Indian women and their reluctance to openly express their personal health related issues, adds to the problem.

To address this issue, Apollo Hospitals set up for the first time in the country, an exclusive women's health centre offering holistic gender specific healthcare. Called ACE, Apollo Centre of Excellence for Women, this centre was inaugurated on March 8, the International Women's Day and has already become quite popular as a place where the woman as a whole and not just the specific malady is treated.

In keeping with our mission of making available world class healthcare facilities across the length and breadth of our country, your Company has acquired hospitals in Bangalore and Kakinada. These will soon be fully operational as multi specialty hospitals and add to the revenues. In a country as vast as ours, telemedicine has to provide the solution. At Apollo, the telemedicine network has been expanded significantly and the number of consultations from across remote corners of our country and some third world countries has increased drastically. One of our strong beliefs and action points has been the age old adage "prevention is better than cure". Promoting wellness rather than just curing illness is our philosophy. Towards this end we have stepped our efforts in preventive health checks through special campaigns. I am happy to note that these have borne fruit and more and more people are undergoing these checks and increasing their chances of recovery through timely treatment. Our initiative Wellness Centre too is becoming increasingly popular.

Your Company continues to look beyond business too. Our initiative SACH has given a new lease of life to several under privileged children with congenital heart disorders across several states. Another initiative SAHI has helped several people regain their hearing abilities. When parts of Chennai and surrounds were recently flooded, Apollo came to the rescue and established medical camps and provided relief material.

All the recognitions heaped on us and all our achievements, are only catalysts for us to move forward. Giving us the encouragement and the will that inspire us to continue on our mission. Without losing our core values and at the same time constantly finding ways and means to better ourselves. As we march towards the end of the first decade in this century, I am confident that Apollo will grow from strength to strength. Supported by the trust you have reposed, the passion that drives our employees and the commitment shared by my fellow Directors and the management of Apollo Hospitals.

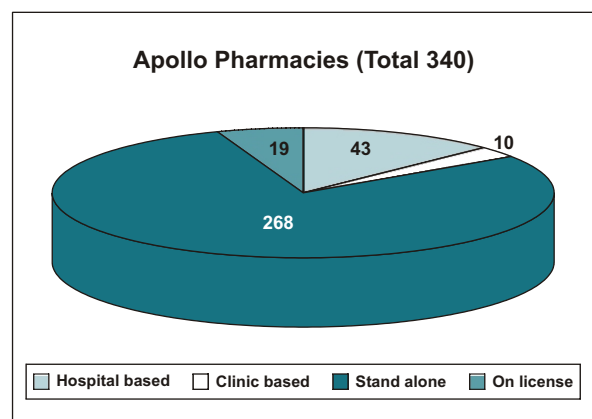
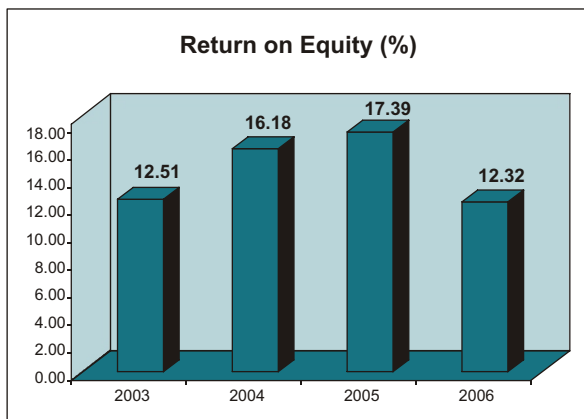
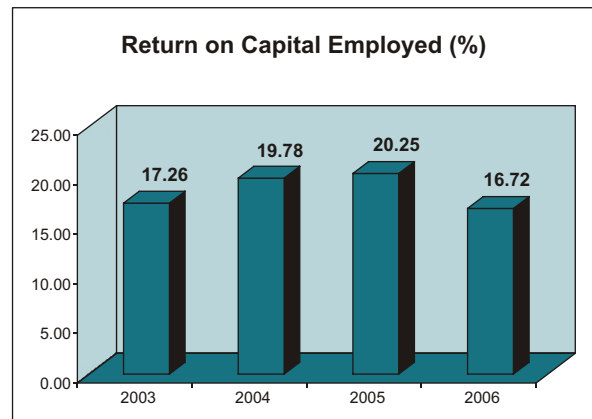
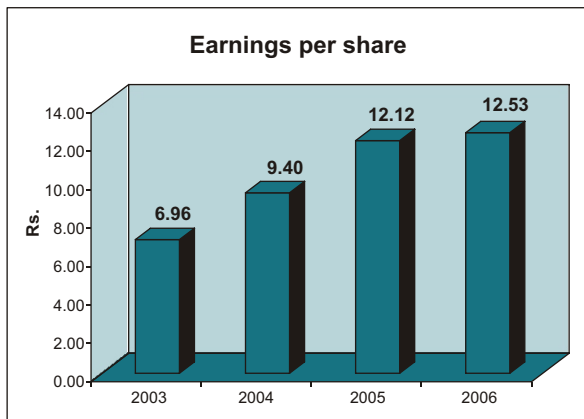
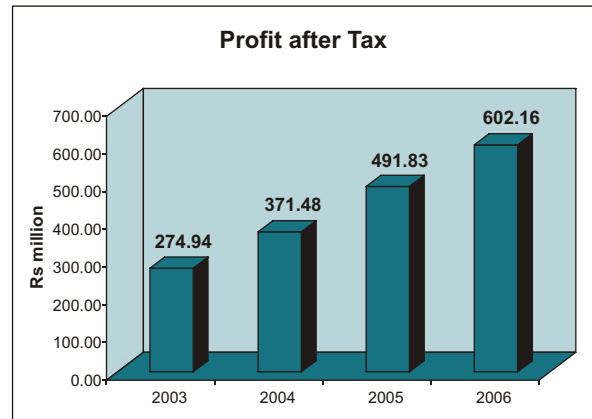
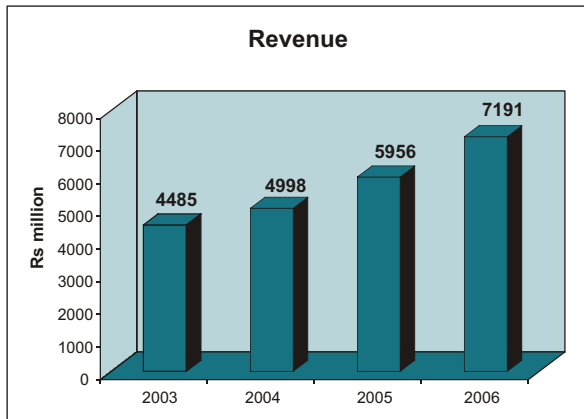
**Dr. Prathap C Reddy**

# Corporate Highlights

New milestones, new achievements, that has been the story of Apollo Hospitals year after year. Some of the more notable achievements and recognitions are listed below.

- Apollo Hospitals, Greams Road, Chennai received accreditation from JCI, USA - the international medical gold standard.
- Apollo Hospitals nominated as 'Consumer Healthcare Superbrand' in an independent survey conducted by the Superbrand Council in association with AC-Nielson.
- Agreement signed with Johns Hopkins Medicine International, LLC to jointly work in several areas including clinical programs, nurses education, telemedicine and translational research apart from establishing a Centre of Excellence for minimally invasive surgery.
- Collaboration with world leader Histostem for Stem Cell research.
- Dr. Prathap C Reddy, Chairman was a member of the Indo-US CEO Summit and participated in the World Healthcare Congress.
- Issue of Global Depository Receipts yielded US\$ 70.20 million (INR 3,060 million).
- GDRs are listed at Luxembourg Stock Exchange and traded at NASDAQ PORTAL Market and International Order Book (IOB) Platform of London Stock Exchange.
- India's first 64 Slice CT Angio System launched at Apollo Hospitals, Chennai.
- ACE - Apollo's exclusive Centre of Excellence for Women inaugurated in Chennai.
- Hospitals acquired at Bangalore, Kakinada and Mysore.
- 12 Apollo Clinics added taking the total to 47.
- Over 300 Pharmacies including both hospital and clinic based making it India's largest pharmacy chain.
- The success rate for Cardiac Surgeries performed at Apollo Hospitals during 2005-2006 was 99.6%.
- Apollo Hospitals, Chennai recognised as a centre for training students undergoing DNB program in Gastro- enterology, Surgical and Radiation oncology.

# Corporate Highlights



# Directors' Report

## to the Shareholders

Your Directors are pleased to present the **TWENTY FIFTH ANNUAL REPORT** and the audited accounts of the Company for the financial year ended 31st March 2006.

### Financial Results

(Rs. in Million)

For the year ended	31st March 2006	31st March 2005
<b>Total Income</b>	<b>7,191</b>	<b>5,956</b>
Profit before Taxation	883	714
Provision for Taxation	281	222
Net Profit after Taxation	602	492
Balance of Profit brought forward	321	221
<b>Disposable Profit</b>	<b>923</b>	<b>713</b>
The Directors recommended for appropriation as under :		
Dividend (inclusive of dividend tax)	259	190
Transfer to General Reserve	65	200
Transfer to Debenture Redemption Reserve	100	-
Expenses relating to earlier years	64	2
Balance carried forward to Balance sheet	435	321

### Results of Operations

During the year under review, the gross revenue of the Company increased to Rs.7,191 million compared to Rs. 5,956 million in the previous year, registering an impressive growth of 21%. The profit after tax for the year increased by 22% to Rs.602 millions (8% of total revenues) compared to Rs. 492 millions (8% of total revenues) in the previous year.

### Consolidated Accounts

Your Company, under Section 212(8) of the Companies Act, 1956 has been exempted from the provisions of Section 212(1) and Section 212(3) of the Companies Act, 1956 in respect of attaching the financial statements of the subsidiary companies, to the balance sheet of the Company for the financial year 2005-2006. Shareholders desirous of obtaining annual report and the financial statements of the subsidiary companies may obtain the same upon request. However, a statement of summarized financials of all the subsidiaries is attached along with the consolidated financials of your Company. Pursuant to the Accounting Standards, AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by your Company include the financial information of all its subsidiaries.

### Dividend

The Board of Directors recommend a dividend of Rs.4.50 per Equity Share (45% on par value of Rs.10/-) (as against 40% in the previous year) on 50,598,618 equity shares of Rs.10/- each for the financial year ended 31st March, 2006, which if

approved at the forthcoming Annual General Meeting on 7th August 2006, will be paid to those shareholders whose names appear in the Register of Members as at the closing hours of business on 28th July 2006. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership furnished by Depositories viz., NSDL / CDSL for this purpose.

The Register of Members and Share Transfer Books will remain closed from 29th July 2006 to 7th August 2006 (both days inclusive).

### **Transfer to Reserves**

Your Company proposes to transfer Rs. 65 million to the general reserve. An amount of Rs.435 million is proposed to be retained in the profit & loss account.

### **Subsidiaries**

Your Company has seven subsidiary companies as on March 31, 2006. The statement in respect of the details of the subsidiary companies viz., Apollo Health and Lifestyle Limited (AHLL), Unique Home Health Care Limited (UHHCL), AB Medical Centres Limited (ABMCL), Samudra Healthcare Enterprises Limited (SHEL), Apollo Hospitals International Limited (AHIL), Imperial Cancer Hospital and Research Centre Limited (ICHRCL) and Apollo Hospital (UK) Limited (AHUKL) pursuant to section 212 of the Companies Act, 1956, is attached to this report.

#### **Apollo Health and Lifestyle Limited (AHLL)**

AHLL, a wholly owned subsidiary of the Company is engaged in the business of providing primary healthcare facilities through a network of franchised clinics across India offering specialist consultation, diagnostics, preventive health checks, telemedicine facilities and a 24-hour pharmacy all under one roof. For the year ended March 31, 2006 AHLL recorded a revenue of Rs.56.45 million and a net profit of Rs.2.81 million.

#### **Unique Home Health Care Limited (UHHCL)**

UHHCL, a wholly owned subsidiary of the Company provides medical and paramedical services including doctor's consultation, nursing services, physiotherapy and medical equipment direct to patient homes and also offers paramedical service in hospitals to critically ill patients. For the year ended March 31, 2006 UHHCL recorded a revenue of Rs.6.43 million and net profit of Rs.1.33 million.

#### **AB Medical Centres Limited (ABCL)**

ABCL, a wholly owned subsidiary of the Company does not have any commercial operations as it has leased out its infrastructure viz., Land, Building and Medical Equipment to the Company for running the Hospital. For the year ended March 31, 2006, ABCL recorded an income of Rs.7.35 million and a net profit of Rs.4.46 million.

#### **Samudra Healthcare Enterprises Limited (SHEL)**

SHEL became a wholly owned subsidiary of the company consequent to the buy out of its entire equity capital from its promoters by the Company. SHEL owns a 100-bed hospital at Kakinada, Andhra Pradesh. Since the Hospital has already been established and commenced its commercial operation, this acquisition provided the company many advantages viz., no gestation period as against a green field hospital project in the same location, absence of super specialty hospital at this location and non-availability of healthcare facilities which will provide the company a good market for its services, being situated at a strategic location, this acquisition is worthwhile from the strategic point of view also.

For the year ended March 31, 2006 SHEL recorded revenue of Rs.44.13 million and a net loss of Rs.25.06 million.

#### **Apollo Hospital (UK) Limited (AHUKL)**

AHUKL is a wholly owned foreign subsidiary of the Company and yet to commence its operations.

### **Apollo Hospitals International Limited (AHIL)**

AHIL, a Company promoted as a subsidiary of the Company, which established and runs a 350 bed multi-specialty hospital and a medical centre at Ahmedabad caters to the healthcare needs of the western part of our country.

For the year ended March 31, 2006 AHIL recorded revenue of Rs. 212.91 million and a net loss of Rs. 103.10 million.

### **Imperial Cancer Hospital and Research Centre Limited (ICHRCL)**

During the year Company acquired 51% of the equity capital of ICHRCL, Bangalore, by subscribing to 9,981,000 equity shares of nominal value Rs.10/- each at premium of Rs.19.93 per share aggregating to Rs.29.88 crores. ICHRCL is in the final stage of completion of a 240 bed multi-specialty hospital at Bangalore. The hospital on its commissioning will be known as "Apollo Hospitals, Bangalore" with its management and operations vested with the company.

### **JCI Accreditation**

Your Directors take pleasure in reporting that Apollo Hospitals, Chennai has been granted accreditation from Joint Commission International (JCI), USA and became the first hospital in South India to win this prestigious recognition. The JCI accreditation acknowledges the visible commitment of the Company to improve the quality of patient care, ensure a safe environment and to reduce risks to patients and staff at its hospitals. The accreditation is a testimony of compliance with 1033 JCI core and non-core standards in all patient settings and achievement of required numerical score on these standards. Apollo Hospitals, Chennai is the first in India to get the recognition for its out-patient care settings and was commended for its exemplary clinical and corporate governance and delivery of uniform quality care. The accreditation is valid for a period of 3 years.

Apollo Hospitals, Hyderabad also underwent the JCIA Audit during April, 2006 successfully.

### **Corporate Social Responsibility**

Your Company always had a deep sense of responsibility towards the Community. A summary of the programmes conducted by the Company during the year is given below:

- Free medical camps and distribution of medicines to over 850 flood affected poor people in Chennai.
- Free Screening tests for over 21,500 children in 16 schools in and around Chennai.
- Free health screening camp organized for drivers and conductors of the Metropolitan Transport Corporation.
- Organized 110 sessions of corporate health awareness talks and conducted 27 onsite camps at various corporate houses.
- Several international and national CME programmes in the various fields of medicine were conducted through the year.
- SACH (Save A Child's Heart) Foundation conducted free medical and diagnostic camps and screened numerous children in Andhra Pradesh, Gujarat, Maharashtra, Orissa, West Bengal and Assam.
- SAHI - Society to Aid the Hearing Impaired, established by Apollo Hospitals, Hyderabad examined over 2,200 patients, 151 were given Hearing Aids and 128 were successfully operated upon.
- Apollo Speciality Hospitals, Madurai launched for the first time in the country a mobile tele-hospital as part of the activities of DISHA (Distance Healthcare Advancement), which will cover a population of over 500,000.
- Apollo Emergency cum ICU was established for the 6th consecutive year at Pamba which was of immense benefit to Pilgrims of Sabarimalai.
- Free Ambulance with First Aid Medical team provided for various religious gatherings in and around Madurai.
- World Health Day, Rose Day, Blood Donors' Day were observed at various locations to create awareness of good health.



### **Issue of Convertible Equity Warrants to Promoters**

During the year, the Company issued 1,039,965 equity warrants to the promoters of the Company. These warrants have been issued with a convertible option to be exercised within a period of 18 months from the date of allotment i.e. 2nd December 2006, each warrant issued can be converted into one equity share of the company of nominal value of Rs.10/- each at a price of Rs.334.15 which includes a premium of Rs.324.15 per share calculated in accordance with SEBI (Disclosure and Investor Protection) Guidelines, 2000.

The objective of this preferential issue was to meet the fund requirements for expansion of its activities, finance additional working capital requirements and to meet general corporate purpose.

### **Issue of Global Depository Receipts (GDRs)**

The Company issued 9,000,000 GDRs (including green shoe option) to the foreign investors and raised USD 70.20 million to fund its expansion activities, working capital and for general corporate purpose. The GDRs were issued at a price of USD 7.80 (INR 340/-). Each GDR represents one underlying equity share of the Company. The GDRs have been listed at Luxembourg Stock Exchange and is traded at Luxembourg Stock Exchange, PORTAL market of NASDAQ and at the International Order Book (IOB) platform of London Stock Exchange. The trading of the GDRs commenced on Luxembourg Stock Exchange and PORTAL market of NASDAQ on 18th July 2005 and at the IOB platform of London Stock Exchange on 23rd December 2005. The Bank of New York acts as the Depository and ICICI Bank as the domestic custodian in respect of GDRs issued.

The details of utilisation of proceeds of GDR issue up to 31st March, 2006 are set out in the statement attached herewith as Annexure - A.

### **Increase in Paid-up Share Capital**

During the previous year, the paid-up share capital of the Company increased from Rs.415,986,180/- (consisting of 41,598,618 equity shares of Rs.10/- each) to Rs.505,986,180/- (consisting of 50,598,618 equity shares of Rs.10/- each), consequent to the GDR issue. These shares have been listed at Madras Stock Exchange (MSE), Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited, (NSE), Mumbai.

### **Corporate Governance**

Your Company gives utmost importance to good corporate governance and has been complying with the requirements of Listing Agreement with the Stock Exchanges. A report on Corporate Governance and Management Discussion and Analysis is included as a part of the Directors' Report.

A certificate from the Auditors' of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

### **Human Resources Development**

Apollo believes and acknowledges human resources as its most vital asset as all operations in the hospital are people-centric. The HR policy, strategy and effective implementation of plans have contributed to the success of the organization's business. Commitment and competence are key drivers of performance and we endeavor to strengthen the organizational culture to attract and retain best talent. The HR systems, procedures and the organization environment ensure creativity, innovation and efficiency among the employees. Training as an integral part of the system contributes to balance the organization's cultural value with professional etiquette, skill and knowledge.

We have put in place an effective recruitment and human resources management process to combat attrition of clinical / non-clinical manpower. The robust process takes care of a continuous supply of clinical manpower to support the organization's patient care delivery process. Total number of employees increased from 9,091 as on March 31, 2005 to 10,189 as on March 31, 2006 and the attrition rate is about 14%. The HR number and cost are under constant check to ensure optimum utilization of human resources. As a part of controlling numbers and cost, HR and the operational team

together have started working on ward process re-engineering programmes as pilot modules. The same will be implemented across the hospitals which will result in cost saving to the company.

HR's contribution in achieving JCI accreditation was very significant as it had to prepare the whole organization through innovative training programmes to enable all employees to handle the audit process in the most efficient and effective manner. The latest tie-up with Johns Hopkins University supports our training process through exchange programmes.

### **Industrial Relations**

The Company has always maintained healthy, cordial and harmonious industrial relations at all levels. Despite severe competition, the enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry.

### **Directors' Responsibility Statement**

**Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors of the Company hereby state and confirm that:**

- In the preparation of the annual accounts for the year, the applicable accounting standards had been followed along with proper explanations and there were no material departures;
- The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors had prepared the annual accounts on a going concern basis.

### **Fixed Deposits**

The Company discontinued accepting fresh deposits since 2003. However it continues to renew the existing deposits on reduced interest rates. The total deposits with the Company as on 31st March 2006 was Rs.131.92 million (Rs. 221.23 million as on 31st March 2005) which include deposits for an aggregate value of Rs.11.85 million (Rs. 12.54 million as on 31st March 2005) not claimed by the depositors. Out of these deposits, an aggregate value of Rs.3.55 million have since been repaid / renewed.

### **Directors**

As per the provisions of Articles of Association of the Company, four Directors of the Company viz., Smt. Suneeta Reddy, Smt. Sangita Reddy, Shri, Deepak Vaidya and Shri. P. Obul Reddy retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

### **New Directors**

In line with the Company's corporate governance policies and practices and to have a truly independent board, the board appointed Shri. Khairil Anuar Abdullah and Shri G. Venkatraman who are professionals with rich experience in corporate management as Additional Directors. Both the Directors satisfy all the conditions laid down in clause 49 of the Listing Agreement for being treated as Independent Directors.

### **Outgoing Directors**

Shri. Anil Thadani resigned with effect from 4th August 2005. Consequent to his resignation, Shri. Sunil Chandiramani who was appointed as an Alternate Director to Shri. Anil Thadani also ceased to be a Director of the Company.

As the company has liquidated all its Industrial Development Bank of India (IDBI) loans, the institution withdrew its nominee Shri. M. Chittaranjan Kumar from the Board of the Company with effect from 6th December 2005.

The Board placed on record its deep appreciation for the valuable advice and guidance given by the outgoing Directors viz., Shri. Anil Thadani, Shri. Sunil Chandiramani-Alternate Director to Shri. Anil Thadani and Shri.M.Chittaranjan Kumar during their tenure on the Board of the Company.

#### **Auditors**

The auditors, M/s. S. Viswanathan, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

#### **Particulars of Employees as per Section 217(2A) of the Companies Act, 1956**

Particulars of Employees required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended forms part of this report and attached herewith as Annexure - B.

#### **Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Particulars as required to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in the statement attached herewith as Annexure - C.

#### **Acknowledgement**

Your Directors would like to place on record their appreciation of the contribution made by the employees at all levels, who, through their competence, hard work, solidarity, co-operation, support and commitment have enabled the Company to achieve commendable growth.

Your Directors acknowledge with thanks the continued support and valuable co-operation extended by the business constituents, investors, vendors, bankers, financial institutions and shareholders of the Company. Your Directors express their gratitude to the Central and State Governments, for their kind co-operation and constructive policies.

For and on behalf of the Board of Directors

Place : Chennai

Dated : 12th June 2006

**Dr. Prathap C Reddy**

Executive Chairman

## Annexure - A to the Directors' Report

### Details of Utilisation of Proceeds of GDR Issue up to 31st March 2006

(Rs.in Million)

<b>Amount received through GDR Issue</b>	<b>3,060.00 (USD 70.20)</b>
<b>Details of Utilization</b>	
1. Issue Expenses	107.10
2. Equity Investment in Associate Companies	241.90
3. Acquisition of new hospital projects at Kakinada, Bangalore and Mysore	702.00
4. Repayment of high cost debt	442.00
5. Purchase of Fixed Assets	310.83
6. Working Capital	36.00
<b>Total Amount Utilized up to 31st March 2006</b>	<b>1,839.83</b>
<b>Balance amount parked in Mutual Fund Schemes</b>	<b>1,220.17</b>

## Annexure - B to the Directors' Report

### Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956

Name	Age	Designation	Gross Remuneration (Rs.)	Qualification	Experience in Years	Date of Joining	Details of Previous Employment
Dr. Prathap C Reddy	74	Executive Chairman	44,728,299	MBBS, FRCS	40	Since inception	Practicing as a Cardiologist in USA and India
Smt.Preetha Reddy	49	Managing Director	17,891,320	B.Sc., M.A	24	3rd Feb 1989	Chief Executive Indian Hospitals Corporation Ltd
Smt. Suneeta Reddy	47	Executive Director - Finance	3,122,470	B.A	23	1st May 2000	Jt. Managing Director, Indian Hospitals Corporation Ltd
Smt. Sangita Reddy	44	Executive Director - Operations	2,088,988	B.Sc.	22	31st July 2000	Managing Director, Deccan Hospitals Corporation Ltd

#### Note :

Dr. Prathap C Reddy, Executive Chairman, Smt. Preetha Reddy, Managing Director, Smt.Suneeta Reddy, Executive Director - Finance, Smt. Sangita Reddy, Executive Director - Operations are relatives.

## Annexure - C to the Directors' Report

### Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo.

#### Conservation of Energy

Significant measures are being taken to reduce energy consumption by using energy-efficient equipment. Your Company constantly evaluates and invests in new technology to make its infrastructure more energy efficient.

#### Technology Absorption

Over the years your Company has brought into the country the best that the world has to offer in terms of technology, as a part of its continuous endeavor to serve the patients better and to bring healthcare of international standards within the reach of every individual. During the year your company absorbed the following latest technology in its hospitals.

#### Radio Frequency Ablation System

Radio Frequency Ablation is now increasingly becoming a modality of choice for specific tumours in the liver and lung with excellent long term results. The scope of Radio Frequency Ablation now also includes certain tumors in the kidney, bone and breast with new indications coming up very rapidly. It has now become necessary for cancer institutes to offer this as a treatment option.

#### Colon Hydrotherapy System

To complement holistic health innovation, the first dual mode colon hydrotherapy system in the country featuring both gravity flow and pressure controlled treatment has been installed for colon cleaning and detoxification.

#### Epics XI-Flow Cytometer

This Unique system redefines the standards of Flow Cytometric analysis. The XL system features the capability to analyse upto 4 colors of Immunofluorescence from a single air cooled laser for application needs which include multiparametric DNA Analysis, Platelet Studies, Reticulocyte enumeration, cell biology / functional studies as well as broad range of research application with throughput of upto 100 samples per hour.

#### Digital X-Ray Radiography Systems

The Digital X-ray Radiography System from Imaging Dynamics Corporation (IDC), Canada with its reliable detector technology, (like in the NASA's Hubble Space telescope) will enable very high throughputs, remote connectivity, and Tele-Radiology. The high quality digital images can be retrieved anywhere and any time through the DICOM Net Work.

#### Image Guided Surgical Navigation System

The Brain LAB Image Guided Navigation System has various applications in Neuro, Orthopedics & Spine Surgery. Clinical benefit associated with Image Guided Surgery for Surgeons is performing less invasive surgeries through small incision and direct access to specific targeted areas, also offering high-tech navigation tools for surgeons.

#### Picture Archival & Communication Solution Network (PACS)

The PACS Network has integrated the different imaging modalities including DICOM, Non-DICOM as well as ECG data on an online network. The reporting process has been integrated with HIS at the Radiology and Cardiology workstations to enable consultants to enter reports online. Physicians will be able to view images as well as reports from OPD areas, Theaters etc. The Apollo Group vision is towards the implementation of an advanced Enterprise Patient Information Network, and the Centricity solution fits into the Group's roadmap for the future Data Center and Central Data repository capabilities for PACS will be implemented facilitating the first-of-its-kind Healthcare information Network in the country.

#### Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings	:	Rs.90.29 million (This is exclusive of Rupee payment made by Non-Resident Indians and Foreign Nationals)
Foreign Exchange Outgo	:	Rs.232.25 million

### Company's philosophy on code of governance

The basic objective of corporate governance policies adopted by the Company is to attain the highest levels of transparency, accountability and integrity. This objective extends not merely to meet with statutory requirements but to go beyond them by putting into place procedures and systems, in accordance with best practices of governance. Your Company believes that Good Corporate Governance enhances the trust and confidence of all the stakeholders. Good practice in corporate behavior helps to enhance and maintain public trust in companies and stock market.

Your Company reviews its corporate governance practices to ensure that they reflect the latest developments in the corporate arena positioning itself to conform to the best corporate governance practices. Your Company is committed to pursue excellence in all its activities and maximize its shareholders' wealth.

The Company's corporate governance policies and practices focus on the following principles:-

- To recognize the respective roles and responsibilities of Board and Management
- To achieve the highest degree of transparency by maintaining a high degree of disclosure levels
- To ensure and maintain high ethical standards in its functioning
- To give the highest importance to investor relations
- To ensure a sound system of risk management and internal controls
- To ensure that employees of the company subscribe to the corporate values and apply them in their conduct
- To ensure that the decision making process is fair and transparent
- To ensure that the company follows globally recognized corporate governance practices

### I. Board of Directors

The Company has an Executive Chairman. As per Clause 49 of the Listing Agreement, if the Chairman is an Executive Chairman, at least half of the Board should consist of Non-Executive Directors and also at least half of the Board shall comprise Independent Directors. The Board comprises more than 70 per cent of Non-Executive Directors and 60 per cent of Independent Directors. The Board of Directors of the Company has a healthy blend of Executive and Non-Executive Directors, and consequently ensures the desired level of independence in functioning and decision making. Moreover all the Non-Executive Directors are eminent professionals, and bring the wealth of their professional expertise and experience to the management of the Company.

**(A) Composition of Board of Directors and details of their shareholding in the Company and external directorship and membership of board committees**

Director	Category	Designation	Shareholding in the Company (No. of Shares)	Number of Directorships (out of which as Chairman) other than AHEL #	Number of Memberships in Board Committees other than AHEL	Whether Chairman / Member
Dr. Prathap C Reddy	Promoter	Executive Chairman	1,464,593	10(8)	-	-
Smt. Preetha Reddy	Promoter	Managing Director	724,670	11	-	-
Smt. Suneeta Reddy	Promoter	Executive Director - Finance	396,795	13(1)	-	-
Smt. Sangita Reddy	Promoter	Executive Director - Operations	1,281,254	8	-	-
Shri. P. Obul Reddy	Non-Executive	Director	5,000	3(2)	1 1	Chairman Member
Shri. Rajkumar Menon	Independent	Director	-	-	-	-
Shri. T.M. Joseph	Independent	Director	23,200	-	-	-
Shri. Rafeeqe Ahamed	Independent	Director	20,000	-	-	-
Shri. Anil Thadani <sup>1</sup>	Independent	Director	-	NA	NA	NA
Shri. Habibullah Badsha	Independent	Director	5,403	1	-	-
Shri. Deepak Vaidya	Independent	Director	-	8	2 1	Chairman Member
Shri. N. Vaghul	Independent	Director	-	10(4)	1 3	Chairman Member
Shri. T.K. Balaji	Independent	Director	-	11(1)	1 5	Chairman Member
Dr. Jennifer Lee Gek Choo	Non-Executive	Nominee – Maxwell Mauritius Pte Ltd	-	-	-	-
Shri.Sunil Chandiramani <sup>2</sup>	Independent	Alternate Director to Shri. Anil Thadani	-	NA	NA	NA
Shri. M. Chittaranjan Kumar <sup>3</sup>	Independent	Nominee (IDBI)	-	NA	NA	NA
Shri.Khairil Anuar Abdullah <sup>4</sup>	Independent	Director	-	-	-	-
Shri.G.Venkatraman <sup>5</sup>	Independent	Director	-	2	1 1	Chairman Member

1 Resigned w.e.f 4th August 2005

2 Ceased to be Alternate Director w.e.f 4th August 2005 on resignation of Shri. Anil Thadani, Original Director

3 Ceased to be Director (IDBI Nominee) w.e.f 6th December 2005

4 Appointed w.e.f 25th November 2005

5 Appointed w.e.f 12th December 2005

# Excluding Foreign Companies, Private Companies and Section 25 companies

### Pecuniary relationship or transaction of Non-Executive Directors vis-à-vis the Company

As regard to the disclosure in respect of pecuniary relationship or transaction of Non-Executive Directors vis-a-vis the Company it is stated that Shri.P.Obul Reddy, Director of the Company may be deemed to be interested through his relatives in M/s.P.Obul Reddy & Sons, a partnership firm which deals in Godrej Products.

The Company has entered into a contract with the above firm with the prior approval of the Central Government pursuant to Section 297 of the Companies Act 1956, for purchase of furniture & fittings from this firm at the prevailing market prices for the hospitals run by the Company at various places for a period of two years from 01st June 2005 to 31st May 2007.

All transactions with this firm have been in the ordinary course of business and the total value of goods purchased from this firm during the year amounted to Rs.12.93 Million.

Apart from the above, the Company does not have any direct pecuniary relationship / transaction with any of its Non Executive Directors.

### (B) Remuneration policy of Directors

#### (a) Executive Directors

The remuneration paid to Executive Directors is recommended by the Remuneration & Nomination Committee and approved by the Board of Directors subject to the approval by the Shareholders in General Meeting.

#### (b) Non-Executive Directors

Non-Executive Directors are paid sitting fee for the meeting of Board and Committee, if any, attended by them. The commission paid to Non-Executive Directors is approved by the Board of Directors subject to approval of Shareholders in General Meeting.

#### (c) Details of remuneration paid to the Directors

The details of remuneration paid / accrued to the Directors for the year ended 31st March 2006 along with their relationships and business interests is detailed below :-

(Amount in Rs.)

Name of the Director	Relationship with other Directors	Remuneration paid/payable for the year ended 31st March 2006			
		Sitting Fee	Remuneration	Commission	Total
Dr. Prathap C Reddy	Father of Smt. Preetha Reddy, Smt. Suneeta Reddy & Smt. Sangita Reddy	NA	44,728,299	-	44,728,299
Smt. Preetha Reddy	Daughter of Dr. Prathap C Reddy, Sister of Smt. Suneeta Reddy & Smt. Sangita Reddy	NA	17,891,320	-	17,891,320
Smt. Suneeta Reddy	Daughter of Dr. Prathap C Reddy, Sister of Smt. Preetha Reddy & Smt. Sangita Reddy	NA	3,122,470	-	3,122,470
Smt. Sangita Reddy	Daughter of Dr. Prathap C Reddy, Sister of Smt. Preetha Reddy & Smt. Suneeta Reddy	NA	2,088,988	-	2,088,988
Shri. P. Obul Reddy	Father-in-law of Smt. Preetha Reddy & Smt. Suneeta Reddy	140,000	-	150,000	290,000
Shri. Rajkumar Menon	-	90,000	-	150,000	240,000
Shri. T.M. Joseph	-	-	-	150,000	150,000
Shri. Rafeeqe Ahamed	-	20,000	-	150,000	170,000



Name of the Director	Relationship with other Directors	Remuneration paid/payable for the year ended 31st March 2006			
		Sitting Fee	Remuneration	Commission	Total
Shri. Anil Thadani	-	-	-	51,780	51,780
Shri. Habibullah Badsha	-	50,000	-	150,000	200,000
Shri. Deepak Vaidya	-	170,000	-	150,000	320,000
Shri. N. Vaghul	-	180,000	-	150,000	330,000
Shri. T.K. Balaji	-	40,000	-	150,000	190,000
Dr. Jennifer Lee Gek Choo	-	100,000	-	150,000	250,000
Shri. Sunil Chandiramani (Alternate Director to Shri. Anil Thadani)	-	5,000	-	-	5,000
Shri. M. Chittaranjan Kumar (IDBI Nominee)	-	55,000	-	102,328	157,328
Shri. Khairil Anuar Abdullah	-	60,000	-	52,192	112,192
Shri. G. Venkatraman	-	60,000	-	45,205	105,205

#### Notes

- (i) The term of Executive Directors is for a period of 5 years from the respective date of appointment.
- (ii) The Company does not have any service contract with any of the directors.
- (iii) None of the above is eligible for any severance pay.
- (iv) The Commission to Non-Executive Directors for the year ended 31st March 2006 @ Rs.150,000/- per annum will be paid, subject to deduction of tax after adoption of accounts by shareholders at the Annual General Meeting to be held on 7th August 2006. Sitting fee also includes payment of fees for attending Board-level Committee Meetings.
- (v) The Company has no stock option plans and hence, such instrument does not form part of remuneration package to any Executive Director and / or Non-Executive Director.
- (vi) The Company did not advance any loan to any of its Directors during the year.

#### (d) Criteria for payment to Non-Executive Directors

The compensation to the Non-Executive Directors takes the form of commission on profits. The shareholders have approved payment of commission to Non-Executive Directors of the company up to 1 percent of the net profits of the Company for each financial year calculated as per the provisions of the Companies Act, 1956, subject to a ceiling of Rs.150,000 for each Non-Executive Director per year. The sum is reviewed periodically taking into consideration various factors such as performance of the Company, time spent by the Directors for attending to the affairs and business of the Company, and the extent of responsibilities cast on the directors under various laws and other relevant factors. Further, the aggregate commission paid to all Non-Executive Directors is well within the limit of 1 per cent of net profit as approved by the shareholders. The Non-Executive Directors are also paid sitting fees as permitted by government regulations for all board and committee meetings attended by them.

### (C) Board Procedures

#### (a) Number of Board Meetings held, dates on which held

Eight board meetings were held during the financial year from 1st April 2005 to 31st March 2006. The dates on which the meetings were held are as follows :-

18th April, 23rd May, 25th July, 11th August, 4th November, 25th November, 12th December 2005 and 30th January 2006.

**(b) Attendance of each Director at the Board Meetings and at the last AGM are set out below**

Director	Number of Board Meetings held	Number of Board Meetings Attended	Last AGM attendance (Yes/No)
Dr. Prathap C Reddy	8	8	Yes
Smt. Preetha Reddy	8	7	Yes
Smt. Suneeta Reddy	8	8	Yes
Smt. Sangita Reddy	8	6	Yes
Shri. P. Obul Reddy	8	5	Yes
Shri. Rajkumar Menon	8	8	Yes
Shri. T.M. Joseph	8	-	No
Shri. Rafeeqe Ahamed	8	1	No
Shri. Anil Thadani <sup>1</sup>	8	-	NA
Shri. Habibullah Badsha	8	3	No
Shri. Deepak Vaidya	8	7	Yes
Shri. N. Vaghul	8	8	Yes
Shri. T.K. Balaji	8	5	Yes
Dr. Jennifer Lee Gek Choo	8	6	Yes
Shri. Sunil Chandiramani <sup>2</sup> (Alternate Director to Shri. Anil Thadani)	8	1	NA
Shri. M. Chittaranjan Kumar <sup>3</sup> (IDBI Nominee)	8	3	No
Shri. Khairil Anuar Abdullah <sup>4</sup>	8	3	NA
Shri. G. Venkatraman <sup>5</sup>	8	2	NA

1. Resigned w.e.f 4th August 2005
2. Ceased to be Alternate Director w.e.f 4th August 2005 on resignation of Shri. Anil Thadani, Original Director
3. Ceased to be Director (IDBI Nominee) w.e.f 6th December 2005
4. Appointed w.e.f 25th November 2005
5. Appointed w.e.f 12th December 2005

**(c) The following information are being made available to the Board as and when required**

1. Annual Operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the Company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices, which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
9. Any issue which involves possible public or product liability, claims of substantial nature including any judgement or order which, may have passed strictures on the code of conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.

10. Details of joint venture or collaboration agreements.
11. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like signing of wage agreement, implementation of VRS scheme etc.
13. Sale of material nature such as investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or Listing Agreement requirements and the shareholders service such as non-payment of dividend, delay in share transfer etc.

#### (D) Code of Conduct for Board Members and Senior Management Personnel

The Board of Directors has framed a Code of Conduct for the Board Members and Senior Management Personnel with effect from 25th July 2005. This Code helps the Company to maintain the Standard of the Business Ethics and ensure compliance with the legal requirements, specifically under Clause 49 of the Stock Exchange Listing Agreement. The Code is aimed to prevent any wrong doing and to promote ethical conduct at the Board and Senior Management level.

The Company Secretary has been appointed as Compliance Officer and is responsible to ensure adherence to the Code by all concerned. A copy of the Code of Conduct has been posted on the Company's official website [www.apollohospitals.com](http://www.apollohospitals.com)

The declaration regarding compliance with code of conduct as required under clause 49 of the Listing Agreement with the Stock Exchanges is appended to this report.

#### Code of Conduct for prevention of Insider Trading

During the year all the dealings in the company's shares by the Directors and Designated Employees were conducted in strict compliance with the provisions of Company's Code of Conduct for Prevention of Insider Trading and SEBI (Prohibition of Insider Trading) Regulations, 1992.

#### II. Composition of Board Committees

Audit Committee	Investors Grievance Committee	Remuneration & Nomination Committee	Investment Committee	Share Transfer Committee
Shri. Deepak Vaidya, Chairman	Shri. Rajkumar Menon, Chairman	Shri. N.Vaghul, Member	Smt. Preetha Reddy, Member #	Dr. Prathap C Reddy, Chairman
Shri.P.Obul Reddy, Member	Smt. Preetha Reddy, Member	Shri. P.Obul Reddy, Member	Smt.Suneeta Reddy, Member	Smt. Preetha Reddy, Member
Shri.M.Chittaranjan Kumar, Member*	Smt. Suneeta Reddy, Member	Shri. Deepak Vaidya, Member	Shri. N. Vaghul, Member #	Shri. Rajkumar Menon, Member
Shri.G.Venkatraman, Member**		Dr. Jennifer Lee Gek Choo, Member	Shri. Deepak Vaidya, Member #	
Shri. Rajkumar Menon, Member ##			Shri. T.K. Balaji, Member #	
			Shri. M.Chittaranjan Kumar, Member *	
			Shri.Sunil Chandiramani, Member ###	

\* Ceased to be a member w.e.f 6th December 2005

\*\* Appointed as a member w.e.f 12th December 2005

# Appointed as a member w.e.f 25th November 2005

## Appointed as a member w.e.f 12th May 2006

### Ceased to be a member w.e.f 25th November 2005

## (1) AUDIT COMMITTEE

### (a) Composition of Audit Committee

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising the following four Non-Executive Directors of whom majority are Independent:

1. Shri. Deepak Vaidya, Chairman
2. Shri. P. Obul Reddy
3. Shri. G. Venkatraman (appointed w.e.f 12th December 2005)
4. Shri. Rajkumar Menon (appointed w.e.f 12th May 2006)
5. Shri. M. Chittaranjan Kumar (resigned w.e.f 6th December 2005).

The committee comprises eminent professionals with expert knowledge in corporate finance. The Minutes of each audit committee meeting are placed before and discussed by the Board of Directors of the Company.

### (b) Meetings of Audit Committee

Audit Committee met four times during the year on 23rd May, 25th July, 25th November 2005 and 30th January 2006.

Sl. No.	Name of the Member	Designation	Number of Meetings Held	Number of Meetings attended
1.	Shri. Deepak Vaidya	Chairman	4	4
2.	Shri. P. Obul Reddy	Member	4	3
3.	Shri. M. Chittaranjan Kumar	Member	4	2
4.	Shri. G. Venkatraman	Member	4	1
5.	Shri. Rajkumar Menon	Member	4	NA

### (c) Functions of Audit Committee

The Audit Committee performs the following functions:-

1. Overseeing of the Company's financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment of and removal of statutory auditor, fixation of audit fee and approval for payment for any other services.
3. Recommending the appointment of and removal of Chief Internal Auditor, fixation of audit fee.
4. Reviewing with management the quarterly, half yearly and annual financial statements before submission to the Board.
5. Reviewing the adequacy of internal control systems and the internal audit functions and reviewing the Company's financial and risk management policies.
6. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting such matters to the Board.
7. Reviewing the reports furnished by the Internal Auditors and Statutory Auditors and ensuring suitable follow up thereon.
8. Discussion with External Auditors before the audit commences, on the nature and scope of audit as well as have a post-audit discussion to ascertain any area of concern.

9. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
10. Reviewing the Management Discussion and Analysis of financial condition and results of operations.
11. Reviewing with the Management, the statement of significant related-party transactions.

In addition to the areas noted above, audit committee looks into controls and security of the Company's critical IT applications, the internal and control assurance audit reports of all major divisions and profit centers and deviations from the code of business principle, if any.

## **(2) REMUNERATION & NOMINATION COMMITTEE**

### **(a) Composition and Scope of Remuneration & Nomination Committee**

The Remuneration & Nomination Committee comprising the following Independent and Non-Executive Directors.

1. Shri. N. Vaghul
2. Shri. P. Obul Reddy
3. Shri. Deepak Vaidya
4. Dr. Jennifer Lee Gek Choo

The Scope of Remuneration & Nomination Committee includes

1. To submit recommendations to the Board with regard to -
  - a) Filling up of vacancies in the Board that might occur from time to time and appointment of additional Non-Whole-time Directors. In making these recommendations, the Committee shall take into account the special professional skills required for efficient discharge of the Board's functions;
  - b) Directors liable to retire by rotation; and
  - c) Appointment of Whole-time Directors.
2. To determine and recommend to the Board from time to time -
  - a. The amount of commission and fees payable to the Directors within the applicable provisions of the Companies Act, 1956.
  - b. The amount of remuneration, including performance or achievement bonus and perquisites payable to the Whole-time Directors.
3. To frame guidelines for Reward Management and recommend suitable schemes for the Whole-time Directors and Senior Management; and
4. To determine the need for key man insurance for any of the company's personnel

### **(b) Meetings of Remuneration & Nomination Committee**

Remuneration & Nomination Committee met twice during the year on 25th November 2005 and 30th January 2006.

<b>Sl.No.</b>	<b>Name of the Member</b>	<b>Designation</b>	<b>No.of Meetings Held</b>	<b>No.of Meetings attended</b>
1.	Shri. N. Vaghul	Chairman	2	2
2.	Shri. P. Obul Reddy	Member	2	2
3.	Shri. Deepak Vaidya	Member	2	2
4.	Dr. Jennifer Lee Gek Choo	Member	2	2

### (3) INVESTMENT COMMITTEE

#### Composition and Scope of Investment Committee

The Board of Directors of the Company has re-constituted the Investment Committee with majority of Independent Directors consisting of:

1. Smt. Preetha Reddy
2. Smt. Suneeta Reddy
3. Shri.N. Vaghul
4. Shri.T.K. Balaji
5. Shri. Deepak Vaidya

The Scope of the Investment Committee is to review and recommend the investment of surplus funds of the Company.

### (4) INVESTORS' GRIEVANCE COMMITTEE

#### (a) Composition and Scope of Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee specifically looks into redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of share certificates, non-receipt of declared dividends and to ensure expeditious share transfers.

This Committee comprises the following Directors :

1. Shri. Rajkumar Menon, Chairman
2. Smt. Preetha Reddy
3. Smt. Suneeta Reddy

#### (b) Meetings of Investors' Grievances Committee

The Committee met four times during the year on 4th April 2005, 4th July 2005, 3rd October 2005 and 4th January 2006.

Sl.No.	Name of the Member	Designation	No.of Meetings Held	No.of Meetings attended
1.	Shri. Rajkumar Menon	Chairman	4	4
2.	Smt. Preetha Reddy	Member	4	4
3.	Smt. Suneeta Reddy	Member	4	4

#### Name and Designation of Compliance Officer

Shri. S.K. Venkataraman, Chief Financial Officer and Company Secretary.

### (5) SHARE TRANSFER COMMITTEE

#### Composition and Scope of Share Transfer Committee

The share transfer committee comprising of following directors :

1. Dr. Prathap C Reddy
2. Smt. Preetha Reddy
3. Shri. Rajkumar Menon

The Share Transfer Committee, constituted by the Board has been delegated powers to administer the following:

- To effect transfer of shares;
- To effect transmission of shares;
- To issue duplicate share certificates as and when required; and
- To confirm demat / remat request.

The Committee, attends to the share transfer and other formalities once in a fortnight

### III. Subsidiary Companies

As per revised Clause 49 of the Stock Exchange Listing Agreement, the Company does not have any Subsidiary Company which falls within the term "Material non-listed Indian Subsidiary Company".

### IV. Disclosures

#### (A) Related Party Transactions

There were no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors, Promoters or the Management that may have potential conflict with the interests of the Company at large except the details of transactions disclosed in Schedule J - Notes forming part of Accounts as required under Accounting Standard 18 of the Institute of Chartered Accountants of India.

All details relating to financial and commercial transactions, where Directors may have a potential interest are provided to the Board and the interested Directors neither participate in the discussion, nor do they vote in such matters. The Audit Committee of the Company also reviews related party transactions on periodical basis.

#### (B) Risk Management

Business Risk Evaluation and Managing such risks is an ongoing process within the organization. The Board constituted Risk Management Committee headed by Managing Director which will review the probability of risk happenings that adversely affect the operations and profitability of the Company and suggest suitable measures to mitigate such risks.

A Risk Management Framework is already in place and the Executive Management reports to the Board periodically on the assessment and minimization of risks.

#### (C) Proceeds of Public, Rights and Preferential Issues

During the year, Company has issued 9,000,000 GDRs (including green shoe option) to the foreign investors and raised USD 70.20 million to fund its expansion activities, working capital and general corporate purpose. The GDRs were issued at a price of USD 7.80 (Rs.340/-). Each GDR represents one underlying equity share of the company. The Audit Committee reviews the utilization of proceeds on a quarterly basis.

#### (D) Management

The Management's Discussion and Analysis Report is appended to this report.

#### (E) Shareholders

##### (1) Disclosures regarding appointment or re-appointment of Directors

As per the Companies Act, 1956, atleast two thirds of the Board should consist of retiring Directors, of these atleast one third are required to retire every year. Except the Chairman and the Managing Director, all other Directors are liable to retire by rotation as per the provisions of Companies Act, 1956. As per the Articles of Association, Smt. Suneeta Reddy, Smt. Sangita Reddy, Shri. Deepak Vaidya and Shri. P. Obul Reddy will retire at the ensuing Annual General Meeting.

The detailed resumes of all these directors are provided as part of the Notice of the Annual General Meeting.

##### (2) Communication to shareholders

The unaudited quarterly, audited half-yearly and annual financial results are sent to all the Stock Exchanges, where the shares of the company are listed. The results are also published in Economic Times and Makkal Kural. The financial results are placed on Company's website [www.apollohospitals.com](http://www.apollohospitals.com)

As per Clause 51 of the Listing Agreement financial results and corporate governance report are filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC).

### (3) Investors' Grievances and Share Transfer

As mentioned earlier, the Company has a Board-level Investors Grievance Committee to examine and redress shareholders and investors' complaints. The status on complaints and share transfers is reported to the Committee. The details of shares transferred and nature of complaints is provided in the Additional information to shareholders section of the Annual Report.

For matters regarding shares transferred in physical form, share certificates, dividends, change of address etc., shareholders should communicate to the Integrated Enterprises (India) Ltd, our registrar and share transfer agent. Their address is given in the section on Shareholder Information.

### (4) Details of Non-Compliances

There are no non-compliances by the Company and no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

### (5) General Body Meetings

#### Location, date and time of Annual General Meetings held during the preceding three years

Year	Date	Venue	Time
2002-2003	Aug 22, 2003	Kamaraj Arangam, Chennai	10.00 A.M.
2003-2004	Sept 14, 2004	Kamaraj Arangam, Chennai	10.00 A.M.
2004-2005	Aug 11, 2005	Kamaraj Arangam, Chennai	4.00 P.M.

There were no special resolutions passed by the members during the past three Annual General Meetings.

### (6) Postal Ballots

During the year there were no ordinary or special resolutions passed by the members through Postal Ballot.

## V. CEO/CFO Certification

As required by the revised clause 49 of the Listing Agreement, the certificate from Smt. Preetha Reddy, Managing Director and Smt. Suneeta Reddy, Executive Director-Finance was placed before the Board of Directors at their meeting held on 12th June, 2006. A copy of which is appended to this report.

## VI. Compliance with Corporate Governance Norms

### (i) Mandatory Requirements

The Company has complied with all the mandatory requirements of Corporate Governance norms as enumerated in Clause 49 of the Listing Agreement with the Stock Exchanges.

### (ii) Non-Mandatory Requirements

The status of compliance in respect non-mandatory requirements of Clause 49 of Listing Agreement is as follows:-

- The Board :** (a) There is no Non-Executive Chairman for the Company.  
(b) No specific tenure has been specified for any of the Independent Directors.
- Remuneration Committee :** Details are given under the heading 'Remuneration & Nomination Committee'.
- Shareholder Rights :** Details are given under the heading 'Communication to Shareholders'
- Audit Qualifications :** During the year under review, there was no audit qualification in the Company's financial statements.

The Company is fully compliant with SEBI Guidelines relating to Corporate Governance.

## VII. Auditors Report on Corporate Governance

As required by Clause 49 of the Listing Agreement, the auditors' certificate is given as an annexure to the Directors Report.



## General Shareholders' information

### (i) AGM date, time and venue

7th August, 2006 at 10.00 a.m  
Kamaraj Arangam, No. 492, Anna Salai, Teynampet,  
Chennai - 600 006.

### (ii) Financial Calendar

1st Quarter	1st April to 30th June
2nd Quarter	1st July to 30th September
3rd Quarter	1st October to 31st December
4th & last Quarter	1st January to 31st March

### (iii) Date of Book Closure

29th July 2006 to 7th August 2006 (both days inclusive)

### (iv) Dividend Payment

On or before 22nd August 2006

### (v) Listing of:

#### (1) Equity Shares

**(i) The Madras Stock Exchange Limited**, Exchange Building, Post Box No.183,11 Second Line Beach, Chennai - 600 001, Tamil Nadu, Tel :91-44-2522 4382, 2522 4392, 2522 4393, Fax: 91-44-2524 4897

**(ii) The Bombay Stock Exchange Limited**, Phiroze Jheejheebhoy Towers, Dalal Street, Mumbai - 400 001 Tel :91-22-2272 1234, 1233, Fax : 91-22-2272 3353/3355 Website : www.bseindia.com

**(iii) The National Stock Exchange of India Limited**, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 Tel : 91-22-2659 8100 - 8114 Fax : 91-22-26598237/38 Website : www.nseindia.com

#### (2) GDRs

**EuroMTF of Luxembourg Stock Exchange**, BP 165 L-2011, Luxembourg

#### Traded at :

##### NASDAQ - PORTAL Market

**London Stock Exchange**, International Order Book (IOB), Platform, 10 Paternoster Square London, EC4M 7LS

#### (3) Debt Securities

The wholesale Debt Market (WDM) Segment of the **National Stock Exchange of India Limited (NSE)**

#### (4) Debenture Trustee

**UTI Bank Limited**, Maker Tower-F, 13th Floor, Cuffe Parade, Colaba, Mumbai - 400 005.

#### (5) Listing Fees

Paid for all the above Stock Exchanges for 2005-2006 and 2006 - 2007

### (vi) a) Stock Exchange Security Code for

#### (1) Equity Shares

(i) The Madras Stock Exchange Ltd, Chennai	(i) AHS
(ii) The Bombay Stock Exchange Ltd, Mumbai	(ii) 508869
(iii) The National Stock Exchange Ltd, Mumbai	(iii) APOLLOHOSP

**(2) GDRs**

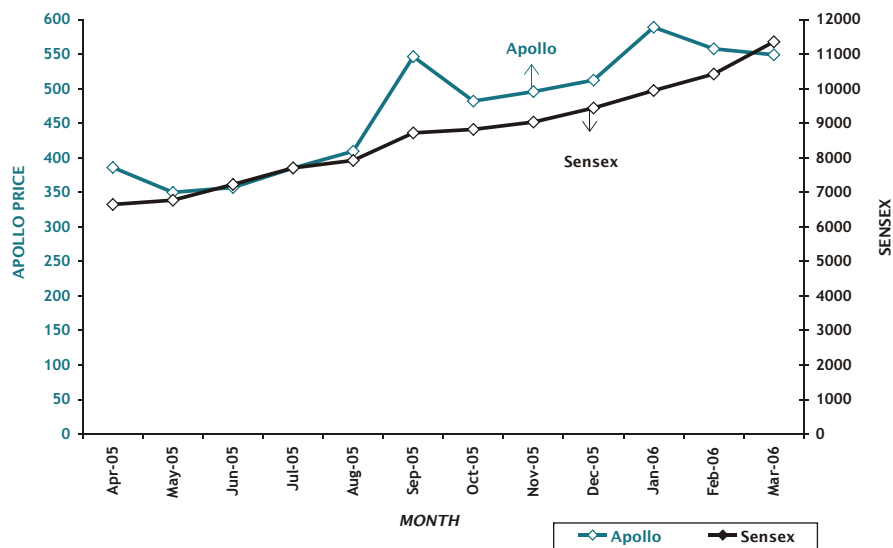
- (i) Luxembourg Stock Exchange US0376082055
- (ii) NASDAQ - PORTAL Market AHELYP05
- (iii) London Stock Exchange (IOB Platform) AHE
- b) Demat ISIN Number in NSDL & CDSL for Equity Shares** INE437A01016
- c) ISIN Numbers of GDRs** Reg. S GDRs - US0376082055  
Rule 144A GDRs - US0376081065
- d) Overseas Depository (for GDRs)** **The Bank of New York**, 101 Barclay Street, 22W  
New York, NY 10286
- e) Domestic Custodian (for GDRs)** **ICICI Bank Limited**  
Securities Markets Services, 1st Floor, Empire Complex,  
414 Senapati Bapat Marg, Lower Parel, Mumbai 400 013  
Tel. 91-22-5667 2026 Fax: 91-22-5667 2779/2740

**(vii) Monthly High and Low quotations along with the volume of shares traded in NSE & BSE during the year 2005-2006.**

Month	The National Stock Exchange (NSE)			The Bombay Stock Exchange (BSE)		
	High (Rs.)	Low (Rs.)	Volume Numbers	High (Rs.)	Low (Rs.)	Volume Numbers
Apr-05	386.00	319.05	2,661,854	386.00	318.10	1,203,142
May-05	349.75	319.00	1,873,791	350.00	319.05	491,351
Jun-05	358.00	317.85	1,534,778	357.00	318.90	657,778
July-05	385.00	344.10	1,748,072	385.00	331.45	455,958
Aug-05	409.00	365.20	1,665,964	409.50	365.00	1,351,658
Sep-05	555.75	377.00	5,597,922	546.40	376.00	2,410,284
Oct-05	482.00	385.00	1,558,325	482.00	385.05	621,518
Nov-05	495.50	415.55	1,286,167	495.80	426.05	434,471
Dec-05	501.90	438.00	1,370,312	512.25	376.00	615,864
Jan-06	592.00	473.40	2,521,599	589.00	414.90	850,713
Feb-06	570.70	501.00	1,437,948	557.75	500.10	359,871
Mar-06	547.80	494.90	1,242,915	549.00	496.10	421,301

(viii)

APOLLO PRICE Vs BSE SENSEX



(ix) Registrar & Share Transfer Agent

Integrated Enterprises (India) Limited

"Kences Towers", II Floor, No.1 Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017,  
Tel. No.: 044 - 2814 0801, 2814 0803, Fax No.: 044 - 2814 2479 E-mail : sureshbabu@iepingdia.com

(x) 1) Share Transfer System

Physical share transfers are registered and returned within the stipulated time. Delays beyond the stipulated period were mainly due to disputes over the title to the shares.

The details of Shares transferred (in physical form)

	2005 - 2006	2004 - 2005
No. of Shares Transferred	51,811	175,401
Total No. of Shares as on 31st March	50,598,618	41,598,618
% on Share Capital	0.10	0.42

The company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under clause 47 (c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

2) Shareholders' Services

The status on the total number of requests / complaints received during the year were as follows:

Sl. No.	Nature of Complaints / Requests	Received	Replied	Pending
1.	Change of Address	474	474	-
2.	Revalidation and issue of duplicate dividend warrants	617	617	-
3.	Share transfers	454	454	-
4.	Splitting of Shares	6	6	-
5.	Stop Transfer	1	1	-

Sl. No.	Nature of Complaints / Requests	Received	Replied	Pending
6.	Change of Bank Mandate	164	164	-
7.	Correction of Name	4	4	-
8.	Dematerialisation Confirmation	2266	2266	-
9.	Rematerialisation of shares	4	4	-
10.	Issue of duplicate share certificates	77	77	
11.	Transmission of shares	150	150	-
12.	General enquiry	453	453	-

The Company attended to the investor grievances/correspondence within a period of 5 days from the date of receipt of the same, except in cases that are constrained by disputes and legal impediments.

### 3) Legal Proceedings

There are five pending cases relating to dispute over the title to shares, in which Company had been made a party. However these cases are not material in nature.

### 4) Change of Address, Bank Details, Nomination etc.

All the members are requested to notify immediately any change in their address, bank mandate and nomination details to the Company's Registrar and Share Transfer Agents, Integrated Enterprises (India) Limited. Members holding shares in electronic form are requested to notify the change of address, bank details, nomination etc to the depository participants (DP) with whom they are maintaining client account for effecting necessary corrections. Any intimation made to the Registrar without effecting the necessary correction with the DP cannot be updated. It is therefore necessary on the part of the shareholders to inform the changes to their DP with whom they have opened the account.

### 5) Transfer of unclaimed amounts to Investor Education and Protection Fund

During the year, the Company has transferred a sum of Rs.945,074/- in aggregate which comprises Rs.843,104/- as unclaimed dividend and Rs.101,970/- as unclaimed deposit to Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

#### (xi) 1) Distribution of Shareholdings as on 31st March 2006

No. of Equity Shares	Shares				Holders			
	Physical		Electronic		Physical		Electronic	
	Nos.	%	Nos.	%	Nos.	%	Nos.	%
1 - 500	1,336,570	2.64	1,549,355	3.06	12,841	42.32	15,172	50.01
501 - 1000	456,180	0.90	517,332	1.02	532	1.75	641	2.11
1001 - 2000	525,270	1.04	417,500	0.83	348	1.15	278	0.92
2001 - 3000	121,549	0.24	247,456	0.49	47	0.15	94	0.31
3001 - 4000	231,531	0.46	157,041	0.31	62	0.20	43	0.14
4001 - 5000	294,568	0.58	124,115	0.25	66	0.22	27	0.09
5001 - 10000	175,037	0.35	347,408	0.69	24	0.08	49	0.16
10001 & above	2,154,001	4.26	41,943,705	82.89	23	0.08	93	0.31
<b>Total</b>	<b>5,294,706</b>	<b>10.46</b>	<b>45,303,912</b>	<b>89.54</b>	<b>13,943</b>	<b>45.96</b>	<b>16,397</b>	<b>54.04</b>
<b>Grand Total</b>	<b>50,598,618</b>				<b>30,340</b>			

## 2) Categories of shareholders as on March 31, 2006

	Category	No. of Shares Held	% of Share Holding
<b>A.</b>	<b>PROMOTERS' HOLDING</b>		
<b>1</b>	<b>Promoters</b>		
	(a) Indian Promoters	14,255,772	28.17
	(b) Foreign Promoters	-	-
<b>2</b>	<b>Persons acting in Concert</b>	-	-
	<b>Sub-Total</b>	<b>14,255,772</b>	<b>28.17</b>
<b>B.</b>	<b>NON PROMOTERS' HOLDING</b>		
<b>3</b>	<b>Institutional Investors</b>		
	(a) Mutual Funds and UTI	83,213	0.16
	(b) Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non Government Institutions )	802,561	1.59
	(c) Foreign Institutional Investors	15,841,821	31.31
	<b>Sub-Total</b>	<b>16,727,595</b>	<b>33.06</b>
<b>4</b>	<b>Others</b>		
	(a) Private Corporate Bodies	727,532	1.44
	(b) Indian Public	5,294,841	10.47
	(c) NRIs/OCBs	1,300,412	2.57
	(d) Any other		
	(i) Foreign Companies	5,500,000	10.87
	(ii) Equity Shares (underlying GDR's)	6,792,466	13.42
	<b>Sub-Total</b>	<b>19,615,251</b>	<b>38.77</b>
	<b>Grand Total</b>	<b>50,598,618</b>	<b>100</b>

## 3) GDRs

The details of high / low market price of the Reg.S GDRs at the Luxembourg Stock Exchange and Rule 144 A GDRs at Portal Market of NASDAQ during the financial year 2005 - 2006

Month	Reg. S			Rule 144 A		
	High (\$)	Low (\$)	Closing (\$)	High (\$)	Low (\$)	Closing (\$)
Jul-05	8.61	8.57	8.61	8.75	8.13	8.75
Aug-05	8.61	8.46	8.52	9.22	8.43	8.52
Sep-05	12.00	8.65	10.00	12.04	8.70	10.44
Oct-05	10.28	8.65	8.85	10.28	8.82	9.54
Nov-05	10.08	8.85	10.00	10.05	9.60	9.63
Dec-05	10.52	9.64	10.52	11.08	9.56	11.08
Jan-06	12.29	10.52	12.29	12.95	10.83	12.21
Feb-06	12.29	11.50	11.88	12.52	11.40	11.88
Mar-06	11.99	11.17	11.17	11.93	11.12	11.37

**Note :** (1) 1 GDR = 1 equity share. (2) The trading of GDRs commenced on 18th July 2005.

## **(xii) 1) Dematerialisation of Shares**

As on 31st March 2006, 89.54% of the Company's paid up equity capital was held in dematerialized form. Trading in equity shares of the Company is permitted only in dematerialized form as per notification issued by the Securities and Exchange Board of India (SEBI).

## **2) Secretarial Audit Report**

As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total listed and paid up capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, interalia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

## **(xiii) Outstanding GDRs or Warrants or any convertible instrument, conversion dates and likely impact on equity**

Pursuant to the resolution passed by the members in an Extraordinary General Meeting held on 24th May 2005, the Company has issued :-

- (i) 1,039,965 Equity Warrants with each warrant convertible into one equity share of the Company of nominal value of Rs.10/- each at a price of Rs.334.15 which includes a premium of Rs.324.15 per share to the promoters/promoter group. These warrants have been issued with a convertible option to be exercised within a period of 18 months from the date of allotment i.e., on or before 2nd December 2006. On conversion of the warrants, the equity share capital will increase by the number of equity warrants applied for conversion based on the option exercised.
- (ii) 9,000,000 Global Depository Receipts (GDRs) and the details of GDRs issued and converted during the financial year and outstanding as on 31st March 2006 are given below :

<b>Particulars</b>	<b>Nos.</b>
Total No. of GDRs issued	9,000,000
GDRs converted into underlying equity shares during the year	2,207,534
Outstanding GDRs as on 31st March 2006	6,792,466

There is no change in the equity on conversion of GDRs into equity shares

## **(xiv) Investors Correspondence**

### **1) For queries relating to shares**

Members are requested to communicate (pertaining to both Physical and Demat Shares) to the Registrar to the following address.

Shri. Suresh Babu, General Manager - Operations  
Integrated Enterprises (India) Limited

"Kences Towers", II Floor, No.1 Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017.  
Tel. No.: 044 - 2814 0801, 2814 0803, Fax No.: 044 - 2814 2479 E-mail : sureshbabu@iepindia.com

### **2) For queries relating to dividend**

Shri. L. Lakshmi Narayana Reddy  
Dy. General Manager - Secretarial

Apollo Hospitals Enterprise Limited, Ali Towers, III Floor, No. 55, Greams Road, Chennai - 600 006.  
Tel. No.: 044 - 2829 0956, 2829 3896, Fax No.: 044 - 2829 0956, E-mail : apolloshares@vsnl.net

## (xv) Hospital Complexes

### Apollo Hospitals

<b>Chennai</b>	# 21 & 24, Greams Lane, Off Greams Road, Chennai - 600 006. Tel: 044-2829 3333/0200/1164 # 320, Anna Salai, Nandanam, Chennai - 600 035. Tel: 044-24331741, 24336119 # 646, T.H. Road, Tondiarpet, Chennai - 600 081. Tel: 044-2591 3333 # 154, Poonamallee High Road, Chennai - 600 010. Tel: 044-2821 1111
<b>Madurai</b>	Lake View Road, KK Nagar, Madurai - 625 020. Tel: 0452-2580 199
<b>Aragonda</b>	Thavanampalle Mandal, Chittoor District, Andhra Pradesh. Tel: 08573-283223
<b>Hyderabad</b>	Jubilee Hills, Hyderabad - 500 033. Tel: 040-2360 7777 Old MLA Quarters, Hyderguda, Hyderabad- 500 029. Tel: 040-2323 1380,2324 2827 Rajiv Gandhi Marg, Vikrampuri Colony, Secunderabad - 500 003. Tel: 040-2789 5555 Apollo Hospitals - DRDO, DMRL 'X' Roads, Kanchanbagh, Hyderabad - 500 058. Tel: 040-2434 2222 / 2211 / 3333 Bhagyanagar Colony, Kukatpally, Hyderabad - 500 072. Tel: 040-2316 0039
<b>Bilaspur</b>	Lingiyadi Village, Bilaspur - 495 001, Chattisgarh. Tel: 07752-240390 / 243300-02
<b>Kakinada</b>	Main Road, Kakinada - 533 001. Tel : 0884-2345 700 / 800 / 900
<b>Vishakapatnam</b>	# 10-50-80, Waltair Main Road, Vishakapatnam - 530 002. Tel: 0891-2727 272,2529 618
<b>Bangalore</b>	# 154/11, Bannerghatta Road, Opp. IIM, Bangalore - 560 076. Tel: 080-5760 4341
<b>Ahmedabad</b>	Plot No. 1A, GIDC Estate, Bhat Village, Gandhi Nagar, Gujarat - 382 428. Tel: 079-2396 9209
<b>Kolkata</b>	Apollo Gleneagles Hospital, # 58, Canal Circular Road, Kolkata - 700 054. Tel: 033-2320 5211
<b>New Delhi</b>	Sarita Vihar, Delhi Mathura Road, New Delhi - 110 044. Tel: 011-2692580 / 5858
<b>Colombo</b>	# 578, Elvitigala Mawatha, Colombo - 5, Sri Lanka. Tel: 009411 4539036, 4530000
<b>Lifestyle Centres</b>	# 105, G.N. Chetty Road, T Nagar, Chennai - 600 017. Tel: 044-2834 0410 # T-95, 3rd Avenue, Anna Nagar, Chennai - 600 040. Tel: 044- 2622 3233 / 4504 City Centre, # 445 Mint Street, Chennai - 600 079. Tel: 044-2529 5500 / 6082 Apollo Heart Centre, 156, Greams Road, Chennai - 600 006. Tel: 044-2829 6923 # 12, Prithvi Avenue, Alwarpet, Chennai - 600 018. Tel: 044-2499 6236 Apollo Centre of Excellence for Women, # 15/42, Gandhi Mandapam Road Kotturpuram, Chennai - 600 085. Tel: 044-2447 1212 / 1222 Apollo Emergency Centre, Near Santi Fire Works, Malakpet, Hyderabad - 500 036. Tel: 040-2455 7551 Apollo Emergency Centre, Mehdipatnam 'X' Roads, Mehdipatnam, Hyderabad - 500 028. Tel: 040-2359 0677 Apollo Gleneagles Clinic, # 48/1F, Leela Roy Sarani, Ghariahat, Kolkata - 700 019. Tel: 033-2474 6028 City Centre, # 1, Tulsibaug Society, Opp. Doctor House, Ellisbridge, Ahmedabad - 380 006. Tel: 079-5530 5800

## Annexure - A

### CEO / CFO Certification

To  
The Board of Directors,  
Apollo Hospitals Enterprise Limited,  
Chennai.

We, Preetha Reddy, Managing Director and Suneeta Reddy, Executive Director - Finance of Apollo Hospitals Enterprise Limited to the best of our knowledge and belief certify that:

1. We have reviewed the balance sheet and profit and loss account (consolidated and unconsolidated), and all its schedules and notes on accounts, as well as the cash flow statements;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of affairs of the Company, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and /or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the code of conduct of the Company;
5. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
6. We have disclosed based on our most recent evaluation, wherever applicable, to the company's auditors and the Audit Committee of the company's Board of Directors (and persons performing the equivalent functions)
  - a) significant changes in internal controls over financial reporting during the year covered by this report;
  - b) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - c) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the company's internal controls system over financial reporting.

PREETHA REDDY  
Managing Director

SUNEETA REDDY  
Executive Director- Finance

Place : Chennai  
Dated : 9th June 2006



# Auditors' Report

## on Corporate Governance

To  
The Members,  
Apollo Hospitals Enterprise Limited

We have examined the compliance of conditions of Corporate Governance by Apollo Hospitals Enterprise Limited, for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore  
Chennai 600 004

For **M/s. S. VISWANATHAN**  
Chartered Accountants

Place : Chennai  
Date : 12th June 2006

**V.C. KRISHNAN**  
Partner  
Membership No.: 22167

### **Declaration under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct**

I, Preetha Reddy, Managing Director of the Company, hereby declare that the Board of Directors has laid down a Code of Conduct for its Board Members and Senior Management Personnel of the Company and the Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct.

for **APOLLO HOSPITALS ENTERPRISE LIMITED**

Place : Chennai  
Date : 9th June 2006

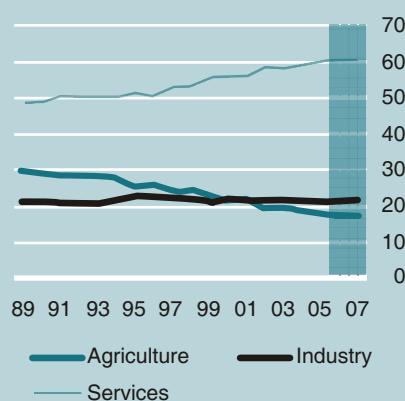
**PREETHA REDDY**  
Managing Director

# Management Discussion

## and Analysis

### Services are growing in importance

% share of service sector in GDP



Sources: RBI, DB Research

### Indian macro environment overview

India has witnessed an economic transformation over the past one decade that pushed up the real GDP growth to an average of 6% since 1992. The GDP growth forecast for the year 2006-07 is 8.5%. The services sector particularly is playing an important role in the Indian economy and currently has a share of over 60% in the GDP. This has significant relevance to your company since healthcare service industry is beginning to unfold and is expected to grow at 12-14% CAGR over the next few years. The current engines of economic growth - population trend, human capital, openness of the economy and rising investment - are expected to remain as the key drivers of India's economic growth in the long run.

Recent research by Deutsche Bank depicted India as the growth star performer over the period 2006 to 2020 among 34 developed and developing economies. This puts India ahead of China and Turkey. GDP per capita in terms of purchasing power parity (PPP) is expected to climb by almost 4% a year over the next 15 years, with purchasing power doubling over the period. Real GDP is expected to average 5.5% - with potential to rise even further to 6%, reflecting India's huge efforts to build up its infrastructure. Your company is already the leader in private sector healthcare services space in India and is poised to leverage on the opportunities that are emerging in the industry.

### Company overview

We are one of the largest integrated healthcare companies in the private sector in India, operating one of the largest hospital networks in Asia. Our

### Long-term growth rates (2006-2020, p.a.)

	GDP	GDP per cap
India	5.5	3.9
China	5.2	4.4
USA	3.1	2.1
Germany	1.5	1.4
Turkey	4.1	2.8

Sources: DB Research

primary line of business is the provision of healthcare services. We generate revenues primarily through the provision of the following healthcare services:

- Hospital services;
- Operating retail pharmacies; and
- Consultancy services.

In addition, (i) Unique Home Health Care, wholly-owned subsidiary, provides health care services at the patients door steps (ii) Apollo Health and Lifestyle, wholly-owned subsidiary, provides clinical and diagnostic services, (iii) Apollo Health Street, an Associate Company, provides medical Business Process Outsourcing ("mBPO") services and (iv) Associate Company, Family Health Plan Limited, provides Third Party Administration ("TPA") services. To enhance our performance and service to our customers, we also make available the services to support our business: telemedicine services, education and training programmes and research services.

### **Hospital Services**

We are primarily a hospital service provider, with most of our hospitals offering a broad range of the services including cardiology, oncology, nephrology, laboratory services, radiology and imaging, maternity and day care, general surgery as well as diagnostic and emergency services. We also provide outpatient services, including consultation for a range of ailments, preventive health screenings, laboratory services, radiology and imaging services. We have established centres of excellence in a variety of medical disciplines viz, cardiology, oncology, orthopaedics, cosmetic and plastic surgery, critical care medicine and emergency and trauma care that provide sophisticated treatment services that are offered in the leading hospitals across the world.

### **Retail Pharmacy**

Our retail pharmacy business is among the largest in India, with a network of over 310 outlets as of 31 March 2006. We attribute the success of our pharmacy business largely to the brand value and recognition of the Apollo name. Our pharmacies offer a wide range of medicines, surgical, hospital consumables, health products and general "over-the-counter" products. Our hospital based pharmacies form an integral part of our hospital business. We operate retail pharmacies on a 24-hour basis in various locations with high visibility and revenue potential in addition to having pharmacy outlets in all Apollo hospitals. Our stand-alone pharmacies also offer free home delivery to customers living within a five kilometer radius.

### **Consultancy Services**

Our consultancy services business is among the leading healthcare consulting organisations in our region. We provide pre-commissioning consultancy services which include feasibility studies, strategic planning, infrastructure consultation (functional design and architecture review), human resource recruitment and training and medical equipment consultancy services. We also provide post-commissioning consultancy services which include management contracts (providing for day-to-day operational support), franchising and technical consultation (such as human resource planning and training and the establishment of medical and administrative protocols).

Fees for our consultancy services are based on the scope of our services and expected length of relationship with the client. Typically, pre-commissioning services are provided for 12 - 36 months whereas post-commissioning services are often provided over a seven-year term.

### **New Corporate Initiatives**

#### **Apollo Centre of Excellence for Women**

Apollo Centre of Excellence for Women (ACE) was inaugurated by the then Chief Minister of Tamil Nadu on 8th March 2006 at Kotturpuram.

ACE is equipped with a lab, radiological and other services and would provide comprehensive care including mammography, bone densitometry, echo-cardiography and hi-end 'dexa scan'.

#### **Tie-up with Johns Hopkins Medicine International, LLC**

The Company (AHEL) entered into a collaboration and service agreement with Johns Hopkins Medicine International, LLC (JHI), a world leader in healthcare services, research and medical education along with Indraprastha Medical Corporation Limited (IMCL) an associate of the Company.

In terms of the agreement JHI, AHEL and IMCL will work together in the specific areas of healthcare services in India and neighboring countries and also globally in certain regions where the company is active.

The key areas identified and agreed are :

- (i) Continuing medical educational programs
- (ii) Centres of excellence
- (iii) Setting up of Apollo Johns Hopkins Institute of Minimally Invasive Surgery
- (iv) Nurses education and global placements
- (v) Clinical trials and translational research

### **New Acquisitions / Investments**

As a part of its expansion plans, Company made certain strategic investments by way of acquisition and participation in the equity share capital of other companies.

During the year under review, Company acquired Samudra Healthcare Enterprises Limited (SHEL) which owns a 100 bed hospital at Kakinada, Andhra Pradesh for a consideration of Rs.23.59 crores. Consequent to this SHEL became a wholly owned subsidiary of the Company with effect from 29th November 2005.

Company acquired 51% of the equity share capital of Imperial Cancer Hospital and Research Centre Limited, (ICHRCL), Bangalore for a consideration of Rs.29.88 crores. ICHRCL is in the final stage of completion of a 240 bed multi-speciality hospital at Bangalore.

### **Apollo Gleneagles PET-CT Limited (AGPCL)**

AGPCL, a joint venture of the company with Parkway Healthcare (Mauritius) Ltd established the PET-CT Scan center at Hyderabad and commenced its commercial operations on 12th October 2005. The PET-CT Scan facilitates radio isotopic tracing of diseases and treatment of malignant diseases like cancer. It also helps diagnose very complicated abnormalities in the body, especially in small organs such as vessels in the heart, kidney, liver and brain capillaries.

During the period from 12th October 2005 to 31st March 2006 AGPCL posted a revenue of Rs. 11 million and a net loss of Rs. 12 million.

### **Agreement with BGS Medical Foundation - Apollo BGS Hospital, Mysore**

The Company entered into an agreement with Sri. Adichunchanagiri Shikshana Trust to takeover its 175 bed super specialty hospital at Mysore with the object of serving the people in and around Mysore.

The Company took over the hospital on 30th March 2006 and there after it has been running the hospital in the name of "Apollo BGS Hospital" as a separate division of the company.

## **Discussion on Financial Performance and Results of Operations**

### **Overview**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. Our management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs and profits for the year.

### **A. Financial Condition**

#### **1. Share Capital**

At present, we have only one class of shares - equity shares of par value of Rs.10/- each. Our authorized share capital is Rs.700 million divided into 60 million equity shares of Rs.10/- each and 1 million cumulative redeemable preference shares of Rs.100/- each. During the year we issued equity shares of 9,000,000 to Bank of New York resulting in a 22% increase in the paid up share capital to Rs.506 million from Rs.416 million.

#### **2. Reserves and Surplus**

The net addition to the share premium of Rs.2,862.9 million during the year is due to the premium received on issue of 9,000,000 equity shares @ Rs.330/- per share. A sum of Rs.107.1 million of share issue expenses has been set off against the share premium account.

Out of the profits for the year Rs.65 million has been transferred to General Reserves and the balance of Rs.436 million (after providing Rs.259 million for dividend) has been retained in the profit and loss account.

### 3. Fixed Assets

Gross Book Value

(Rs. in Million)

As of March 31,	2006	2005	Growth %
Goodwill	-	0.3	-
Land	186.8	185.4	0.8
Building	778.7	624.7	24.7
Leasehold building	208.9	178.4	17.1
Medical Equipment	2,541.1	2,186.7	16.2
Electrical Installation & Generators	438.9	399.0	10.0
Air Conditioners	144.9	123.9	16.9
Office Equipments	267.1	225.1	18.7
Furnitures & Fixtures	372.2	274.8	35.4
Fire fighting equipments	12.5	2.8	346.3
Boilers	1.6	1.5	6.7
Kitchen Equipments	19.0	11.6	63.8
Refrigerators	13.8	9.6	43.8
Vehicles	98.8	80.5	22.7
Total	5,084.8	4,304.3	18.1
Less: Accumulated depreciation & amortization	1,682.5	1,427.7	17.8
Net Block	3,402.0	2,876.6	15.4
Add: Capital Work in Progress	128.5	41.0	213.4
Net Fixed Assets	3,530.5	2,917.6	21.0
Depreciation as % of revenues	3.6%	3.8%	-
Depreciation as % of average gross block	5.1%	5.3%	-
Acc. Depreciation as % of Gross Block #	33.5%	34.3%	-

# excluding land

During the year, we added Rs.923.8 million to our gross block of assets, including investment in medical equipment of Rs.355.2 million.

### 4. Investments

We have this year made an investment in Imperial Cancer Hospital & Research Centre Limited and Samudra Healthcare Enterprises Limited, subsidiary companies where we hold 50% and 100% respectively. Imperial Cancer Hospital & Research Centre will be running 240 bed Super Specialty Hospital and Research Centre at Bangalore and Samudra Healthcare Enterprises Limited is operating the 100 bed Hospital at Kakinada. We also made an investment of Rs.60 million (6,000,000 equity shares @ Rs.10/-) in Apollo Gleneagles PET- CT Limited, Hyderabad a Joint Venture where we hold 50% of equity share capital.

During 2005-2006 we also acquired BGS Hospital with 175 beds at Mysore for Rs.180 millions. With this the total number of beds owned by AHEL comes to 2,522.

Total outstanding investments by us in such companies net of provisioning as at 31st March 2006 is Rs. 2,730 million compared to Rs.1,062 million as of 31st March 2005.

Our treasury policy also allows us to invest in short term funds of certain criteria. Accordingly, we had Rs.1,220.2 million invested in liquid mutual funds.

### **Wholly-Owned Subsidiaries**

We have the following wholly owned subsidiaries

1. Unique Home Health Care Limited
2. AB Medical Centres Limited
3. Apollo Health and Lifestyle Limited
4. Samudra Healthcare Enterprises Limited
5. Apollo Hospital (UK) Limited

#### **Unique Home Health Care Limited**

Unique Home Health Care Limited provides home care services. It registered a turnover of Rs.6.4 million and PAT of Rs.1.3 million for the year ended 31st March 2006. The comparable figures for the previous year were Rs.6.0 million and Rs.1.3 million respectively.

#### **AB Medical Centres Limited**

During 2005-2006 it registered a turn over of Rs. 7.4 million and PAT of Rs. 4.5 million. The comparable figures for the previous year were Rs. 7.2 million and Rs. 2.4 million respectively.

#### **Apollo Health and Lifestyle Limited**

This company is engaged in the franchising of the Apollo Clinic model. It has presently 80 franchise contracts of which 12 were entered into in fiscal 2005-06 (19 in fiscal 2004-05). Of the total franchise clinics so signed up, 47 are operational. During 2005-2006 it registered a turnover of Rs. 56.5 million and PAT of Rs. 2.8 million. The comparable figures for the previous year were Rs. 6.2 million and net loss of Rs. 0.6 million respectively.

#### **Samudra Healthcare Enterprises Limited**

This company owns and runs a 100 bed specialty hospital at Kakinada. During 2005-2006, it registered a turnover of Rs.44.1 million and net loss of Rs. 25.1 million. The comparable figures for the previous year were Rs. 22 million and Rs. 39.1 million respectively.

#### **Apollo Hospital (UK) Limited**

The Company is yet to commence its operations.

### **5. Deferred Tax Liability (DTL)**

We recorded deferred tax liability of Rs.550 million as on 31st March 2006 compared to Rs.536 million as on 31st March 2005.

There was an increase in DTL of Rs.14.5 million provided in accounts due to the effect of timing differences between book depreciation and income tax depreciation.

### **6. Sundry Debtors**

Receivables amounted to Rs.890 million (net of write off and provisioning Rs.42.4 million) as on 31st March 2006 as compared to Rs.835 million (net of write off of Rs.31.8 million) as of 31st March 2005. These debts are considered good and recoverable.

The need for provision and write offs is assessed based on various factors including collectibility of specific debts and payment capacity of individual patients. The company follows a policy of write off of debts as detailed below:

Period	% of write off
0 - 1 year	0%
1 - 2 years	25%
2 - 3 years	50%
3 years & above	100%

Debtors are 12.4% of revenues for the current year compared to 13.7% for previous year, representing 46 days and 50 days of revenues for the respective years.

The accrued patients collections as of 31st March 2006 and 2005 amount to Rs.91 million and Rs.76 million respectively.

#### 7. Cash and Cash Equivalents

The cash and bank balances have risen by Rs. 145 million compared to the previous year.

#### 8. Loans And Advances

(Rs. in Million)

As of March 31,	2006	2005
Pre-paid Expenses	49.3	32.6
For supply of goods and rendering services	59.8	27.2
Advances for Nursing Colleges, Bilaspur Projects, Subsidiaries etc.	796.5	398.8
Advance Income Tax	717.0	386.7
Loans and advances to employees	9.9	7.5
Electricity and other deposits	34.5	28.5
Rental Deposits and others	157.8	96.6
Other assets	10.8	16.2
<b>Total</b>	<b>1,835.6</b>	<b>994.1</b>

#### 9. Current Liabilities

(Rs. in Million)

As of March 31,	2006	2005
<b>Sundry Creditors</b>		
For goods and services	732.7	459.3
For other liabilities provision for expenses	131.2	124.4
Retention Money	1.4	1.3
Withholding and other taxes payable	22.3	15.1
Others	56.7	42.0
Advance received from clients	54.4	46.1
Unclaimed dividend	11.3	10.3
<b>Total</b>	<b>1,009.9</b>	<b>698.4</b>

#### 10. Provisions

(Rs. in Million)

As of March 31,	2006	2005
Proposed Dividend	227.7	166.4
Tax on Dividend	31.9	23.3
Income Tax	603.3	373.6
Others	30.2	13.4
<b>Total</b>	<b>893.1</b>	<b>553.4</b>

### B. Results of operations

#### 1. Income

Total revenue increased 21% to Rs.7,190.5 million in fiscal 2006 from Rs.5,956 million in fiscal 2005. During fiscal 2006 revenues from healthcare services grew by Rs.1,154 million, or 20% and other revenues grew by Rs.82 million, or 273% respectively as compared to fiscal 2005.

Revenues from healthcare services increased 20% to Rs.7,078 million in fiscal 2006 from Rs.5,926 million in fiscal 2005. This increase was primarily due to:

- Reduction in the average length of stay of patients, which leads to an increase in capacity turnover.
- Increased sales from our hospital based and stand alone pharmacies and 100 new retail pharmacies opened during fiscal 2005-2006.

Other revenues increased to Rs.112 millions in fiscal 2006 from Rs.30 million in fiscal 2005 due to investment made in mutual funds out of proceeds from GDR issue.

## **2. Expenditure**

### **a) Operating expenses**

The consumption of materials to turnover was 50.1% in 2006 as against 48.6% in 2005. The marginal rise was due to the higher share of income from pharmacies where cost of goods is significantly higher.

Power and fuel costs have shown a stable behaviour.

### **b) Employee Costs**

Employees cost encompasses salaries, wages and all other benefits paid to employees working in the Hospital, Pharmacy & Project division. The total strength for the year ending March 2006 is 10,189 as against 9,091 for the year ending March 31st 2005 an increase of 12%.

The increase of 1,098 employees is due to opening of 100 additional stand alone pharmacies during the year, strengthening of corporate IT and bringing in new value added services.

The actual HR Cost for the year ending 2005 was Rs.788 million and Rs.984 million for the year ending 2006 an increase of 24.9%.

The increase of Rs.196 million in HR Cost is due to

- Addition in Human Resources to support the new services and facilities;
- Annual increments based on performance; and
- Wage settlement for three years encompassing 400 employees of Hyderabad Division.

The bed to man power ratio is 1:4.1 and the HR cost is 13.7% of the turnover for the financial year 2005-2006 as against 13.2% for 2004-2005.

### **c) Administrative and Other Expenses**

The nature of administrative expenses includes the key items like rent, advertisement and publicity, repairs and maintenance, bad debts and traveling and conveyance.

They rose by 22% this year over last year, chiefly due to increase in properties taken on lease, increase in advertisement and marginal increase in legal and professional fees & traveling on account of GDR issue.

## **3. Financial Expenses**

Financial Expenses reduced from Rs.155.90 million to Rs.117.50 million chiefly due to repayment of high cost loans and fixed deposits.

## **4. EBIDTA & PAT**

The EBIDTA is 17.8% as on 31st March 2006 as against 18.9% as on 31st March 2005 on account of following factors:

- One time expenditure of Rs.92 million incurred on upgrading the hospital facilities at Chennai and Hyderabad for the purpose of JCI accreditation.
- Recruitment of around 1,098 employees across all divisions of the company of which about 650 employees were taken for 100 additional stand alone pharmacies.



The PAT now stands at Rs.602 million as against Rs.492 million an increase of 22% over last year. The net profit margin is therefore now at 8.37% as compared to 8.25% the previous year.

#### **5. Liquidity**

The gross cash operating profit increased from Rs.1,216 million in 2005 to Rs.1,279 million an increase of 5%.

Cash and Cash equivalents stood at Rs.359.4 million compared to Rs.219.08 million last year.

Our policy is to maintain sufficient cash in the balance sheet to fund ongoing capital expenditure requirements, the operational expenses and other strategic initiatives for the next one year and maintain business continuity in case of exigencies.

Our treasury operations resulted in an income of Rs.112 million in 2006 reflecting a yield of 9.18% of funds invested.

#### **Internal Control Systems and their adequacy**

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

The internal control system is supplemented by extensive internal audits, regular reviews by management and well documented policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data.

The company has an independent firm of Internal Auditors which continuously monitors all the operations of the Company. They constantly review the system / processes and bring to the notice of the management the recommendations for strengthening the system. They review the implementation of the recommendations.

The Internal Auditors report their findings to the Audit Committee of the Board and the top management.

#### **Human Resources**

Our human resources team strives to align the HR policies with the business goals of the organization and also help in creating a performance driven culture. An attempt is made to enhance performance through various initiatives such as performance linked to rewards, a transparent and consultative review process, building a high performance work system through self - managed teams. Our organization has been able to control attrition rates by developing and implementing programmes, policies, practices like diversified training, career planning and passion - based roles for executives, recognition in various forms, mentoring programmes, entertainment, executive coaching, leadership development through employee and management development programmes. Total number of employees increased from 9,091 as of March 31, 2005 to 10,189 as of March 31, 2006.

#### **Cautionary Statement**

Statements in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important development that could alter your company's performance include, increase in material costs, technology developments, significant changes in political and economic environment, tax laws and labour relations.

# Clinical Governance

Clinical Governance is a powerful, new and comprehensive mechanism for ensuring that high standards of clinical care are maintained throughout Apollo Hospitals and the quality of service is continuously improved.

## I. Apollo Clinical Excellence Model :

As part of Apollo Hospitals Group Quality improvement program, Quality Indicators have been identified and tracked on four main criteria.

- Process Indicators
- Outcome Indicators
- Infection Indices
- Primary Statistics

## II. Quality indicators monitored as per Joint commission international recommendations :

Data collection includes at least the following processes or outcomes:

- Patient Assessment
- Operative Procedures
- Laboratory Safety & Quality
- Radiology safety & Quality
- Medication Use
- Anesthesia
- Blood and Blood Components
- Medical Records Content, Availability and use
- Infection Control and Surveillance
- Clinical Research
- Procurement of Supplies
- Reporting as required by Law
- Utilization and Risk Management
- Satisfaction of Patients
- Staff Expectations and Satisfaction
- Patient and Staff Safety
- Financial Management
- Patient Demographics and Diagnosis

## III. Internal Core Performance Indicators :

Specialitywise indicators have been additionally identified in more than 15 specialities for focused improvements. These indicators include both process oriented and outcome oriented

- Education and Training
- Clinical Audit
- Clinical Effectiveness
- Risk Management

# Auditors' Report

to the members

1. We have audited the Attached Balance Sheet of APOLLO HOSPITALS ENTERPRISE LIMITED as at 31st March 2006, and the related Profit and Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have also considered the independent audit observations of the divisional auditors for the Pharmacy & Projects Division, Hyderabad Division, Bilaspur Division and Mysore Division for forming an opinion on the accounts for the respective Divisions.
4. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Government of India, in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. In the absence of any notification from the Central Government with respect to the Cess payable under Section 441(A) of the Companies Act, 1956, no quantification is made. Hence, no opinion is given on Cess unpaid or paid as per the provisions of Section 227(i)(g) of the Companies Act, 1956.
6. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
  - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards specified by the Institute of Chartered Accountants of India, referred to in subsection (3C) of Section 211 of the Companies Act, 1956;

- (v) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give the information required by the Companies Act, 1956, in the prescribed manner and also give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of Balance Sheet, of the State of Affairs of the Company as on 31st March, 2006;
- (b) in the case of the Profit and Loss Account, of the PROFIT of the Company for the year ended on that date;  
and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

17, Bishop Wallers Avenue (West),  
CIT Colony, Mylapore,  
Chennai - 600 004.

Place : Chennai  
Date : 12th June 2006

For **M/s. S. VISWANATHAN**  
Chartered Accountants.

**V.C. KRISHNAN**  
Partner.  
Membership No.: 22167

## Annexure

### to the Auditors' Report

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) The company has a programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets. As informed, no material discrepancies were observed by the management on such verification.
- (c) In our opinion, the Fixed Assets that have been sold /disposed off during the year do not constitute a substantial part of the total fixed assets of the Company. Hence, the going concern assumption has not been affected.
- (ii) (a) Stock of stores, spare parts, consumables, chemicals and medicines are being physically verified at reasonable intervals by the management.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stores, spare parts, consumables, chemicals & medicines followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. In our opinion and according to the information and explanations given to us, the discrepancies noticed between the physical stocks as verified and book records were not material, and the same have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, medicines and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weaknesses in the internal control system.
- (v) (a) In our opinion , the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion the transactions in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing market prices.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directive issued by the Reserve Bank Of India and provisions of Section 58A, Section 58AA or any other provisions of the Companies Act 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public including unclaimed deposits matured in earlier years that are outstanding during the year. To the best of our knowledge and according to the information and explanations given to us no order has been passed by the Company Law Board , National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) The Company has firms of Chartered Accountants as Internal Auditors for its various divisions and pharmacies including a Private Limited Company. On the basis of the reports submitted by them to the management, in our opinion, the internal audit system is reasonable having regard to the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.
- (ix) a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Cess, Wealth Tax and other statutory dues applicable to it. To the best of our knowledge and according to the information and explanations given to us, there are no arrears of outstanding statutory dues as at 31st March 2006 for a period of more than six months from the date they became payable. To the best of our knowledge and belief and according to the information and explanations given to us, excise duty is not applicable to this Company.
- b) According to the information and explanations given to us, there are no dues disputed with respect to Cess, Wealth Tax and Service Tax. According to the information and explanations given to us, details of dues of Sales tax, Income tax and Customs duty which have not been deposited on account of any dispute are given below:

Particulars	Financial years to which the matters pertain	Forum where dispute is pending.	Amount (Rs.)
Sales tax	2003-04	Delhi Sales Tax Deputy Commissioner (Delhi) (Also refer Schedule 'J' Clause (3)(f)(ii))	281,361
Customs duty	1996,1997	Before Assistant Collector of Customs, Chennai and Hyderabad. (Also refer Schedule 'J' Clause (3)(d))	99,700,026
Income tax	Assessment Year 2003-04	Commissioner of Income Tax (Appeals)	98,780,902

To the best of our knowledge and belief and according to the information and explanations given to us, Excise duty is not applicable to this company.

- (x) According to the information and explanations given to us, the company has no accumulated losses as at 31st March 2006. The company has also not incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institutions, banks and debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the company is not a Chit Fund, Nidhi, Mutual Benefit Fund or Society and hence Clause (xiii) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the company.
- (xiv) Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts relating to shares, securities and other investments dealt in by the company and timely entries have been made in the records. We also report that the company has held and dealt with shares, securities and other investments in its own name.
- (xv) In our opinion and according to the information and explanations given to us, the Company has given guarantees for loans taken by subsidiaries from banks and financial institutions, the terms and conditions whereof are not prejudicial to the interest of the Company.

- (xvi) In our opinion and according to the information and explanations given to us, the Company has availed term loans and were applied for the purpose for which the loans were obtained.
- (xvii) In our opinion and according to the information and explanations given to us, the Company has not used any short term funds for long term investments.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of 1,039,965 equity warrants convertible into as many equity shares at the option of the allottees, who are parties covered in the Register maintained under Section 301 of the Companies Act 1956. The price of Rs. 334.11, is the minimum price fixed according to the Preferential Issue Guidelines under the SEBI (Disclosure and Investor Protection) Guidelines 2000. Hence the price of Rs. 334.15, at which the warrants have been allotted is not prejudicial to the interest of the company. (Refer note 8 in schedule J Accounting Policies and Notes forming part of Accounts for the year ended 31st March, 2006).
- (xix) According to the information and explanations given to us, the Company has created securities and created a charge for debentures issued.
- (xx) The Company has issued and allotted 9,000,000 Global Depositary Receipts (GDRs), including a Green Shoe Option of 650,000 GDRs representing 9,000,000 underlying equity shares of INR 10/- each at a price of USD 7.80 per GDR (at a premium of INR 330/- per equity share) to the Depository, the Bank of New York. As informed to us, the end use of money raised by the above issue has been disclosed in the Report of the Board of Directors to the shareholders for the year ended March 31,2006.
- (xxi) According to the information and explanations given to us, by the Company, no fraud on or by the Company has been noticed or reported, during the year.

17, Bishop Wallers Avenue (West),  
CIT Colony, Mylapore,  
Chennai - 600 004.

Place : Chennai  
Date : 12th June 2006

For **M/s. S. VISWANATHAN**  
Chartered Accountants.

**V.C. KRISHNAN**  
Partner.  
Membership No.: 22167

# **FINANCIAL STATEMENTS**



# Balance Sheet

as at 31st March 2006

	Schedule	31.03.2006		31.03.2005	
		Rs.	Rs.	Rs.	Rs.
<b>1. Sources of Funds</b>					
<b>(i) Shareholders' Funds</b>					
(a) Share Capital	A	505,986,180		415,986,180	
(b) Reserves & Surplus	B	6,038,829,049	6,544,815,229	2,862,213,464	3,278,199,644
<b>(ii) Loan Funds</b>					
(a) Secured Loans	C	707,601,814		1,058,858,176	
(b) Unsecured Loans	D	120,112,000	827,713,814	308,687,000	1,367,545,176
<b>(iii) Deferred Tax Liability</b>			550,191,702		535,649,884
<b>Total</b>			<b>7,922,720,745</b>		<b>5,181,394,704</b>
<b>2. Application of Funds</b>					
<b>(i) Fixed Assets</b>	F				
(a) Gross Block		5,084,477,000		4,304,258,110	
(b) Less: Depreciation		1,682,523,145		1,427,712,198	
(c) Add: Capital Work in progress		128,525,742		41,034,904	
(d) Net Block			3,530,479,597		2,917,580,816
<b>(ii) Investments</b>	G		2,729,953,173		1,062,670,972
<b>(iii) Current Assets, Loans &amp; Advances</b>	H				
(a) Current Assets					
(i) Inventories		457,180,349		371,247,722	
(ii) Sundry Debtors		890,363,906		835,144,733	
(iii) Cash and bank balances		364,394,283		219,098,299	
(b) Loans & Advances		1,835,560,490		994,131,322	
		3,547,499,028		2,419,622,076	
Less:					
<b>(iv) Current Liabilities &amp; Provisions</b>	E				
(a) Current Liabilities		1,009,874,344		698,440,243	
(b) Provisions		893,076,142		553,386,010	
		1,902,950,486		1,251,826,253	
<b>Net Current Assets</b>			1,644,548,542		1,167,795,823
<b>(v) Miscellaneous Expenditure</b>	I		17,739,433		33,347,093
(to the extent not written off or adjusted)					
<b>Total</b>			<b>7,922,720,745</b>		<b>5,181,394,704</b>

Schedules 'A' to 'I' and notes in Schedule 'J' form part of this Balance Sheet

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004

Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr. Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

# Profit & Loss Account

for the year ended 31st March 2006

	Schedule	31.03.2006 Rs.	31.03.2005 Rs.
<b>Income</b>			
(a) Income from Healthcare Services		7,078,211,856	5,926,522,906
(b) Other Income	I	112,330,647	29,590,603
		<b>7,190,542,503</b>	<b>5,956,113,509</b>
<b>Expenditure</b>			
(a) Operative Expenses	II	3,905,902,369	3,186,488,925
(b) Payments to and Provisions for Employees	III	984,154,487	788,083,881
(c) Administration and other Expenses	IV	927,346,119	762,755,024
(d) Accreditation Expenses		92,330,548	-
(e) Financial Expenses	V	117,503,211	155,945,479
(f) Preliminary & other Expenses Incl. Public Issue		2,175,000	2,679,000
(g) Deferred Revenue Expenditure		16,864,364	25,405,140
<b>Total</b>		<b>6,046,276,098</b>	<b>4,921,357,449</b>
<b>Profit Before Depreciation &amp; Tax</b>			
		<b>1,144,266,405</b>	<b>1,034,756,060</b>
Less: Depreciation		261,333,802	226,432,765
Less: Provision for Loss on Investment		-	21,363,448
Less: Extraordinary Items		-	72,780,182
<b>Profit Before Tax</b>		<b>882,932,603</b>	<b>714,179,665</b>
Less: Fringe Benefit Tax		13,305,283	-
Less: Provision for Taxation		252,923,217	221,193,854
Less: Deferred Tax		14,541,818	1,151,273
<b>Profit After Tax</b>		<b>602,162,285</b>	<b>491,834,538</b>
Surplus in Profit & Loss Account brought forward		321,305,224	221,510,881
<b>Amount available for Appropriations</b>		<b>923,467,509</b>	<b>713,345,419</b>
<b>Appropriations</b>			
Dividend		227,693,781	166,394,472
Dividend Tax Payable		31,934,053	23,336,825
Expenses relating to earlier years		63,530,042	2,308,898
Transfer to Debenture Redemption Reserve		100,000,000	-
Transfer to General Reserve		65,000,000	200,000,000
Balance of Profit in Profit & Loss a/c		435,309,633	321,305,224
<b>Total</b>		<b>923,467,509</b>	<b>713,345,419</b>
Basic Earnings Per Share of face value of Rs. 10/- each		12.53	12.12
Diluted Earnings Per Share of face value of Rs. 10/- each		12.26	12.12
Schedules 'I' to 'V' and notes in Schedule 'J' form part of this Profit and Loss Account			

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004

Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr. Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

# Schedules

## to Balance Sheet

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (A)</b>				
<b>Share Capital</b>				
<b>Authorised</b>				
60,000,000 Equity Shares of Rs. 10/- each		600,000,000		600,000,000
1,000,000 Preference Shares of Rs. 100/- each		100,000,000		100,000,000
		<u>700,000,000</u>		<u>700,000,000</u>
<b>Issued</b>				
a) 50,865,127 equity shares of Rs. 10/- each		<u>508,651,270</u>		<u>418,651,270</u>
<b>Subscribed and Paid up</b>				
b) 50,598,618 equity shares of Rs. 10/- each *		<u>505,986,180</u>		<u>415,986,180</u>
<small>*includes 9,000,000 underlying equity shares issued representing 9,000,000 Global Depository Receipts (GDRs) during the year 2005-2006. Includes 2,079,930 shares allotted on preferential basis during the year 2004-2005 Includes 918,298 shares allotted on conversion of first 2 years interest on debentures and 20% of the face value of debentures and 20,812,231 shares allotted to the shareholders of amalgamated companies for consideration other than cash.</small>				
<b>SCHEDULE (B)</b>				
<b>Reserves &amp; Surplus</b>				
<b>A) Capital Reserve</b>				
Profit on forfeited shares		414,120		414,120
<b>B) Capital Redemption Reserve</b>				
Balance as per last Balance Sheet		60,022,900		60,022,900
<b>C) Share Premium</b>				
Balance as per last Balance Sheet	1,770,782,550		1,279,919,070	
Add: Premium received from GDR issue	2,970,000,000		490,863,480	
Less: Expenses incurred for GDR issue	<u>107,139,255</u>		<u>-</u>	
		4,633,643,295		1,770,782,550
<b>D) Money received on preferential issue of Equity Share Warrants #</b>				
		34,750,431		-
<b>E) General Reserve</b>				
Balance as per last Balance Sheet	507,643,566		307,643,566	
Add: Transferred during the Year	<u>65,000,000</u>		<u>200,000,000</u>	
		572,643,566		507,643,566
# Refer clause (8) in schedule J				
	<b>C/f</b>	<u>5,301,474,312</u>		<u>2,338,863,136</u>

	B/f	31.03.2006		31.03.2005	
		Rs.	Rs.	Rs.	Rs.
			5,301,474,312		2,338,863,136
<b>F) Other Reserves</b>					
i) Investment Allowance Reserve			7,626,657		7,626,657
ii) Foreign Exchange Fluctuation Reserve			186,595		186,595
iii) Debenture Redemption Reserve *			276,385,710		176,385,710
iv) Profit & Loss Account			435,309,633		321,305,224
v) Capital Reserve			17,846,142		17,846,142
<b>Total</b>			<b>6,038,829,049</b>		<b>2,862,213,464</b>
* Refer clause 15 in schedule J					
<b>SCHEDULE (C)</b>					
<b>Secured Loans</b>					
<b>A) Non-Convertible Debentures</b>					
i) 10.80% Debentures			167,500,000		250,000,000
ii) 8.57% Debentures			134,000,000		200,000,000
iii) 7.27% Debentures			100,000,000		100,000,000
<b>B) Loans and Advances from Banks</b>					
i) Cash credit			19,431,919		29,421,479
ii) UTI BANK Limited			26,000,000		66,000,000
iii) UTI BANK Limited			22,500,000		52,500,000
iv) ECB (Bank of Bahrain & Kuwait )			96,316,000		122,584,000
v) Indian Bank		66,087,000		110,145,000	
vi) HDFC Bank Limited		75,000,000		125,000,000	
Add: Interest accrued and due		766,895		1,318,539	
			141,853,895		236,463,539
<b>C) Other Loans &amp; Advances</b>					
Housing Development Finance Corporation			-		1,889,158
<b>Total</b>			<b>707,601,814</b>		<b>1,058,858,176</b>
Refer clause 4 & 5 in Schedule 'J' for details & security					
<b>SCHEDULE (D)</b>					
<b>Unsecured Loans</b>					
<b>A) Fixed Deposits</b>					
			120,112,000		208,687,000
<b>B) Short Term Loans &amp; Advances</b>					
i) Other loans & advances					
a) Short term loans from SBI			-		100,000,000
<b>Total</b>			<b>120,112,000</b>		<b>308,687,000</b>

Schedule	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (E)</b>				
<b>Current Liabilities &amp; Provisions</b>				
<b>A) Current Liabilities</b>				
i) Acceptances		124,482,546		74,969,908
ii) Sundry Creditors *				
a) For goods	383,239,243		263,214,063	
b) For expenses	113,411,635		51,124,994	
c) For capital goods	57,029,114		32,524,581	
d) For others	<u>54,567,194</u>		<u>37,511,122</u>	
		608,247,186		384,374,760
iii) Advances				
a) Inpatient deposits	54,368,474		46,071,604	
b) Rent	25,248,600		3,329,100	
c) Others	<u>5,401,501</u>		<u>5,384,656</u>	
		85,018,575		54,785,360
iv) Unclaimed Dividend		11,257,031		10,318,447
v) Unclaimed Deposits		11,846,641		12,538,641
vi) Other liabilities				
a) Tax Deducted at source	22,259,420		15,056,642	
b) Retention money on capital contracts	1,390,862		1,257,520	
c) Outstanding expenses	<u>131,182,088</u>		<u>124,394,039</u>	
		154,832,370		140,708,201
Interest accrued but not due		<u>14,189,995</u>		<u>20,744,926</u>
		1,009,874,344		698,440,243
<b>B) Provisions</b>				
i) For Taxation	635,164,462		373,644,017	
ii) For Dividend				
Equity shares	227,693,781		166,394,472	
iii) Bonus	23,663,838		8,593,914	
iv) Staff benefits	<u>6,554,061</u>		<u>4,753,607</u>	
		893,076,142		553,386,010
<b>Total</b>		<u><b>1,902,950,486</b></u>		<u><b>1,251,826,253</b></u>

\* Refer clause 21 in schedule J

**SCHEDULE (F)**  
**Fixed Assets**

Sl. No.	Description	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK		
		As on 31.03.2005 Rs.	Additions Rs.	Deletions Rs.	As on 31.03.2006 Rs.	Upto 31.03.2005 Rs.	For the year		Total as on 31.03.2006 Rs.	As on 31.03.2006 Rs.	As on 31.03.2005 Rs.
							(withdrawn) Rs.	Deletions Rs.			
	<b>Tangible Assets</b>										
1	Land *	185,434,044	1,400,000	-	186,834,044	-	-	-	-	186,834,044	185,434,044
2	Buildings	624,674,671	154,005,861	-	778,680,532	123,153,645	15,532,113	-	138,685,758	639,994,774	501,521,026
3	Leasehold Building **	178,410,994	30,467,883	-	208,878,877	28,303,421	6,393,391	-	34,696,812	174,182,065	150,107,573
4	Medical equipment & Surgical instruments	2,186,681,985	355,262,412	800,000	2,541,144,397	815,630,799	145,893,287	168,673	961,555,413	1,579,588,983	1,370,851,186
5	Electrical Installations & Generators	367,138,979	44,984,715	38,217	412,085,477	139,858,820	20,171,061	681	160,029,200	252,056,277	227,280,159
6	Airconditioning plant & airconditioners	123,864,109	21,168,975	137,205	144,895,879	47,991,653	6,218,823	101,642	54,108,834	90,787,045	75,872,456
7	Office equipment	225,114,404	42,608,738	606,945	267,116,197	105,531,123	26,409,162	396,945	131,543,340	135,572,857	119,583,281
8	Furniture & Fixtures	274,821,874	97,423,048	-	372,244,922	115,772,297	30,477,486	-	146,249,783	225,995,139	159,049,577
9	Fire fighting equipment	2,827,041	9,712,542	-	12,539,583	1,860,769	421,362	-	2,282,131	10,257,452	966,272
10	Boilers	1,470,798	117,667	-	1,588,465	807,943	42,039	-	849,982	738,483	662,855
11	Kitchen equipment	11,576,800	7,412,027	-	18,988,827	3,472,884	892,207	-	4,365,091	14,623,736	8,103,916
12	Refrigerators	9,622,391	4,176,071	39,885	13,758,577	2,207,548	553,138	23,639	2,737,047	11,021,530	7,414,843
13	Vehicles	80,513,040	21,494,075	3,250,158	98,756,957	33,444,358	7,833,307	860,288	40,417,377	58,339,580	47,068,682
14	Wind electric generator	31,820,980	5,479,014	10,450,000	26,849,994	9,476,938	496,375	4,970,986	5,002,327	21,847,667	22,344,042
15	Work-in-progress	41,034,904	128,000,912	40,510,074	128,525,742	-	-	-	-	128,525,742	41,034,904
1	<b>Intangible Assets</b>										
1	Goodwill	286,000	-	286,000	-	-	-	-	-	-	286,000
2	Computer Software	-	114,273	-	114,273	-	51	-	51	114,222	-
	<b>TOTAL</b>	<b>4,345,293,014</b>	<b>923,828,212</b>	<b>56,118,484</b>	<b>5,213,002,742</b>	<b>1,427,712,198</b>	<b>261,333,802</b>	<b>6,522,854</b>	<b>1,682,523,145</b>	<b>3,530,479,597</b>	<b>2,917,580,816</b>
	<b>Previous year</b>	<b>3,950,742,859</b>	<b>433,406,618</b>	<b>38,856,463</b>	<b>4,345,293,014</b>	<b>1,232,187,391</b>	<b>226,432,765</b>	<b>30,907,958</b>	<b>1,427,712,198</b>	<b>2,917,580,816</b>	<b>2,718,555,468</b>

\* Refer clause 1 (F) (b) in schedule J \*\* Refer clause 1 (D) (v) in schedule J

	Face Value Rs.	31.03.2006		31.03.2005	
		No. of Equity Shares/Units	Value Rs.	No. of Equity Shares/Units	Value Rs.
<b>SCHEDULE (G)</b>					
<b>Investments</b>					
<b>Trade Investments</b>					
<b>Long Term</b>					
<b>A) Quoted</b>					
<b>Associates</b>					
1) Indraprastha Medical Corporation Limited Market Value as on 31.03.2006 Rs.35.85 Per share	10	13,132,457	139,978,413	13,132,457	139,978,412
2) The Lanka Hospitals Corporation Limited (Quoted in Colombo Stock Exchange ) Market Value as on 31.03.2006 SLR.22.25 Per share *	10 (SLR)	51,069,000	295,232,166	48,015,000	267,298,432
<b>B) Unquoted</b>					
<b>i) Subsidiaries</b>					
1) Unique Home Health Care Limited	10	823,012	7,400,000	823,012	7,400,000
2) Apollo Hospitals International Limited	10	22,330,000	223,300,000	22,330,000	223,300,000
3) AB Medical Centres Limited	1,000	16,800	21,799,899	16,800	21,799,899
4) Samudra Healthcare Enterprises Limited	10	8,887,934	101,100,000	-	-
5) Imperial Cancer Hospitals & Research Centre Ltd	10	9,981,000	298,810,000	-	-
6) Apollo Hospital (UK) Limited	1 £	5,000	390,000	-	-
<b>ii) Joint Ventures **</b>					
1) Apollo Gleneagles Hospital Limited	10	25,675,697	103,121,930	23,275,697	79,121,930
2) Apollo Gleneagles PET-CT Limited	10	5,999,993	59,999,930	-	-
<b>iii) Others</b>					
1) Pinakini Hospitals Limited	10	161,440	1,224,200	161,440	1,224,200
2) Kurnool Hospitals Enterprises Limited	10	157,500	1,732,500	157,500	1,732,500
<b>Non Trade Investments</b>					
<b>Long Term</b>					
<b>A) Unquoted</b>					
<b>i) Subsidiaries</b>					
1) Apollo Health & Lifestyle Limited	10	1,500,000	15,000,000	1,500,000	15,000,000
<b>ii) Associates</b>					
1) Family Health Plan Limited	10	490,000	4,900,000	490,000	4,900,000
2) Apollo Health Street Private Limited ***	10	6,100,000	61,000,000	6,100,000	61,000,000
<b>Short Term</b>					
<b>Others</b>					
1) Investment in Government Securities - National Savings Certificate			128,800	-	94,800
2) Reliance Mutual Fund Market Value as on 31.03.2005 Rs.10.0687 per unit		-	-	3,794,182	38,202,476
3) Franklin Templeton Investments Market Value as on 31.03.2005 Rs.10.0265 per unit		-	-	2,738,175	27,454,313
4) Kotak Mahindra Mutual Fund Market Value as on 31.03.2005 Rs.10.0078 per unit		-	-	5,014,507	50,184,180
5) Canbank Mutual Fund Market Value as on 31.03.2005 Rs.10.0410 per unit		-	-	4,980,199	50,006,178
	<b>C/f</b>		<b>1,335,117,838</b>		<b>988,697,320</b>

	Face Value Rs.	31.03.2006		31.03.2005	
		No. of Equity Shares/Units	Value Rs.	No. of Equity Shares/Units	Value Rs.
<b>B/f</b>			<b>1,335,117,838</b>		<b>988,697,320</b>
6) HDFC Floating Rate Income Fund Market Value as on 31.03.2005 Rs.10.0396 per unit		-	-	25,809	259,112
7) HDFC Cash Mgmt Fund Savings Plan Market Value as on 31.03.2005 Rs.13.7880 per unit		-	-	4,160	57,356
8) HDFC Cash Mgmt Fund Savings Plan Market Value as on 31.03.2005 Rs.10.6364 per unit		-	-	7,597	80,807
9) Prudential ICICI Liquid plan Inst-Daily Dividend Market Value as on 31.03.2005 Rs.11.8502 per unit		-	-	264,749	3,137,331
10) Prudential ICICI Floating Rate plan B short term - DailyDividend Option Market Value as on 31.03.2005 Rs.10.0012 per unit		-	-	3,248	32,480
11) Prudential ICICI Liquid plan -Daily Dividend Market Value as on 31.03.2005 Rs.11.8514 per unit		-	-	1,065	12,616
12) Birla Sun Life Mutual Fund Market Value as on 31.03.2005 Rs.10.8030 per unit		-	-	18,689	201,892
13) Birla Sun Life Mutual Fund Market Value as on 31.03.2005 Rs.16.3706 per unit		-	-	1,775	29,058
14) Kotak FMP Series XIV - Growth Market Value as on 31.03.2006 Rs.10.0947 per unit		30,000,000	300,000,000	-	-
15) Kotak FMP Series XXI - Growth Market Value as on 31.03.2006 Rs.10.0656 per unit		25,000,000	250,000,000	-	-
16) Kotak FMP Series 13 - Growth Market Value as on 31.03.2006 Rs.10.0328 per unit		10,000,000	100,000,000	-	-
17) Birla FTP Series E - Growth Market Value as on 31.03.2006 Rs.10.0387 per unit		25,000,000	250,000,000	-	-
18) Reliance Fixed Maturity Fund - Quarterly Plan I   I - Series II-Dividend Option Market Value as on 31.03.2006 Rs.10.0076 per unit		30,000,000	300,000,000	-	-
19) RIF - Retail Plan - Growth Plan Market Value as on 31.03.2006 Rs.10.3775 per unit		1,943,846	20,172,264	-	-
<b>Advance for Investments in shares for various projects under construction</b>			<u>174,663,071</u>		<u>70,163,000</u>
<b>Total</b>			<u><b>2,729,953,173</b></u>		<u><b>1,062,670,972</b></u>

\* SLR - Sri Lankan Rupee

\*\* Refer clause 13 (c) in schedule J

\*\*\* Formerly Apollo Health Street Limited, a Subsidiary



	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (H)</b>				
<b>Current Assets, Loans &amp; Advances</b>				
<b>A) Current Assets</b>				
<b>a. Inventories (at cost)</b>				
i) Medicines	296,103,902		212,332,032	
ii) Stores, spares	41,050,025		43,320,333	
iii) Lab Materials	6,082,098		4,627,685	
iv) Surgical Instruments	60,938,095		57,780,946	
v) Other Consumables	<u>53,006,229</u>		<u>53,186,726</u>	
		457,180,349		371,247,722
(As taken, certified, and valued by management)				
<b>b. Sundry Debtors</b>				
(Refer clause 16 in schedule J )				
i) Debtors Outstanding for a period exceeding six months	210,480,898		238,427,326	
ii) Others	692,859,698		596,717,407	
Less : provision for Bad debts	<u>12,976,690</u>		-	
		890,363,906		835,144,733
<b>c. Cash and Bank Balances</b>				
i) Cash on hand	20,553,118		11,498,409	
ii) In current A/C with scheduled banks	275,787,876		196,788,084	
iii) In Deposit A/C with scheduled banks	<u>68,053,289</u>		<u>10,811,806</u>	
		364,394,283		219,098,299
<b>B) Loans and Advances</b>				
(Refer clause 16 in schedule J )				
<b>a. Loans to Subsidiary</b>				
i) Apollo Health & Lifestyle Limited		40,594,372		40,494,866
<b>b. Advances</b>				
i) For capital items	4,657,322		7,251,991	
ii) To suppliers	55,124,813		19,984,514	
iii) Other advances	399,863,395		337,188,006	
iv) Staff advances	9,870,324		7,541,836	
<b>c. Advances to Subsidiaries</b>				
i) Unique Home Health Care Limited	269,751,136		294,391	
ii) Apollo Health Street Private Limited	-		2,283,683	
iii) A B Medical Centers Limited	23,553,108		16,805,911	
iv) Apollo Hospitals International Limited	53,365,235		1,737,284	
v) Samudra Healthcare Enterprises Limited	<u>79,072</u>		-	
		816,264,405		393,087,616
<b>d. Advance Tax</b>				
		<u>593,626,034</u>		<u>325,826,034</u>
	<b>C/f</b>	<b>3,162,423,349</b>		<b>2,184,899,270</b>

	B/f	31.03.2006		31.03.2005	
		Rs.	Rs.	Rs.	Rs.
			<b>3,162,423,349</b>		<b>2,184,899,270</b>
<b>e. Deposits</b>					
i) With Government		34,544,058		28,526,101	
ii) With others		<u>157,799,944</u>		<u>96,626,792</u>	
			192,344,002		125,152,893
<b>f. Prepaid expenses</b>			49,256,474		32,567,750
<b>g. Rent receivables</b>			2,081,923		1,945,593
<b>h. Service charges receivables</b>			5,538,601		4,753,950
<b>i. Tax deducted at source</b>			123,348,526		60,841,005
<b>j. Interest Receivable</b>			9,283,762		6,805,702
<b>k. Franchise Fees Receivable</b>			992,101		915,463
<b>l. Royalty Receivable</b>			2,230,290		1,740,450
<b>Total</b>			<u><b>3,547,499,028</b></u>		<u><b>2,419,622,076</b></u>

#### SCHEDULE (I)

##### Miscellaneous Expenditure

(to the extent not written off or adjusted)

(a) Preliminary & Other Expenses Including commission, brokerage underwriting of subscription of shares and debentures		6,700,000		8,875,000
(b) Deferred Revenue Expenditure		11,039,433		24,472,093
<b>Total</b>		<u><b>17,739,433</b></u>		<u><b>33,347,093</b></u>

# Schedules

## to Profit & Loss Account

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (I)</b>				
<b>Other Income</b>				
(a) Interest earned ( TDS Rs. 1,299,529)		7,924,503		9,127,448
(b) Dividend		79,144,886		20,463,155
(c) Income from Treasury operations		25,261,258		-
<b>Total</b>		<b>112,330,647</b>		<b>29,590,603</b>
<b>SCHEDULE (II)</b>				
<b>Operative Expenses</b>				
(a) Materials Consumed				
Opening stock	338,748,041 *		310,796,063	
Add :				
Purchases	3,680,809,836		2,925,558,656	
Customs Duty	1,460,852		1,483,248	
Freight Charges	3,817,004		3,553,541	
	<u>4,024,835,733</u>		<u>3,241,391,508</u>	
Less :				
Closing stock	<u>423,258,435</u>		<u>345,746,397</u>	
		3,601,577,298		2,895,645,111
(b) Fees to Consultants		1,080,008		996,250
(c) Power & Fuel		201,918,955		193,651,007
(d) House Keeping Expenses		75,775,607		70,939,718
(e) Water Charges		25,550,501		25,256,839
<b>Total</b>		<b>3,905,902,369</b>		<b>3,186,488,925</b>
<b>SCHEDULE (III)</b>				
<b>Payments to and Provisions for Employees</b>				
(a) Salaries & Wages		833,708,008		671,730,764
(b) Contribution to Provident Fund		42,441,204		36,551,903
(c) Employee State Insurance		3,446,969		2,426,899
(d) Gratuity		16,167,117		11,244,737
(e) Staff Welfare Expenses		58,453,795		49,313,075
(f) Staff Education & Training		6,273,556		8,222,589
(g) Bonus		23,663,838		8,593,914
<b>Total</b>		<b>984,154,487</b>		<b>788,083,881</b>
* Excludes Value Added Tax (VAT)				

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (IV)</b>				
<b>Administrative &amp; Other Expenses</b>				
(a) Rent		181,820,079		143,051,497
(b) Rates & Taxes		21,379,138		21,175,580
(c) Printing & Stationery		75,790,660		55,908,909
(d) Postage & Telegram		6,586,666		10,195,920
(e) Insurance		19,237,180		15,019,917
(f) Directors Sitting Fees		970,000		315,000
(g) Advertisement, Publicity & Marketing		76,622,098		60,288,683
(h) Travelling & Conveyance		85,114,567		72,383,265
(i) Subscriptions		3,325,103		1,676,402
(j) Security charges		18,688,498		15,680,658
(k) Legal & professional fees		52,954,748		39,940,353
(l) Continuing Medical Education & Hospitality Expenses		7,324,289		5,486,976
(m) Hiring charges		3,974,242		3,101,153
(n) Seminar expenses		433,502		895,387
(o) Audio & Video Charges		14,616,341		10,875,869
(p) Telephone expenses		34,783,806		21,684,727
(q) Books & Periodicals		3,730,878		3,282,529
(r) Miscellaneous Expenses		21,220,428		13,811,755
(s) Bad Debts Written off		30,572,514		31,853,566
(t) Donations		4,270,618		5,918,637
(u) Provision for Bad Debts		11,810,872		
(v) Repairs & Maintenance				
i) Building	79,475,602		72,206,697	
ii) Equipments	119,043,832		117,502,183	
iii) Vehicles	10,092,126		9,190,871	
iv) Office maintenance & others	41,615,387		29,171,974	
		250,226,947		228,071,725
(w) Loss on sale of assets		1,005,949		1,260,769
(x) Royalty paid		886,996		875,747
<b>Total</b>		<b>927,346,119</b>		<b>762,755,024</b>
<b>SCHEDULE (V)</b>				
<b>Financial Expenses</b>				
(a) Interest on				
i. Fixed Loans	73,507,523		60,095,257	
ii. Fixed Deposits	11,601,792		28,280,010	
iii. Debentures	12,162,516		51,359,753	
		97,271,831		139,735,020
(b) Bank charges		11,967,549		11,340,818
(c) Brokerage & commission		6,400,491		767,865
(d) Leasing charges		1,863,340		4,101,776
<b>Total</b>		<b>117,503,211</b>		<b>155,945,479</b>

# Notes

## Forming Part of the Accounts

### SCHEDULE (J)

#### ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS

##### 1. Accounting Policies

###### A. Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention under accrual method of accounting and as a going concern, in accordance with the Generally Accepted Accounting Principles (GAAP) prevalent in India and the Mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and according to the provisions of the Companies Act, 1956.

###### B. Inventories

1. The inventories of all medicines, Medicare items traded and dealt with by the Company are valued at cost applying the FIFO method.
2. Stock of provision, stores, stationery and housekeeping items are stated at cost applying the FIFO method.
3. Surgical instruments, linen, crockery and cutlery are subject to 1/3 write off wherever applicable.
4. Imported Inventory:
  - (i) Stocks already paid for are accounted for at the exchange rates prevailing at the respective dates of payment
  - (ii) Stocks for which payments were still outstanding on 31st March 2006 are accounted for at the applicable exchange rates prevailing on that date.

###### C. Prior Period Items

Prior period expenses and income are separately classified, identified and dealt with as required under Accounting Standard 5 on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' issued by the Institute of Chartered Accountants of India.

###### D. Depreciation and Amortization

- i. Depreciation has been provided:
  - (a) On assets installed after 1st April, 1987 on straight line method at rates specified in Schedule XIV to the Companies Act, 1956 on single shift basis.
  - (b) On assets installed prior to 2nd April 1987 on straightline method at the rates equivalent to the Income Tax rates.
- ii. Depreciation on new assets acquired during the year has been provided at the rates applicable from the date of acquisition to the end of the financial year.
- iii. In respect of the assets sold during the year, depreciation has been provided from the beginning of the year till the date of its disposal.
- iv. Individual assets acquired for Rs.5,000/- and below are fully depreciated in the year of acquisition.
- v. Amortization:
  - (a) The cost of land and building taken on lease by the company from Orient Hospital, Madurai will be amortised over a period of 30 years though the lease is for a period of 60 years.

(b) Unrealised amounts on project development and pre-operative project expenses incurred at Bilaspur Hospital amounting to Rs.56,622,740/- are included in advances and deposits account. The above expenses incurred on project will be amortised over the balance lease period of 18 years. The amount amortised during the current year is Rs.3,145,718/- (Rs.3,145,708/-) balance yet to be amortised as on 31.03.2006 is Rs.44,039,898/- (Rs.47,185,616/-).

(c) A lease rental on operating leases is recognised as an expense in the Profit & Loss account on straight line basis as per the terms of the agreement.

#### **E. Revenue Recognition**

- (i) Income from Healthcare Services is recognised on completed service method. The hospital collections of the company are net of discounts of Rs.32,791,997/- (Rs.1,570,876/-)
- (ii) Pharmacy Sales are stated net of returns, discounts, adjusted for export incentives exchange fluctuations on export receivables and inclusive of Sales Tax and exclusive of Value Added Tax (VAT) where applicable (Refer Note 31 in the Notes forming part of Accounts).
- (iii) Lease rental income on operating leases is recognised as an income in the profit and loss account on straight line basis as per the terms of the agreement, in accordance with Accounting Standard 19 'Leases' issued by the Institute of Chartered Accountants of India.
- (iv) Hospital Project Consultancy income is recognised as and when it becomes due, on percentage completion method, on achievement of milestones.
- (v) Income from Treasury Operations is recognised on receipt basis.

#### **F. Fixed Assets**

- a. All Fixed Assets have been stated at cost less accumulated depreciation and impairment losses recognised. Additional cost relating to the acquisition and installation of fixed assets are capitalised. Additional cost arising out of the increase in liability on account of fluctuations in foreign currency has been added to the cost of the assets.
- b. Land which was revalued in prior years by Rs.103,133,472/- (Chennai Hospital Division = Rs.50,080,324/- and Hyderabad Hospital Division = Rs.53,053,148/-) was written back to its original cost in 2002-03.
- c. Assets acquired under hire purchase agreements are capitalised to the extent of principal value, while finance charges are charged to revenue on accrual basis.
- d. Interest on borrowings for acquisition of fixed assets and related revenue expenditure incurred for the period prior to the commencement of operations for the expansion activities of the company are capitalised.

#### **G. Transactions in Foreign Currencies**

- a. Current assets and current liabilities are converted at closing year end rates or contracted forward rates as applicable.
- b. Exchange differences relating to fixed assets are adjusted in the cost of the asset. (Refer Note 31 in the Notes forming part of Accounts)
- c. Translated exchange losses or gains are dealt with in the Profit & Loss Account in accordance with Accounting Standard 11 - "Accounting for the Effects of changes in Foreign Exchange Rates", issued by the Institute of Chartered Accountants of India (Refer Note 31 in the Notes forming part of Accounts).
- d. Currency swap transactions:  
Currency swap transactions are accounted for on the date of settlement and realised gain/loss in respect of settled contracts are recognised in the Profit and Loss account.

#### **H. Investments**

- a. Long-term investments are stated at cost to the Company.

- b. A provision for diminution, if any, is made to recognise the decline other than temporary in the value of long term Investments.
- c. Current Investments are valued at lower of cost or fair value.
- d. In case of foreign investments,
  - i. The cost is the rupee value of the foreign currency on the date of the investment.
  - ii. The face value of the foreign investments is shown at the face value reflected in foreign currency of that related country.

**I. Employee Benefits**

- a. Provident Fund  
Contributions to Provident Fund are accounted on accrual basis.
- b. Gratuity  
The company has covered gratuity liability under the LIC's Group Gratuity cum Life Assurance Scheme.
- c. Leave Encashment Benefits  
The Company has no 'Leave Encashment Scheme' as a part of 'Retirement Benefits Scheme'. The employees of the company are entitled to encash their unavailed leave accrued during the course of their employment in accordance with the Company's rules and regulations. The same is therefore accounted as and when claimed.

**J. Segment Reporting**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting:

- i. Revenue and Expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and Expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "unallocable expenses".
- ii. Inter segment revenue and expenses are eliminated.

**K. Earnings Per Share**

In determining earnings per share, the company considers the net profit after tax, preference dividend and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing Basic Earnings per Share is the weighted average number of shares outstanding during the period. For computing Diluted Earnings Per Share, potential equity is added to the above weighted average number of shares.

**L. Provision for Current and Deferred Tax**

- i. Income tax is computed using the tax effect accounting method, where taxes are accrued in the same period as and when the related revenue and expense arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions.
- ii. The differences that result between the profit calculated for income tax purposes and the profit as per the financial statements are identified and thereafter deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered.

**M. Impairment**

During the year 2002-03 on a review of fixed assets certain selected Medical Equipment were identified and impaired. For the current year on a review as required by AS 28, the Management is of the opinion that no impairment loss or reversal of impairment loss is required, as conditions of impairment do not exist.

**N. Bad Debts Policy**

On the recommendation of the Audit Committee, the Board of Directors have approved a policy for Bad Debts.

**O. Miscellaneous Expenditure**

Preliminary, Public Issue, Rights Issue Expenses and expenses on private placement of shares are amortised over 10 years.

**P. Deferred Revenue Expenditure**

Special advertisement expenditure, Software expenses and expenditure incurred on the upgradation of the building of AB Medical Centers Limited up to the commencement of the lease in the year 2003-2004 are written off over a period of five years.

**Q. Intangible Assets**

Intangible assets are initially recognised at cost and amortised over the best estimate of their useful life. Cost of software including directly attributable cost, if any, acquired for internal use, is allocated / amortized over a period of 36 months.

**R. Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when the company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent Liabilities are not provided for unless a reliable estimate of probable outflow to the company exists as at the Balance Sheet date. Contingent Assets are not recognised.

**2. Related Party Disclosures**

**A. Enterprises over which Control Exists:**

Subsidiaries:	Unique Home Health Care Limited Apollo Hospitals International Limited AB Medical Centres Limited Apollo Health and Lifestyle Limited Imperial Cancer Hospital & Research Centre Limited * Samudra Healthcare Enterprises Limited * Apollo Hospital (UK) Limited *
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**B. Other Related Parties with whom the Company had Transactions:**

Joint Ventures:	Apollo Gleneagles Hospital Limited, Kolkata Apollo Gleneagles PET CT Limited, Hyderabad* Universal Quality Services LLC, Dubai @
Associates:	Family Health Plan Limited, Hyderabad The Lanka Hospitals Corporation Limited, Sri Lanka Indraprastha Medical Corporation Limited, New Delhi Apollo Health Street Private Limited, Hyderabad #
Key Management Personnel:	Dr. Prathap C Reddy Smt. Preetha Reddy Smt. Suneeta Reddy Smt. Sangita Reddy Shri. P.Obul Reddy
Enterprises over which Key Management Personnel exercise significant influence	Apollo Sindoori Hotels Limited Apollo Sindhoori Capital Investments Limited M/s. P. Obul Reddy & Sons

\* Acquired during the year 2005-06

@ Refer Note 13 (c) of the Notes forming part of Accounts

# Formerly Apollo Health Street Limited, a subsidiary



(Rs.)

Sl. No.	Name of the related party	Nature of relationship	Nature of transactions	31.03.2006	31.03.2005
1	Unique Home Health Care Limited	Wholly Owned Subsidiary	a) Investment in Equity b) Advances given c) Cumulative Deposits accepted d) Interest Paid	7,400,000 269,751,136 636,000 38,078	7,400,000 294,391 621,910 46,502
2	A B Medical Centres Limited	Wholly Owned Subsidiary	a) Investment in Equity b) Advances given c) Lease rentals paid	21,799,899 23,553,108 7,200,000	21,799,899 29,172,391 7,200,000
3	Apollo Health & Lifestyle Limited	Wholly Owned Subsidiary	a) Investment in Equity b) Unsecured loans given c) Interest receivables d) Royalty receivables e) Rent received f) Advance given g) Receivables/(Payables) as at year end h) Franchise Fees i) Reimbursement of expenses	15,000,000 40,594,372 9,283,762 2,230,290 376,976 - 6,705,349 551,000 6,000	15,000,000 42,126,084 6,805,702 1,740,450 342,730 6,018,590 1,631,218 548,250 117,902
4	Samudra Healthcare Enterprises Limited	Wholly Owned Subsidiary	a) Investment in Equity b) Pharmacy sales c) Receivables at year end d) Advance for investment	101,100,000 1,322,888 629,787 149,500,001	- - - -
5	Apollo Hospital (UK) Limited	Wholly Owned Subsidiary	a) Investment in Equity	390,000	-
6	Apollo Hospitals International Limited	Subsidiary (55.35% stake in equity)	a) Investment in Equity b) Corporate guarantees executed c) Unsecured Loans d) Receivables as at year end e) Pharmacy Sales f) Rent Paid g) Reimbursement of expenses	223,300,000 763,000,000 49,000,000 109,107,273 44,259,909 2,045,650 508,417	223,300,000 763,000,000 - 27,069,270 33,579,584 1,521,104 -
7	Imperial Cancer Hospital & Research Centre Limited	Subsidiary (51% stake in equity)	a) Investment in Equity b) PMA Fees c) Reimbursement of expenses	298,810,000 4,408,000 352,262	- - -
8	Indraprastha Medical Corporation Limited	Associate	a) Investment in Equity b) Receivables as at year end c) Pharmacy Sales d) Rent Paid	139,978,412 70,068,576 496,545,454 25,155,344	139,978,412 40,631,004 409,622,030 20,682,238
9	Apollo Health Street Private Limited (formerly Apollo Health Street Limited, a subsidiary)	Associate	a) Investment in Equity b) Lease rent income c) Receivables as at year end d) Corporate guarantees executed e) Reimbursement of expenses	6,100,000 11,836,300 2,148,012 - 195,086	6,100,000 5,269,264 2,283,683 46,000,000 115,964

(Rs.)

Sl. No.	Name of the related party	Nature of relationship	Nature of transactions	31.03.2006	31.03.2005
10	The Lanka Hospitals Corporation Limited	Associate	a) Investment in Equity b) Receivables as at year end c) Pharmacy Sales d) OMA Fees e) Reimbursement of expenses	295,232,166 8,710,783 7,081,335 6,113,432 17,826,541	267,298,433 8,820,957 6,767,343 3,457,598 29,904,580
11	Family Health Plan Limited	Associate	a) Investment in Equity b) Receivables as at year end c) Income from Hospital Services d) Reimbursement of expenses	4,900,000 1,697,522 1,296,826 986,000	4,900,000 3,425,531 705,799 722,400
12	Apollo Gleneagles Hospital Limited	Joint Venture	a) Investment in Equity b) Unsecured loans given c) Advance given d) Receivables as at year end e) Commission f) Pharmacy Sales g) Rent and Electricity h) Reimbursement of expenses	103,121,930 29,642,070 25,000,000 33,366,029 10,464,972 169,575,221 713,587 2,124,749	79,121,930 29,645,070 25,000,000 47,045,116 8,508,965 153,279,020 1,857,367 1,672,779
13	Apollo Gleneagles PET-CT Limited	Joint Venture	a) Investment in Equity b) Receivables as at year end c) Rent earned d) Advance for investment e) Electricity charges recovered f) Reimbursement of expenses g) PMA Fees	59,999,930 14,913,093 1,500,000 15,000,070 309,188 582,532 1,410,560	- - - - - - -
14	Medvarsity Online Limited	Enterprises over which Key Management Personnel exercise significant influence	a) Investment in Equity by Apollo Health Street Ltd b) Rent received c) Payables at year end	33,999,300 531,696 -	33,999,300 427,902 723,758
15	Apollo Sindhoori Capital Investments Limited	Enterprises over which Key Management Personnel exercise significant influence	a) Brokerage Paid	5,317,504	-
16	Apollo Sindoori Hotels Limited	Enterprises over which Key Management Personnel exercise significant influence	a) Payables at year end b) Transactions during the year	1,967,363 73,100,499	3,719,139 43,149,920
17	M/s. P. Obul Reddy & Sons	Enterprises over which Key Management Personnel exercise significant influence	a) Receivables as at year end b) Transactions during the year	35,241 12,926,413	213,527 5,999,689

### 3. Contingent Liabilities

- a. Claims against the company not acknowledged as debts- Rs. 418,893,934/- (Rs.369,496,521/-)
- b. Pursuant to a subscription agreement entered into by a subsidiary, Apollo Hospitals International Limited situated in Ahmedabad, with ICICI, IDFC and IDBI Limited, the Company, Apollo Hospitals Enterprise Limited is under an obligation to buy back the shares subscribed to by such institutions, any time after the expiry of three years from the date of first disbursement at the option of the financial institutions, at prices to be determined at the time of exercising the option. The obligation to buy back the shares has been completed with respect to ICICI. Subsequent to the closure of accounts as at March 31, 2006, the option has been exercised by IDFC and the Company has complied with its obligation of buy back.
- c. Estimated amount of contracts remaining to be executed on capital account not provided for on account of the expansion cum diversification programme of the company Rs.12,822,814/- (Rs. 3,971,955/-).
- d. The estimated customs duty guarantees given by the company in favour of the Assistant Collector of Customs, pending receipt of customs duty exemption certificates amounts to Rs.99,700,026/- (Rs. 99,700,026 /-).

This is subject to the result of writ petition pending in the Madras High Court with respect to the Chennai Hospital Division Rs.73,709,545/- (Rs. 73,709,545/-).

Application has been made for duty exemption certificates by the Pharmaceutical Division, which is pending with the Government. The estimated customs duty is Rs. 14,825,739/- (Rs.14,825,739/-).

The Hyderabad division has executed bonds in favour of the President of India to the extent of Rs.11,164,742/ (Rs.11,164,742/-) pending its application for receipt of customs duty exemption certificates from the Government.

- e. (i) Letters of credit opened by various banks in favour of foreign suppliers for consumables, spares, medicines and medical equipment amounts to Rs.28,282,567/- ( Rs. 3,647,370/-).
- (ii) Bank Guarantees as on 31.03.2006. Rs.98,767,600/- (Rs. 670,493/-)
- (iii) Corporate Guarantees

Rs. in Crores

On behalf of	In Favour of	As at 31.03.2006	As at 31.03.2005
Apollo Hospitals International Limited	HDFC	55.55	55.55
	IDBI	5.00	5.00
	IDFC	15.75	15.75
Apollo Health Street Private Limited	Development Credit Bank (DCB)	NIL	4.60
<b>Total</b>		<b>76.30</b>	<b>80.90</b>

- f. (i) Additional liability, for payment of sales tax on work orders pursuant to court proceedings between contractors and the State Governments-Rs.206,076/- (Rs.206,076/-) in the case of Chennai Division.
- (ii) In respect of the claim for sales tax made by the Commercial Tax Department for Rs.281,361/ (Rs.1,810,634/-) for the various assessment years, the matter is under contest in the case of Pharmacy Division.

### 4. Terms of Redemption of Debentures

- a) 10.80% Non-Convertible Debentures placed with Indian Bank, Indian Overseas Bank, Jammu & Kashmir Bank Limited, Andhra Bank and Life Insurance Corporation of India shall be redeemed in three instalments of 33%,33% & 34% at the end of the 3rd, 4th and 5th year from the date of allotment (5th April, 2002) respectively. Accordingly the first instalment was redeemed in April 2005 and the second, in April 2006.
- b) 8.57% Non-Convertible Debentures placed with Karnataka Bank Ltd. shall be redeemed in three annual instalments at the end of the 3rd, 4th and 5th years from the date of allotment (19th September, 2002) respectively. Accordingly the first instalment was redeemed in September 2005.

- c) 7.27% Non-Convertible Debentures privately placed with General Insurance Corporation of India and Karnataka Bank Ltd. shall be redeemed at par at the end of 5 years, if the put / call is not exercised at the end of 3rd year from the date of allotment. (11th May 2003 Rs.4 Crores and 21st July 2003 Rs.6 Crores). On exercise of the option by General Insurance Corporation of India in April 2006, the Company has redeemed Rs. 4 crores of the debentures.

## 5. Details of Secured Loans and Security

### a. Debentures

- i) 10.80% Non-Convertible Debentures privately placed with Indian Bank, Indian Overseas Bank, Jammu & Kashmir Bank Limited, Andhra Bank and Life Insurance Corporation of India secured by,
- An Equitable Mortgage of all immovable properties situated at No.21 Greams Lane, off. Greams Road, Chennai - 600 006 and No.320 Mount Road, Teynampet, Chennai-600 018 both present and future ranking pari passu with other debentures.
  - A charge on the whole of movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except book-debts) whether installed or not, and whether now lying, or stored in ,or about, or shall, hereafter from time to time during the continuance of the security, be brought into, or upon, or be stored, or be in, or about , any or all of the Company's factory premises or godown situated at No.21, Greams Lane, Off Greams Road, Chennai-600 006 and No.320, Anna Salai, Teynampet, Chennai-600 018, or wherever else the same may be or be held by the party to the order or disposition of the Company or in the course of transit or high seas or on order or delivery howsoever and wheresoever in the possession of the Company ranking pari passu with other debentures.
- ii) 8.57% Non-Convertible Debentures privately placed with Karnataka Bank Limited secured by
- An Equitable Mortgage of all immovable properties situated at No.21 Greams Lane, Off. Greams Road, Chennai - 600 006 and No.320 Mount Road, Teynampet, Chennai-600 018 both present and future ranking pari passu with other debentures.
  - A charge on the whole of movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except book-debts) whether installed or not, and whether now lying, or stored in ,or about, or shall, hereafter from time to time during the continuance of the security, be brought into, or upon, or be stored, or be in, or about , any or all of the Company's factory premises or godown situated at No.21, Greams Lane, Off Greams Road, Chennai-600 006 and No.320, Anna Salai, Teynampet , Chennai-600 018, or wherever else the same may be or be held by the party to the order or disposition of the Company or in the course of transit or high seas or on order or delivery howsoever and wheresoever in the possession of the Company ranking pari passu with other debentures.
- iii) 7.27% Non-Convertible Debentures privately placed with General Insurance Corporation of India and Karnataka Bank Limited, secured by a first charge on:
- All that piece and parcel of land measuring 43 grounds and 1200 sq.ft with all the buildings erected thereon comprised in Sr No.67/2 of Block No.13, bearing corporation Door No.21 , Greams Lane, off. Greams Road. Chennai-600 006 together with all buildings and structures thereon, all plant & machinery attached to the earth and permanently fastened to the earth, both present and future ranking pari passu with other debentures.
  - The basement comprising plinth area of 13,414 Sq.ft Ground floor comprising plinth area of 11,694 Sq.ft. and lift machine room on the roof measuring 290 Sq.ft. constructed on the plot of land measuring 24 ground & 1,400 sq.ft. comprising plot Nos. 1,2&3 covered by survey No.3856 situated at No.320, Mount Road, Teynampet, Chennai-600 018 together with all buildings and structures thereon, all plant & machinery

attached to the earth and permanently fastened anything attached to the earth. Hypothecation of whole of the movable plant & machinery, machinery spares, tools & accessories other movable, both present and future (save and except book debts) whether installed or not and whether now lying or stored in or about or shall hereafter time to time during the continuance of the security of these present be brought into or upon or be stored or be in or about any or all of the company's factories premises or godowns situate at No.21, Greams Lane, off. Greams Road, Chennai-600 006 and No.320, Mount Road, Teynampet , Chennai - 600 018 in the state of Tamil Nadu or wherever else the same may be or be held by the party to the order or disposition of the company or in the course of transit or in high seas or in order or delivery howsoever and where-so-ever in the possession of the company ranking pari passu with other debentures.

**b. HDFC Bank**

Loan from HDFC Bank is secured by way of

- i. First pari passu hypothecation charge charged on all movable assets of the company present and future.
- ii. Pari passu equitable mortgage of immovable properties situated at No.21, Greams Lane, Off Greams Road, Chennai 600 006 and No.320, Anna Salai, Teynampet, Chennai 600 018 both present and future.

**c. Indian Bank**

Loan from Indian Bank is secured by way of

- i. First pari passu hypothecation charge on all movable assets of the company present and future.
- ii. Pari passu equitable mortgage of immovable properties situated at No.21, Greams Lane, Off Greams Road, Chennai 600 006 and No.320, Anna Salai, Teynampet, Chennai 600 018 both present and future.

**d. UTI Bank**

Term Loan from UTI Bank is secured by first mortgage and charge on all the company's immovable and movable properties, both present and future. The above mortgage and charge shall rank pari passu with the charges created in favour of other lenders.

**e. Bank of Bahrain and Kuwait BSC.**

Loan from Bank of Bahrain and Kuwait BSC is secured by first paripassu hypothecation charge on entire movable fixed assets present and future and an equitable mortgage of all immovable properties situated at No.21, Greams Lane, off. Greams Road, Chennai 600 006 and No.320, Mount Road, Teynampet, Chennai 600 018 both present and future ranking paripassu with the existing loans.

- f. Loans and advances from Banks are secured by hypothecation of inventories and book debts, and a second charge on specific fixed assets of the company.
- g. In Hyderabad Division fixed deposit receipts worth Rs.9,404,672/- (Rs.2,296,607/-) are under lien with the bankers for obtaining Letters of Credit and Bank Guarantee.

**6. LEASES**

In Respect of Non-Cancellable Operating Leases

	Not later than one year (Rs.)	Later than one year and not later than five years (Rs.)	More than five years upto ten years (Rs.)
Minimum Lease Payments	68,464,796	234,174,986	349,859,816

All operating leases are renewable after the period of agreement on mutual consent of both lessor and lessee.

- 7. During the current financial year, the Company has issued and allotted 9,000,000 Global Depository Receipts (including a Green Shoe Option of 650,000 GDRs) representing 9,000,000 underlying equity shares of Rs. 10/- each at a price of USD 7.80 per GDR (a premium of Rs 330/- per equity share ) to the Depository, The Bank of New York.

8. The Company has issued and allotted 1,039,965 equity warrants convertible into equity shares of nominal value of Rs. 10/- each at a premium of Rs. 324.15 to the Promoters/Promoter Group on a preferential allotment basis. The issue price is higher than the minimum price Rs. 334.11 fixed in accordance with the guidelines for preferential issues of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000. Accordingly the promoters have paid 10% of the consideration per warrant Rs. 334.15 on the date of allotment. The balance 90% payable on the exercise of option for conversion within 18 months of date of allotment.

9. **Earnings in Foreign Exchange**

Particulars	2005-2006 (Rs.)	2004-2005 (Rs.)
Hospital Division Hospital fees	33,789,577	44,954,329
Pharmacy Division Project Consultancy Services	24,256,509	70,698,514
Reimbursement of Expenses	24,968,636	43,000,086
Pharmacy Sales	7,278,473	5,954,260

10. **Directors travelling included in travelling and conveyance amounts to Rs.6,856,821/- (Rs.4,058,521/-).**

11. **Unclaimed Dividend**

Year	Amount (Rs.)
1998-99	1,007,986
1999-00	1,553,003
2000-01	1,457,577
2001-02	1,381,997
2002-03	1,535,844
2003-04	1,918,147
2004-05	2,402,477

The amount due and outstanding to be credited to the Investor Education and Protection Fund of the Central Government as per the provisions of Section 205A and 205C of the Companies Act, 1956 is Rs.945,074/-. This represents the dividend and deposits remaining unclaimed for a period of 7 years from the date they became due for payment, during the year, as per Section 205A and 205C of the Companies Act, 1956.

12. Additional net Deferred Tax Liability of Rs.14,541,818 /- (Rs.1,151,273/-) for the period has been recognized in the Profit & Loss account.

Accumulated as on 31.03.2006 consists of	Rs.
(a) Deferred Tax Liability on account of Depreciation	: 454,659,847
(b) Deferred Tax Liability on account of Deferred Revenue Expenditure	: 95,531,855

The company adjusts the amount of Deferred Tax Liability carried forward by applying the tax rate that has been enacted or substantively enacted at the date of the Balance Sheet on accumulated timing differences. Such differences were accounted for in 2004-2005. No such adjustment has been effected this year, since the tax rates have not changed for the fiscal 2006.

The effects on such Deferred Tax Liability, if any, arising out of assessments completed but under contest under various stages of appeal will be made on the appeals being decided.

13. (a) The Jointly Controlled Entities considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	Proportion of ownership Interest (%)
Apollo Gleneagles Hospital Limited	India	50.00
Apollo Gleneagles PET-CT Limited	India	50.00

(b) The groups interests in the joint venture accounted for using proportionate consolidation in the Consolidated Financial Statements are :

Particulars	As on 31.03.2006 (Rs.)	As on 31.03.2005 (Rs.)
Assets	1,069,396,203	944,320,659
Liabilities	1,021,702,592	997,282,496
Income	413,771,832	336,105,936
Expenses	465,663,726	414,827,566

(c) In respect of Universal Quality Services LLC, Dubai, in the absence of any business activity during the year 2005-2006, the effect of the operations has not been included in the Consolidated Financial Statements. The company is in the process of being liquidated after obtaining necessary statutory permissions. The whole of the amounts in the form of investments and advances have been written off in the books of Apollo Hospitals Enterprise Limited.

14. Income earned on currency swap transactions during the year on unsettled contracts as on 31st March 2006 has been accounted for in the Profit & Loss Account as interest received is Rs.114,739/- (Rs.819,204/-). Outstanding unsettled contracts as on 31.03.2006 is Rs. Nil (Rs.2,100,000/-).
15. During the current financial year, transfer of Rs. 100,000,000/- has been made to the Debenture Redemption Reserve, and the balance in the Reserve is considered adequate to meet the liability for redemption of debenture in the future.
16. i. Confirmation of balances from Debtors, Creditors and for Deposits are yet to be received in a few cases though the company has sent the letters of confirmation to them.  
ii. Sundry Debtors represent the debt outstanding on sale of hospital services, pharmaceutical products, lease rental and project meeting fees and is considered good. The company holds the personal security of the debtors.  
iii. Sundry Debtors and Loans and Advances shown under the head Current Assets includes the amounts due from concerns which are under same management or in which some of the Directors are interested as Directors / Trustees, which amounts to Rs.574,485,113/- (Rs.135,020,000/-).  
iv. Advances and deposits represent the advances recoverable in cash or in kind or for value to be realised. The amounts of these advances and deposits are considered good for which the company holds no security other than the debtors' personal security.
17. Previous year's expenditure included in this year's account amounts to Rs. 63,530,042/- (Rs.2,308,898/-).
18. Power Generation  
The Electricity charges incurred in respect of main hospital is net of Rs.7,700,635/- (Rs.9,467,375/-) [units qualified KWH - 1,540,127 (1,893,475)], being the rebate received from TNEB for Wind Electric Generators owned and run by the Company.
19. The company has been exempted from disclosing the quantitative particulars that need to be given as required under para 3(ii) (d) of Part II of Schedule VI of the Companies Act, 1956 for the financial year ended 31.03.2006.
20. The company has been exempted from publishing the financial statements, for six of its subsidiaries which are required to be attached to the company's accounts, under Sec 212 (1) of the Companies Act, 1956 for the financial year ended 31.03.2006. However, necessary disclosure under section 212 has been made. The accounts of the seventh subsidiary, Apollo Hospital (UK) Limited have been published under section 212 of the Companies Act, 1956. No Profit and Loss Account has been prepared since the Company is yet to commence its operations.



21. There are no amounts due to Small Scale Industrial Undertakings/concerns as at 31.03.2006 (as on 31.03.2005 - Nil)
22. In the process of acquiring Apollo Gleneagles Hospital Limited (AGHL) in Kolkata Apollo Hospitals Enterprise Limited had initially invested Rs.3 crores [ 0.5 crores towards equity and Rs.2.5 crores to discharge other liabilities of AGHL, erstwhile Duncan Gleneagles Hospital Limited (DGHL)] to acquire 50.26% holding in the DGHL (subsequently reduced to 49%, now increased to 50%). AGHL assigned an unsecured debt of Rs.17.6 crores existing in its books to Apollo Hospitals Enterprise Limited. As a measure of prudence, this amount is not recognized as an advance or investment in the books of Apollo Hospitals Enterprise Limited currently and will be accounted for as and when the amount(s) are received.
23. On review of the operations of setting up the Hospital in Noida, the Company has re-assigned the lease agreement between itself and the lessor to its associate, Indraprastha Medical Corporation Limited by extinguishing its rights and privileges in the original lease deed dated 27.10.2001.

**24. Expenditure in Foreign Currency**

(Rs.)

Particulars	2005-2006	2004-2005
<b>a. CIF Value of Imports:</b>		
(i) Machinery and Equipment	135,289,400	125,532,948
(ii) Stores and Spares	17,924,573	18,664,688
(iii) Other Consumables	12,122,173	7,860,968
<b>b. Investments</b>	28,323,734	Nil
<b>c. Expenditure :</b>		
(i) Travelling Expenses	11,094,307	13,561,049
(ii) Professional Charges	8,209,357	2,898,476
(iii) Rates & Taxes	30,706	Nil
(iv) Business Promotion Expenses	-	19,333
(v) Advertisement	-	186,401
(vi) Telephone Charges	-	18,288
(vii) Books and Periodicals	-	1,112
(viii) Office Maintenance Expenses	516,120	-
(ix) Project Expenses	433,505	-
(x) Rent	1,032,385	-
<b>d. Dividends :</b>		
(i) Amount remitted during the year in foreign currency on account of dividends excluding the payment of dividends directly to the shareholder's Non-resident external bank account.	17,656,328	24,455,763
(ii) Non-Resident shareholders to whom remittance was made Nos.	971	988
(iii) Shares held by non-resident share-holders on which dividend was paid Nos.	28,273,210	15,672,167



## 25. Managerial Remuneration

Particulars	2005-2006 (Rs.)	2004-2005 (Rs.)
Profit before Managerial Remuneration	947,963,680	765,487,801
Add: Provision for Bad debts	11,810,872	21,363,448
Less: Profit on sale of assets & units	177,485	2,569,748
Divisible Profit to Managerial Remuneration	959,597,067	784,281,501
Chairman's Remuneration (5% of profits)	44,728,299	36,468,668
Managing Director's Remuneration (2% of profits)	17,891,320	14,659,467
Executive Director- Finance (1.25% of profits - appointed w.e.f. 03.02.2006)	1,722,470	-
Upto 02.02.2006:		
Salaries and Allowance	1,250,000	1,500,000
P.F Contribution	150,000	180,000
Executive Director- Operations (0.50% of profits - appointed w.e.f. 03.02.2006 )	688,988	-
Upto 02.02.2006:		
Salaries and Allowance	1,250,000	1,500,000
P.F Contribution	150,000	180,000
Commission to Non Executive Directors	1,601,505	1,576,438

Note : For the purpose of the above calculation of managerial remuneration for Executive Directors appointed w.e.f 03.02.06, profits are assumed to accrue evenly during the year.

## 26. Earnings per Share

Particulars	31.03.2006	31.03.2005
Profit after preference dividend and extraordinary items attributable to equity shareholders (Amount Rs.) (A)	602,162,205	491,834,538
Weighted Average Equity shares outstanding during the year (Nos) - (B)	48,060,399	40,595,693
Basic Earnings Per Share of Rs 10/- (A/B)	12.53	12.12
Convertible Equity Warrants issued during the year (C)	1,039,965	-
Weighted Average No. of Shares for Diluted Earnings Per Share (D)	49,100,364	40,595,693
Diluted Earnings Per Share of Rs 10/- (A) / (D )	12.26	12.12

## 27. Consumption of Materials

Particulars	2005 - 2006		2004 - 2005	
	Value (Rs.)	%	Value (Rs.)	%
Total Consumption of Materials	1,220,788,209	100.00	1,058,647,140	100.00
Indigenous Materials	1,194,425,701	92.11	1,049,148,839	99.10
Imported Materials	26,362,508	7.89	9,498,301	0.90

(Consumption relates to items used for medical services only.)

## 28. Audit Expenses

As Statutory Auditors

(Rs.)

Audit Fees	729,560
Tax Audit	187,340
Other Services (includes certification fees associated with the GDR issue)	3,460,280
Expenses	321,020

29. In respect of the Income Tax claims of Rs.1,459.38 Lakhs by the Income Tax Department, the amount is under contest.
30. National Saving Certificates shown under investments are given as security to the Chief Ration Officer, Government of Andhra Pradesh.
31. The net difference in Foreign Exchange (the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled) amounting to Rs.1,671,855/- (Rs.3,127,979/-) has been adjusted to the profit and loss account, which is in conformity to the Accounting Standard 11 on "Accounting for the effects of changes in Foreign Exchange rates" issued by the Institute of Chartered Accountants of India. Amount adjusted to the cost of fixed assets on account of exchange differences is by Rs.1,629,953/- (Rs.229,938/-).
32. Figures of the current year and previous year have been rounded off to the nearest rupee.
33. Figures in brackets relate to the figures for the previous year.
34. Previous year figures have been re-grouped and re-classified wherever necessary to confirm with current years classification

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004  
Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

# Cash Flow Statement

for the year ended 31st March 2006

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash Flow from operating activities</b>				
Net profit before tax and extraordinary items		882,932,603		714,179,665
Adjustment for:				
Depreciation	261,333,802		226,432,765	
Profit on sale of assets	(4,600)		-	
Profit on sale of investment	(172,885)		(2,569,748)	
Loss on sale of asset	1,005,949		1,260,769	
Interest paid	117,503,211		155,945,479	
Misc.Exp.written off	19,039,364		24,938,432	
Provision for loss on Investment	-		94,143,630	
Interest & Dividend received	(112,330,647)		(29,590,603)	
		286,374,194		470,560,724
Operating profit before working capital changes		1,169,306,797		1,184,740,389
Adjustment for:				
Trade or other receivables	(55,219,173)		(85,697,707)	
Inventories	(85,932,627)		(39,013,762)	
Trade payables	273,385,064		(59,640,278)	
Others	(449,647,300)		(96,991,811)	
		(317,414,036)		(281,343,558)
Cash generated from operations		851,892,761		903,396,831
Taxes paid		(366,949,629)		(191,568,703)
Cash flow before extraordinary items		484,943,132		711,828,128
Adjustments for Misc.Exp.written off		(3,431,705)		(1,800,000)
Prior period expenses		(22,481,042)		(2,308,898)
Net cash from operating activities		459,030,385		707,719,230
<b>B Cash flow from Investing activities</b>				
Purchase of fixed assets		(923,828,212)		(433,406,618)
Sale of fixed assets		48,594,281		6,687,736
Purchase of investments		(1,836,940,000)		(249,540,973)
Sale of investments		169,830,684		4,999,800
Interest & Dividend received		112,330,647		29,590,603
Net cash used in Investing activities		(2,430,012,600)		(641,669,452)

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>C Cash flow from financing activities</b>				
Proceeds from issue of equity shares		2,987,611,176		511,662,780
Proceeds from long term borrowings		-		235,145,000
Proceeds from short term borrowings		-		100,000,000
Repayment of finance/lease liabilities		(539,279,719)		(522,790,041)
Dividend & interest paid		(332,053,257)		(314,528,858)
Net cash from financing activities		2,116,278,200		9,488,881
<b>Net increase in cash and cash equivalents( A+B+C)</b>		145,295,984		75,538,659
Cash and cash equivalents (opening balance )		219,098,299		143,559,640
Cash and cash equivalents (Closing balance )		364,394,283		219,098,299
<b>Component of Cash and cash equivalents</b>				
Cash on Hand		20,553,118		11,498,409
Balance with Banks		343,841,165		207,599,890

**Notes :**

1. Previous year figures have been regrouped wherever necessary.
2. Figures in bracket represent outflow.

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004  
Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

**AUDITOR'S CERTIFICATE**

We have examined the attached Cash Flow Statement of Apollo Hospitals Enterprise Limited for the year ended 31st March, 2006. The statement has been prepared by the company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and in agreement with corresponding Profit & Loss Account and the Balance Sheet of the Company covered by our report of 12th June, 2006 to the members of the Company.

Place : Chennai  
Date : 12th June 2006

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner  
(Membership No.: 22167)

# Balance Sheet Abstract

## and Company's General Business Profile

### Balance Sheet Abstract & Company's General Business Profile of the Company under Part IV to Schedule - VI of the Companies Act, 1956

#### I. Registration Details

Registration No.  State Code   
Balance Sheet Date

#### II. Capital Raised during the year (Amount in Rs. Million)

Public Issue  Rights Issue   
Bonus Issue  Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Million)

Total Liabilities  Total Assets

##### Sources of Funds

Paid up Capital  Reserves & Surplus   
Secured Loans  Unsecured Loans   
Deferred Tax Liability

##### Application of Funds

Net Fixed Assets  Investments   
Net Current Assets  Misc. Expenditure

#### IV. Performance of the Company (Amount in Rs. Million)

Turnover  Profit before Tax   
Total Expenditure  Basic Earnings Per Share (Rs.)   
Profit after Tax   
Dividend Rate (%)

#### V. Generic Names of three principle/product services of Company (as per monetary terms)

Item Code No.   
(ITC Code)  
Service Description

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004  
Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

## Financial Highlights

(Rs. in Million)

Year Ended	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
<b>Balance Sheet</b>					
<b>Sources</b>					
Share Capital	505.99	415.99	395.18	395.18	395.42
Reserve and Surplus	6,038.83	2,862.21	2,071.56	1,864.56	2,014.65
Networth	6,527.08	3,244.85	2,410.25	2,181.81	2,212.71
Loans	827.71	1,367.55	1,563.89	1,709.85	1,711.05
Capital Employed	7,354.79	4,612.40	3,974.14	3,891.66	3,923.76
Deferred Tax Liability	550.19	535.65	534.50	448.91	467.94
<b>Applications</b>					
Gross Block	5,213.00	4,345.29	3,950.75	3,668.24	3,857.60
Accumulated Depreciation	1,682.52	1,427.71	1,232.19	1,061.45	1,043.59
Less : Lease Adjustment	-	-	14.14	47.51	
Net Block	3,530.48	2,917.58	2,718.56	2,592.65	2,766.50
Investments	2,729.95	1,062.67	909.70	924.17	829.14
<b>Current. Assets, Loans &amp; Advances</b>					
Inventory	457.18	371.25	332.23	292.61	281.02
Debtors	890.36	835.14	722.48	682.84	537.11
Cash & Bank	364.39	219.10	143.56	95.18	164.11
Loans & Advances	1,835.57	994.13	804.01	711.98	743.16
(A)	3,547.50	2,419.62	2,002.28	1,782.61	1,725.40
<b>Current Liabilities &amp; Provisions</b>					
Creditors	608.25	384.37	385.76	391.55	338.76
Other Liabilities	401.62	314.06	350.10	274.18	150.14
Provisions	893.08	553.39	386.04	293.13	337.32
(B)	1,902.95	1,251.82	1,121.90	958.86	826.22
<b>Net Current Assets (A-B)</b>	1,644.55	1,167.80	880.38	823.75	899.18
<b>Misc. Expenditure</b>	17.74	33.35	56.49	77.93	94.23

## Financial Highlights

Year Ended	(Rs. in Million)											
	31-Mar-06		31-Mar-05		31-Mar-04		31-Mar-03		31-Mar-02			
		%		%		%		%		%		%
<b>PROFIT AND LOSS ACCOUNT</b>												
Income	7,190.54		5,956.11		4,997.66		4,485.51		3,767.88			
Operative Expenses	3,905.90	54.32	3,186.49	53.50	2,641.85	52.86	2,380.85	53.08	1,955.82	51.91		
Salaries and Wages	984.16	13.69	788.08	13.23	657.04	13.15	586.32	13.07	470.38	12.48		
Administrative Expenses	927.68	12.90	762.76	12.86	657.55	13.16	579.58	12.92	518.21	13.75		
Other Expenses	19.04	0.26	28.08	0.42	29.85	0.60	31.04	0.69	27.12	0.72		
Operating Profit	1,353.76	18.83	1,190.70	20.00	1,011.37	20.24	907.72	20.24	796.35	21.14		
Financial Expenses	117.50	1.63	155.95	2.62	191.61	3.83	242.61	5.41	231.43	6.14		
Depreciation	261.33	3.63	226.43	3.80	210.6	4.21	230.05	5.13	194.70	5.17		
Diminution in value of current investment	-	-	-	-	22.98	0.45		0.04	11.86	0.31		
Provision for loss on Investment	-	-	21.36	0.36	-	-	-	-	-	-		
Extraordinary Items	92.00	1.28	72.78	1.22	-	-	-	-	-	-		
PBT	882.93	12.28	714.18	12.00	586.18	11.73	433.10	9.66	358.36	9.51		
Tax - Current	252.92	3.52	221.19	3.71	129.11	2.58	86.36	1.93	59.41	1.58		
- Deferred	14.54	0.20	1.15	0.02	85.59	1.71	71.81	1.60	51.90	1.38		
Fringe Benefit Tax	13.01	0.10	-	-	-	-	-	-	-	-		
PAT	602.16	8.37	491.84	8.26	371.48	7.43	274.93	6.13	247.05	6.56		
Dividend	227.69	-	166.39	-	138.32	-	118.56	-	98.80	-		

## Key Indicators

	(Rs. in Million)				
Year Ended	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
<b>KEY INDICATORS</b>					
OPM%	18.83	20.00	20.24	20.24	21.14
NPM%	8.37	8.26	7.43	6.13	6.56
Collection Growth %	20.73	19.18	11.42	19.05	16.80
OP Growth %	18.17	17.73	10.80	21.94	21.72
Earnings per Share (Rs) (Basic)	12.53	12.12	9.40	6.96	6.22
ROI (PBIT/AV.CE) %	16.72	20.25	19.78	17.26	15.00
RONW %	12.32	17.39	16.18	12.51	10.23
Employee Cost to Collections %	13.69	13.23	13.15	13.07	12.48
Debt/Equity Ratio	0.13	0.42	0.65	0.79	0.77



# Auditors' Report

## TO THE BOARD OF DIRECTORS OF APOLLO HOSPITALS ENTERPRISE LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF APOLLO HOSPITALS ENTERPRISE LIMITED.

- i) We have examined the attached Consolidated Balance Sheet of Apollo Hospitals Enterprise Limited and its Subsidiaries, Associates and Joint Ventures as at 31st March 2006, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.
- ii) These financial statements are the responsibility of the management of Apollo Hospitals Enterprise Limited. Our responsibility is to express an opinion on these financial statements based on our audit.
- iii) We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- iv) The financial statements of Subsidiaries (AB Medical Centres Limited, Apollo Hospitals International Limited, Apollo Health and Lifestyle Limited, Samudra Healthcare Enterprises Limited, Imperial Cancer Hospital and Research Centre Limited, Apollo Hospital (UK) Limited) Joint Ventures (Apollo Gleneagles Hospital Limited, and Apollo Gleneagles PET-CT Limited) which in the aggregate represents total assets (net) as at 31st March 2006 of Rs. 1,334.44 Millions and total revenues (net) for the year ended on that date of Rs. 648.52 Millions and of Associates (Indraprastha Medical Corporation Limited, Apollo Health Street Private Limited, Family Health Plan Limited and The Lanka Hospitals Corporation Limited) which reflect the Group's share of profit of Rs. 38.54 Millions for the year and upto 31st March 2006 loss of Rs. 56.64 Millions, have been audited by other auditors whose reports have been furnished to us and with respect to the foreign subsidiary, Apollo Hospital (UK) Limited, as the accounts are not drawn up as at the same date as that of the parent, the financial statements as certified by the Board of Directors as at 31st March, 2006 have been furnished to us, and our opinion:
  - a) insofar as it relates to the amounts included in respect of the Subsidiaries, Associates and Joint Ventures, is based solely on the report of the other independent auditors except;
  - b) insofar as it relates to Apollo Hospital (UK) Limited, is based on the financial statements as certified by the Board of Directors;
- v. In the case of the Joint Venture, Universal Quality Services LLC, in the absence of any business activity, the effect of the operations has not been included in the Consolidated Financial Statements. The company is in the process of being liquidated after obtaining necessary statutory permissions. The whole of the amounts in the form of investments and advances have been written off in the books of Apollo Hospitals Enterprise Limited.

- vi. In the absence of any notification from the Central Government with respect to the Cess payable under Section 441(A) of the Companies Act, 1956, no quantification is made. Hence, no opinion is given on cess unpaid or payable, as per the provisions of Section 227(i)(g) of the Companies Act, 1956.
- vii. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements', Accounting Standard 23, 'Accounting for Investment in Associates in Consolidated Financial Statements', Accounting Standard 27, 'Financial Reporting of Interests in Joint Ventures' issued by The Institute of Chartered Accountants of India.
- viii. Based on our audit and on consideration of the reports/certificates of other independent auditors/ directors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2006;
- b) In the case of the Consolidated Profit and Loss Account of the results of operations of the group for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore  
Chennai 600 004

Place : Chennai  
Date : 12th June 2006

For **M/s. S. VISWANATHAN**  
Chartered Accountants

**V.C. KRISHNAN**  
Partner  
Membership No.: 22167

# Consolidated Balance Sheet

as at 31st March 2006

	Schedule	31.03.2006		31.03.2005	
		Rs.	Rs.	Rs.	Rs.
<b>1. Sources of Funds</b>					
<b>(i) Shareholder's Funds</b>					
(a) Share Capital	A	505,986,180		415,986,180	
(b) Reserves & Surplus	B	<u>5,567,382,210</u>		<u>2,484,974,717</u>	
			6,073,368,390		2,900,960,897
(c) Capital Reserve on Consolidation			107,009,617		128,416,948
(d) Minority Interest			440,480,160		197,494,030
<b>(ii) Loan Funds</b>					
(a) Secured Loans	C	2,520,328,521		2,415,348,526	
(b) Unsecured Loans	D	<u>307,565,740</u>		<u>683,241,328</u>	
			2,827,894,261		3,098,589,854
<b>(iii) Deferred Tax Liability</b>			575,029,525		538,318,071
<b>Total</b>			<b><u>10,023,781,953</u></b>		<b><u>6,863,779,800</u></b>
<b>2. Application of Funds</b>					
<b>(i) Goodwill on Consolidation</b>			129,413,608		62,476,115
<b>(ii) Fixed Assets</b>	F				
(a) Gross Block		7,928,676,101		6,648,423,096	
(b) Less Depreciation		2,009,867,931		1,654,282,384	
(c) Add Capital work in Progress		664,244,453		47,001,304	
(d) Net Block		6,583,052,623		5,041,142,016	
Less : Impairment		<u>14,152,132</u>		<u>13,884,310</u>	
			6,568,900,491		5,027,257,706
<b>(iii) Investments</b>	G		1,663,265,518		557,477,073
<b>(iv) Current Assets, Loans &amp; Advances</b>	H				
(a) Current Assets					
(i) Inventories		483,823,295		393,245,052	
(ii) Sundry Debtors		903,364,710		931,702,192	
(iii) Cash and Bank Balances		539,150,535		284,649,843	
(b) Loans & Advances		<u>1,724,657,416</u>		<u>968,114,895</u>	
		3,650,995,956		2,577,711,982	
Less					
<b>(v) Current Liabilities &amp; Provisions</b>	E				
(a) Current Liabilities		1,187,114,863		861,197,569	
(b) Provisions		<u>900,280,289</u>		<u>561,941,683</u>	
		2,087,395,152		1,423,139,252	
<b>Net Current Assets</b>			1,563,600,804		1,154,572,730
<b>(vi) Deferred Taxes Asset</b>			80,862,099		28,649,083
<b>(vii) Miscellaneous Expenditure</b>	I		17,739,433		33,347,093
<b>Total</b>			<b><u>10,023,781,953</u></b>		<b><u>6,863,779,800</u></b>

Schedules 'A' to 'I' and notes in Schedule 'J' form part of this Balance Sheet

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004

Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr. Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

# Consolidated Profit and Loss Account

for the year ended 31st March 2006

	Schedule	31.03.2006 Rs.	31.03.2005 Rs.
<b>Income</b>			
(a) Income from Healthcare Services		7,695,897,072	6,607,465,966
(b) Other Income	I	94,838,243	13,645,006
<b>Total</b>		<b>7,790,735,315</b>	<b>6,621,110,972</b>
<b>Expenditure</b>			
(a) Operative Expenses	II	4,088,408,498	3,327,567,145
(b) Payments to & Provisions for Employees	III	1,127,402,868	1,016,439,644
(c) Administration & Other Expenses	IV	1,154,270,103	1,070,648,025
(d) Accreditation Expenses		92,330,548	-
(e) Financial Expenses	V	243,593,749	242,435,354
(f) Preliminary Expenses		15,349,121	2,690,904
(g) Deferred Revenue Expenses		17,679,165	37,245,388
<b>Total</b>		<b>6,739,034,052</b>	<b>5,697,026,460</b>
<b>Profit before Depreciation &amp; Tax (PBDT)</b>		<b>1,051,701,263</b>	<b>924,084,512</b>
Less : Depreciation		378,340,033	311,314,799
Less : Provision for Loss on Investments		-	21,363,448
Less : Extraordinary Items		-	72,780,182
Add : Reversal of Impairment Loss		-	(9,006,609)
<b>Profit Before Tax</b>		<b>673,361,230</b>	<b>527,632,692</b>
Less : Fringe Benefit Tax		14,948,283	-
Less : Provision for Taxation		254,160,722	230,702,389
Less : Deferred Tax Liability		22,356,357	(27,051,571)
Add : Deferred Tax Asset		53,067,817	-
<b>Profit After Tax</b>		<b>434,963,685</b>	<b>323,981,874</b>
Less : Minority Interest		(46,404,421)	(32,325,524)
<b>Profit After Minority Interest</b>		<b>481,368,106</b>	<b>356,307,398</b>
Add : Share in Associates		38,536,790	27,868,655
<b>Profit After Share in Associates</b>		<b>519,904,896</b>	<b>384,176,053</b>
Add : Surplus in Profit and Loss Account brought forward		12,081,882	80,524,344
Less: Impairment Loss		-	22,890,919
<b>Amount Available for Appropriations</b>		<b>531,986,778</b>	<b>441,809,478</b>
<b>Appropriations</b>			
Final Dividend		227,693,781	166,394,472
Dividend Tax Payable		31,934,053	23,336,825
Expenses Related to Earlier Years		63,178,738	2,786,773
Income Tax Paid - Earlier Years		-	400,256
Transfer to General Reserve		65,000,000	200,000,000
Transfer to Debenture Redemption Reserve		100,000,000	36,809,270
Balance of Profit in Profit & Loss Account		44,180,206	12,081,882
<b>Total</b>		<b>531,986,778</b>	<b>441,809,478</b>
Basic Earnings Per Share of face value of Rs. 10/- each		<b>10.82</b>	<b>9.46</b>
Diluted Earnings Per Share of face value of Rs. 10/- each		<b>10.59</b>	<b>9.46</b>

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004

Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

# Schedules

## to Consolidated Balance Sheet

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (A)</b>				
<b>Share Capital</b>				
<b>Authorised</b>				
60,000,000 Equity Shares of Rs. 10/- each		600,000,000		600,000,000
1,000,000 Preference Shares of Rs. 100/- each		100,000,000		100,000,000
		<u>700,000,000</u>		<u>700,000,000</u>
<b>Issued</b>				
a) 50,865,127 equity shares of Rs. 10/- each		<u>508,651,270</u>		<u>418,651,270</u>
<b>Subscribed and Paid up</b>				
b) 50,598,618 equity shares of Rs. 10/- each *		<u>505,986,180</u>		<u>415,986,180</u>
*includes 9,000,000 underlying equity shares issued representing 9,000,000 Global Depository Receipts (GDRs) during the year 2005-2006. Includes 2,079,930 shares allotted on preferential basis during the year 2004-2005 Includes 918,298 shares allotted on conversion of first 2 years interest on debentures and 20% of the face value of debentures and 20,812,231 shares allotted to the shareholders of amalgamated companies for consideration other than cash.				
<b>Schedule (B)</b>				
<b>Reserves and surplus</b>				
<b>A. Capital Reserve</b>				
Profit on forfeited Shares		414,120		414,120
Capital Fund	2,295,750		2,009,250	
Add: Membership fees received during the year	<u>184,500</u>		<u>286,500</u>	
		2,480,250		2,295,750
<b>B. Capital Redemption Reserve</b>				
		60,022,900		60,022,900
<b>C. Share Premium</b>				
Share Premium	4,633,643,295		1,770,782,550	
Money received on preferential issue of Equity Share Warrants *	<u>34,750,431</u>		-	
Share Premium from Group Companies	49,814,997		<u>49,850,130</u>	
		4,718,208,723		1,820,632,680
<b>D. General Reserve</b>				
General Reserve	507,643,566		307,643,566	
Add: Transfer during the year	65,000,000		200,000,000	
Less: Foreign Exchange Loss	(73,179,078)		(55,541,707)	
Add: Share of Associates	(36,891,603)		(14,981,036)	
Add: Share of Profits / (loss) Subsidiaries	(19,901,718)		(11,155,363)	
Less: Loss From JV	<u>(2,640,260)</u>		<u>(38,483,179)</u>	
* Refer clause 5 in schedule J		440,030,907		387,482,281
C/f		<u>5,221,156,900</u>		<u>2,270,847,731</u>

	B/f	31.03.2006		31.03.2005	
		Rs.	Rs.	Rs.	Rs.
<b>E. Other Reserves</b>			<b>5,221,156,900</b>		<b>2,270,847,731</b>
Investment Allowance Reserve			7,626,657		7,626,657
Foreign Exchange Fluctuation Reserve			186,595		186,595
Debenture Redemption Reserve #			276,385,710		176,385,710
Capital Reserve			17,846,142		17,846,142
Profit and Loss Account			44,180,206		12,081,882
<b>Total</b>			<b><u>5,567,382,210</u></b>		<b><u>2,484,974,717</u></b>
# Refer clause 13 in schedule J					
<b>Schedule (C)</b>					
<b>Secured Loans</b>					
<b>A Non-Convertible Debentures</b>					
(i) 10.80% Debentures			167,500,000		250,000,000
(ii) 8.57% Debentures			134,000,000		200,000,000
(iii) 7.27% Debentures			100,000,000		100,000,000
Foreign Currency Loan from Financial Institutions					
Rupee Term Loan					
(i) IFCI Limited			10,876,596		10,669,941
(ii) IDBI Limited			7,500,000		7,357,500
(iii) IDFC Limited			241,650,000		237,058,650
(iv) HDFC Bank Limited			302,950,000		297,193,950
(v) Indian Bank		195,000,000			
Add: Interest Accrued and Due		107,448			-
			<u>195,107,448</u>		
<b>B Loans and Advances from Banks</b>					
(i) Cash credit			60,311,070		61,914,251
(ii) Project Term Loans				26,150,004	
Add : Interest accrued and due			-	<u>257,027</u>	26,407,031
(iii) Jammu & Kashmir Bank Limited			270,108,663		-
(iv) Kotak Mahindra Primus Limited			235,142		-
<b>C Other Loans &amp; Advances</b>					
(i) Project Loan					
(a) UTI		26,000,000		66,000,000	
(b) IDBI		50,000,000		50,000,000	
(c) UTI Bank Limited		22,500,000		52,500,000	
(d) HDFC Bank Limited		75,000,000		110,145,000	
(e) Indian Bank		66,087,000		125,000,000	
Add : Interest accrued and due		766,896		<u>1,318,539</u>	
			<u>240,353,896</u>		404,963,539
(ii) Hire Purchase Loans			419,706		2,310,505
(iii) Housing Development Finance Corporation			550,500,000		552,389,158
(iv) BOBK(ECB) - Short Term Loan			96,316,000		122,584,000
(v) IDFC Limited			<u>142,500,000</u>		<u>142,500,000</u>
<b>Total</b>			<b><u>2,520,328,521</u></b>		<b><u>2,415,348,526</u></b>
Refer clause 6 & 7 in schedule J for details & security					

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>Schedule (D)</b>				
<b>Unsecured Loans</b>				
(i) Fixed Deposits				
(a) Others		120,476,000		259,118,079
(ii) Short Term Loans & Advances				
(a) Short term Loans from Bank/ Financial Institutions		-		232,582,150
(b) Others		186,914,740		191,366,099
(c) Directors		175,000		175,000
<b>Total</b>		<b>307,565,740</b>		<b>683,241,328</b>
<b>Schedule (E)</b>				
<b>Current Liabilities &amp; Provisions</b>				
<b>A Current Liabilities</b>				
(a) Acceptances		124,482,546		84,698,864
(b) Sundry Creditors *				
(i) For goods	457,291,177		318,950,061	
(ii) For expenses	130,589,418		93,851,980	
(iii) For capital goods	74,310,892		33,764,913	
(iv) For others	94,330,717		55,357,794	
		756,522,204		501,924,748
(c) Advances				
(i) Inpatient Deposits	58,943,074		58,157,287	
(ii) Rent	25,248,600		3,329,100	
(iii) Others	6,121,412		26,751,390	
		90,313,086		88,237,777
(d) Unclaimed Dividend		11,257,031		10,318,447
(e) Unclaimed Deposits		11,846,641		12,538,641
(f) Other Liabilities				
(i) Tax Deducted at Source	23,385,439		15,659,325	
(ii) Retention Money on Capital Contracts	7,422,138		1,444,698	
(iii) Outstanding Expenses	147,122,495		124,081,424	
		177,930,072		141,185,447
(g) Interest accrued but not due		14,763,283		22,293,645
		1,187,114,863		861,197,569
<b>B Provisions</b>				
(a) For taxation	638,429,390		377,381,936	
(b) For dividend	227,693,781		166,394,472	
(c) Bonus	23,663,838		8,593,914	
(d) Staff Benefits	10,493,280		9,571,361	
		900,280,289		561,941,683
<b>Total</b>		<b>2,087,395,152</b>		<b>1,423,139,252</b>
* Refer clause 16 in schedule J				

**SCHEDULE (F)  
Fixed Assets**

Sl. No.	Description	GROSS BLOCK			DEPRECIATION BLOCK			IMPAIRMENT		NET BLOCK		
		As on 31.03.2005 Rs.	Additions Rs.	Deletions Rs.	As on 31.03.2006 Rs.4	Upto 31.03.2005 Rs.	For the year Rs.	(withdrawn) Rs.	Total as on 31.03.2006 Rs.	As at 01.04.2005 Rs.	Reversal for the year	As at 31.03.2006 Rs.
<b>Tangible Assets</b>												
1	Land	252,818,763	223,545,842	-	476,364,605	-	-	-	-	-	476,364,605	252,818,763
2	Building *	1,669,477,200	168,007,474	-	1,837,484,673	40,520,755	-	201,948,089	10,169,357	1,625,367,227	1,508,049,866	
3	Leasehold Building **	184,679,051	30,586,312	-	215,265,363	28,479,530	-	34,919,400	-	180,345,963	156,199,521	
4	Medical Equipment & Surgical Instruments	3,058,912,955	513,129,750	9,672,348	3,562,370,357	205,191,286	577,856	1,145,083,390	2,079,977	2,415,206,990	2,118,442,995	
5	Electrical Installation & Generators	651,826,317	57,178,785	96,217	708,908,885	41,789,722	49,082	201,305,967	1,902,798	505,700,220	492,261,081	
6	Airconditioning Plant & Airconditioners	124,438,390	23,718,975	137,205	148,020,160	6,303,738	101,642	54,244,870	-	93,775,290	76,395,616	
7	Office Equipment	297,520,593	44,691,794	692,558	341,519,829	29,801,184	407,704	149,299,617	-	192,220,212	177,614,456	
8	Furniture & Fixtures	335,754,839	101,977,448	-	437,732,287	34,516,499	-	160,280,761	-	277,451,526	209,990,577	
9	Fire Fighting Equipment	2,827,041	9,712,542	-	12,539,583	421,362	-	2,282,130	-	10,257,453	966,273	
10	Library	175,520	-	-	175,520	-	-	175,520	-	-	-	
11	Boilers	1,470,798	117,667	-	1,588,465	42,039	-	849,982	-	738,483	662,855	
12	Kitchen Equipment	11,576,800	7,412,027	-	18,988,827	892,207	-	4,365,090	-	14,623,737	8,103,917	
13	Refrigerators	9,622,391	4,191,266	39,885	13,773,772	553,476	23,639	2,737,385	-	11,036,387	7,414,843	
14	Vehicles	97,005,481	22,869,477	3,250,158	116,624,800	9,660,598	860,288	45,687,704	-	70,937,096	60,118,088	
15	Wind Electric Generator	31,820,980	5,479,014	10,450,000	26,849,994	496,375	4,970,986	5,002,327	-	21,847,667	22,344,042	
16	Work-in-progress	47,001,304	664,548,925	47,305,776	664,244,453	-	-	-	-	664,244,453	47,001,304	
<b>Intangible Assets</b>												
1	Goodwill	286,000	-	286,000	-	-	-	-	-	-	286,000	
2	Software	10,044,121	424,862	-	10,468,983	1,710,923	-	1,963,283	-	8,505,700	9,791,761	
<b>Total</b>		<b>6,787,258,543</b>	<b>1,877,592,159</b>	<b>71,930,147</b>	<b>8,592,920,554</b>	<b>378,340,033</b>	<b>6,991,207</b>	<b>2,010,145,413</b>	<b>14,152,132</b>	<b>6,568,623,010</b>	<b>5,148,461,957</b>	
Less : Depreciation Written Back												
<b>Total</b>		<b>6,787,258,543</b>	<b>1,877,592,159</b>	<b>71,930,147</b>	<b>8,592,920,554</b>	<b>378,340,033</b>	<b>6,991,207</b>	<b>2,009,867,931</b>	<b>14,152,132</b>	<b>6,568,900,491</b>	<b>5,148,739,438</b>	
<b>Previous Year</b>		<b>6,132,330,386</b>	<b>1,667,397,658</b>	<b>1,104,303,644</b>	<b>6,695,424,400</b>	<b>311,314,799</b>	<b>37,677,550</b>	<b>1,654,282,384</b>	<b>13,884,310</b>	<b>5,027,257,706</b>	<b>4,751,665,252</b>	

\* Refer clause 3 (F) (b) in schedule J \*\* Refer clause 3 (D) (v) in schedule J



	Face Value Rs.	31.03.2006		31.03.2005	
		No. of Equity Shares/Units	Value Rs.	No. of Equity Shares/Units	Value Rs.
<b>SCHEDULE (G)</b>					
<b>Investments</b>					
<b>Non-Trade Investments (At Cost)</b>					
<b>1. Investment in Government Securities</b>					
National Savings Certificate			128,800		94,800
<b>2. Quoted</b>					
(A) Long Term - Others :					
(i) Indraprastha Medical Corporation Limited					
Market Value as on 31.03.2006					
Rs. 35.85 Per share	10	15,104,890	203,754,185	13,132,457	144,520,233
(Goodwill on acquisition = Rs. 60,118,157/-)					
(ii) The Lanka Hospitals Corporation Ltd					
Market Value as on 31.03.2006					
SLR 22.25 per share*	10(SLR)	51,069,000	160,802,453	48,015,000	152,788,049
(Quoted in Colombo Stock Exchange)					
(Goodwill on acquisition = Rs. 18,353,132/-)					
(B) Short Term - Others :					
(a) Reliance Mutual Fund					
Market Value as on 31.03.2005					
Rs.10.0687 Per unit		-	-	3,794,182	38,202,476
(b) Franklin Templeton Investments					
Market Value as on 31.03.2005					
Rs.10.0265 Per unit		-	-	2,738,175	27,454,313
(c) Kotak Mahindra Mutual Fund					
Market Value as on 31.03.2005					
Rs.10.0078 Per unit		-	-	5,014,507	50,184,180
(d) Canbank Mutual Fund					
Market Value as on 31.03.2005					
Rs.10.0410 Per unit		-	-	4,980,199	50,006,178
(e) H D F C Floating Rate Incom Fund					
Market Value as on 31.03.2005					
Rs.10.0396 Per unit		-	-	25,809	259,112
(f) H D F C Cash Management Fund					
Savings Plan Market Value as on 31.03.2005					
Rs.13.7880 Per unit		-	-	4,160	57,356
(g) H D F C Cash Management Fund					
Savings Plan Market Value as on 31.03.2005					
Rs. 10.6364 Per unit		-	-	7,597	80,807
(h) Prudential ICICI Liquid plan Inst-Daily Dividend					
Market Value as on 31.03.2005					
Rs. 11.8502 Per unit		-	-	264,749	3,137,331
(i) Prudential ICICI Floating Rate					
plan B short term -Daily Dividend Option					
Market Value as on 31.03.2005					
Rs. 10.0012 Per unit		-	-	3,248	32,480
(j) Prudential ICICI Liquid plan -Daily Dividend					
Market Value as on 31.03.2005					
Rs. 11.8514 Per unit		-	-	1,065	12,616
(k) Birla Sun Life Mutual Fund					
Market Value as on 31.03.2005					
Rs. 10.8030 Per unit		-	-	18,689	201,893
(m) Birla Sun Life Mutual Fund					
Market Value as on 31.03.2005					
Rs. 16.3706 Per unit		-	-	1,775	29,058
(n) Kotak FMP Series XIV - Growth					
Market Value as on 31.03.2006					
Rs. 10.0947 Per unit		30,000,000	300,000,000	-	-
<b>C/f</b>			<b>664,685,438</b>		<b>467,060,882</b>

	Face Value Rs.	31.03.2006		31.03.2005	
		No. of Equity Shares/Units	Value Rs.	No. of Equity Shares/Units	Value Rs.
	<b>B/f</b>		<b>664,685,438</b>		<b>467,060,882</b>
(o) Kotak FMP Series XXI - Growth Market Value as on 31.03.2006 Rs. 10.0656 Per unit		25,000,000	250,000,000	-	-
(p) Kotak FMP Series 13 - Growth Market Value as on 31.03.2006 Rs. 10.0328 Per unit		10,000,000	100,000,000	-	-
(q) Birla FTP Series E - Growth Market Value as on 31.03.2006 Rs. 10.0387 Per unit		25,000,000	250,000,000	-	-
(r) Reliance Fixed maturity Fund - Qtly Plan III - Series II - Dividend Option Market Value as on 31.03.2006 Rs. 10.0076 Per unit		30,000,000	300,000,000	-	-
(s) RIF - Retail Plan - Growth Plan Market Value as on 31.03.2006 Rs. 10.3775 Per unit		1,943,846	20,172,264	-	-
(t) Reliance Liquid Fund - Cash Plan - Growth option Market Value as on 31.03.2006 Rs.12.3054 Per unit		101,898	1,250,000	-	-
(u) Chola Short term floating rate cum Market Value as on 31.03.2006 Rs.10.3668 Per unit		120,856	1,250,000	-	-
(v) RIF - Retail Plan - Growth Plan - Growth option (Growth) Market Value as on 31.03.2006 Rs. 22.0254 Per unit	10	30,231	665,850	30,231	637,783
<b>3. Unquoted</b>					
(A) Long Term - Others :					
(i) Pinakini Hospitals Limited	10	161,440	1,224,200	161,440	1,224,200
(ii) Kurnool Hospitals Enterprises Limited	10	151,200	1,732,500	176,400	1,732,500
(iii) Family Health Plan Limited (Capital reserve on acquisition = Rs.4,245,685/-)	10	490,000	19,687,248	490,000	14,159,408
(iv) Sunrise Medicare Private Ltd (Parking centre)	10	250,000	2,500,000	250,000	2,500,000
(v) Apollo Health Street Private Ltd #	10		32,435,718	-	-
<b>4. Advance for Investments in Shares for various projects under construction</b>			17,662,300		70,162,300
<b>Total</b>			<b>1,663,265,518</b>		<b>557,477,073</b>
* SLR - Sri Lankan Rupee					
# Formerly Apollo Health Street Limited, a Subsidiary					

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (H)</b>				
<b>Current Assets, Loans &amp; Advances</b>				
<b>A. Current Assets</b>				
<b>(a) Inventories (at cost)</b>				
(i) Medicines	296,375,479		212,501,329	
(ii) Stores, Spares	58,447,482		57,332,487	
(iii) Lab Materials	9,160,596		7,084,190	
(iv) Surgical Instruments	63,829,748		61,391,921	
(v) Other Consumables	56,009,990		54,935,125	
		483,823,295		393,245,052
(As taken, certified, and valued by management)				
<b>(b) Sundry Debtors</b>				
(Refer clause 14 in schedule J)				
(i) Debtors Outstanding for a period exceeding six months	205,346,558		285,902,699	
(ii) Others	721,799,632		655,179,917	
Less : Provision for bad debt	23,781,480		9,380,424	
		903,364,710		931,702,192
<b>(c) Cash and Bank Balances</b>				
(i) Cash on hand	22,948,068		12,713,098	
(ii) In current A/c with scheduled banks	322,580,068		225,070,848	
(iii) Balance with non scheduled bank	5,049,320		2,660,709	
(iv) In Deposit A/c with scheduled banks	188,573,079		44,205,188	
		539,150,535		284,649,843
<b>B. Loans and Advances</b>				
(Refer clause 14 in schedule J)				
<b>(a) Advances</b>				
(a) For capital items	4,668,145		7,861,991	
(b) To suppliers	55,422,774		20,396,077	
(c) Others advances	594,840,937		363,145,030	
(d) Staff advances	10,094,587		7,633,379	
		665,026,443		399,036,477
<b>(b) Advance tax</b>		595,376,034		326,626,034
<b>(c) Deposits</b>				
(a) With Government	34,976,247		28,562,600	
(b) With others	231,743,533		106,406,698	
		266,719,780		134,969,298
<b>(d) Prepaid Expenses</b>		55,827,128		33,599,144
<b>(e) Rent Receivables</b>		2,081,923		1,945,594
<b>(f) Service Charges Receivables</b>		5,538,600		4,753,950
<b>(g) Tax deducted at Source</b>		130,865,118		65,873,485
<b>(h) Franchise Fees Receivable</b>		992,100		915,463
<b>(i) Royalty Receivable</b>		2,230,290		395,450
<b>Total</b>		<b>3,650,995,956</b>		<b>2,577,711,982</b>
<b>Schedule (I)</b>				
<b>Miscellaneous Expenditure</b>				
(To the extent not written off)				
(a) Deferred Revenue Expenditure		11,039,433		24,472,093
(b) Preliminary Expenditure		6,700,000		8,875,000
<b>Total</b>		<b>17,739,433</b>		<b>33,347,093</b>

# Schedules

## to Consolidated Profit & Loss Account

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (I)</b>				
<b>Other Income</b>				
(a) Interest Earned		5,508,921		6,788,201
(b) Dividend		64,068,064		6,856,805
(c) Income from Treasury Operations		25,261,258		-
<b>Total</b>		<b>94,838,243</b>		<b>13,645,006</b>
<b>SCHEDULE (II)</b>				
<b>Operative Expenses</b>				
(a) Materials Consumed				
Opening Stock	353,637,557 *		310,796,063	
Add :				
Purchases	3,809,658,745		3,035,328,965	
Customs Duty	1,460,852		1,483,247	
Freight Charges	3,817,004		3,553,542	
Less :				
Closing Stock	4,168,574,158		3,351,161,817	
	<u>439,846,467</u>		<u>360,576,822</u>	
		3,728,727,691		2,990,584,995
(b) Fees to Consultants		1,080,008		996,250
(c) Power & Fuel		244,433,319		227,019,562
(d) House Keeping Expenses		85,861,071		74,161,548
(e) Water Charges		26,779,453		26,426,034
(f) Other Expenses		1,526,956		3,080,570
(g) Web Cost		-		5,298,186
<b>Total</b>		<b>4,088,408,498</b>		<b>3,327,567,145</b>
<b>SCHEDULE (III)</b>				
<b>Payments to and Provisions for Employees</b>				
(a) Salaries & Wages		951,843,978		858,752,110
(b) Contribution to Provident Fund		48,980,657		47,414,225
(c) ESI		3,446,969		2,426,899
(d) Gratuity		16,923,373		12,016,200
(e) Staff Welfare Expenses		74,405,408		73,544,715
(f) Staff Education & Training		6,425,683		13,691,581
(g) Bonus		25,376,800		8,593,914
<b>Total</b>		<b>1,127,402,868</b>		<b>1,016,439,644</b>

\* Excludes Value Added Tax (VAT)

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE (IV)</b>				
<b>Administrative &amp; Other Expenses</b>				
(a) Rent		172,697,957		152,239,179
(b) Rates & Taxes		30,497,567		28,145,226
(c) Printing & Stationery		80,739,402		62,028,473
(d) Postage & Telegram		8,710,720		12,991,435
(e) Insurance		25,920,742		20,484,725
(f) Directors Sitting Fees		1,120,000		670,000
(g) Advertisement, Publicity & Marketing		99,336,593		84,249,710
(h) Travelling & Conveyance		97,024,879		128,593,852
(i) Subscriptions		3,325,103		1,676,402
(j) Security Charges		20,368,773		16,260,359
(k) Legal & Professional Fees		158,708,269		134,281,281
(l) Continuing Medical Education & Hospitality Expenses		7,477,508		5,545,801
(m) Hiring Charges		4,477,187		8,182,994
(n) Seminar Expenses		1,034,135		1,501,590
(o) Audio & Video Charges		14,616,341		10,875,869
(p) Telephone Expenses		37,973,451		31,237,465
(q) Books & Periodicals		3,810,036		3,499,408
(r) Miscellaneous Expenses		40,158,522		33,507,727
(s) Bad Debts Written off		37,068,094		39,569,147
(t) Provision for Bad Debt		17,082,000		8,344,637
(u) Donations		4,286,162		6,354,613
(v) Royalty		886,996		1,770,747
(w) Repairs & Maintenance to				
(i) Building	93,528,231		85,253,103	
(ii) Equipments	124,124,039		129,646,043	
(iii) Vehicles	12,220,433		9,320,162	
(iv) Office Maintenance & Others	56,071,015		44,696,478	
		285,943,718		268,915,786
(x) Loss on Sale of Assets		1,005,948		1,765,467
(y) Management Fee		-		7,956,132
<b>Total</b>		<b>1,154,270,103</b>		<b>1,070,648,025</b>
<b>SCHEDULE (V)</b>				
<b>Financial Expenses</b>				
(a) Interest on				
i. Fixed Loans	198,750,558		144,605,816	
ii. Fixed Deposits	11,563,714		28,233,508	
iii. Debentures	12,162,516		51,359,753	
iv. Other Unsecured Loans	-		818,059	
		222,476,788		225,017,136
(b) Bank Charges		12,621,254		12,463,660
(c) Brokerage & Commission		6,632,367		852,782
(d) Leasing Charges		1,863,340		4,101,776
<b>Total</b>		<b>243,593,749</b>		<b>242,435,354</b>

# Notes

## Forming Part of the Accounts

### Schedule (J)

#### Accounting Policies & Notes Forming Part of Consolidated Accounts of Apollo Hospitals Enterprise Limited, its Subsidiaries, Associates and Joint Ventures.

##### 1. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention under accrual method of accounting and as a going concern, in accordance with the Generally Accepted Accounting Principles (GAAP) prevalent in India and the Mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and according to the provisions of the Companies Act, 1956.

##### 2. BASIS OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21-Consolidated Financial Statements, Accounting Standard 23-Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27-Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India (ICAI).

#### Investment In Subsidiaries

##### 1. The Subsidiary Companies considered for the purpose of consolidation are:

Name of the Subsidiary	Country of Incorporation	Percentage of holding as on 31.03.2006	Percentage of holding as on 31.03.2005
Unique Home Health Care Limited	India	100.00	100.00
AB Medical Centres Limited	India	100.00	100.00
Apollo Health and Lifestyle Limited	India	100.00	100.00
Samudra Healthcare Enterprises Limited *	India	100.00	-
Apollo Hospitals International Limited	India	55.35	55.35
Imperial Cancer Hospital & Research Centre Limited@	India	51.00	-
Apollo Hospital (UK) Limited #	United Kingdom	100.00	-

\* During the year, Apollo Hospitals Enterprise Limited has acquired 8,887,934 equity shares of Rs. 10/- each for Rs. 101,000,000 from the original shareholders / promoters of Samudra Healthcare Enterprises Limited as per the Share Purchase agreement dated 29.11.05 and taken over the management of the company. Further, share application money of Rs 149,500,000 paid by the acquiring company has been used to repay existing secured and unsecured loans of Samudra Healthcare Enterprises Limited.

@ During the year, Apollo Hospitals Enterprise Limited has acquired 9,981,000 equity shares of Rs.10/- each for Rs. 298,810,000 in Imperial Cancer Hospital and Research Centre Limited , acquiring 51% of equity stake in the company. The share capital of Imperial Cancer Hospital and Research Centre Limited has been re structured as per the shareholders agreement.

# During the year, Apollo Hospitals Enterprise Limited has incorporated a wholly owned foreign subsidiary Apollo Hospital (UK) Limited, in the United Kingdom.

2. Financial Statements of all subsidiaries , associates and joint ventures have been drawn upto 31st March 2006.
3. Minority Interest consists of their share in the net assets of the subsidiaries, as on the date of Balance Sheet.
4. The amount of Deferred Revenue Expenditure (attributable to the Holding Company) not written off at the end of the financial year immediately preceding the date of acquisition of the Subsidiary Company has been duly adjusted and the amount appearing as deferred revenue expenditure in the Balance Sheet are those pertaining to the post acquisition period.

**Investment in Associates:**

1. The Associate Companies considered in the Consolidated Financial Statements are:

Name of the Associate Company	Country of Incorporation	Proportion of ownership interest (%) 2005-2006	Proportion of ownership interest (%) 2004-2005
Indraprastha Medical Corporation Limited *	India	16.48	14.33
Family Health Plan Limited	India	49.00	49.00
Apollo Health Street Private Limited #	India	49.88	75.81 (formerly a subsidiary)
The Lanka Hospitals Corporation Limited	Sri Lanka	32.61	30.66

\* Apollo Hospitals Enterprise Limited directly holds 14.33 % in Indraprastha Medical Corporation Limited and a further 2.15% through its wholly owned subsidiary Unique Home Health Care Limited

# Pursuant to the terms mentioned in the shareholders and the subscription agreement entered into with the foreign investors, the shareholders have accorded their consent for conversion of the Company to a private limited Company on April 21, 2005 and Registrar of Companies, Tamil Nadu, have accorded their approval on May 25, 2005.

2. The financial statements of all associates are drawn upto 31st March 2006.
3. The Financial Statements of The Lanka Hospitals Corporation Limited are prepared in Sri Lankan Rupees and translated in Indian Rupees using the exchange rate as at 31.03.2006 of SLR 1.00 = INR 0.43479. The Balance Sheet and the related statements of Income, Cash Flow, Changes in Equity and the Accounting Policies and Notes ("Financial Statements") of the company are prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements of the company are prepared under the historical cost convention.
4. During the year the parent company has received dividend aggregating to Rs. 15.11 million in respect of investment in associates.

**Interests in Joint Ventures:**

1. The following are jointly controlled entities.

Name of the Company	Country of Incorporation	Proportion of ownership interest (%) 2005-2006	Proportion of ownership interest (%) 2004-2005
Apollo Gleneagles Hospitals Limited	India	50.00	49.00
Apollo Gleneagles PET - CT Limited	India	50.00	-
Universal Quality Services LLC #	Dubai	49.00	49.00

# In respect of Universal Quality Services LLC, in the absence of any business activity during the year 2005-06, the effect of the operations has not been included in the Consolidated Financial Statements. The Company is in the process of being liquidated after obtaining necessary statutory permissions. The whole of the amounts in the form of investments and advances have been written off in the books of Apollo Hospitals Enterprise Limited.

2. The financial statements of all Joint Ventures are drawn upto 31st March 2006.

- A. As far as possible the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- B. The effects arising out of variant accounting policies among the group companies have not been calculated and dealt with in the Consolidated Financial Statements since it is impracticable to do so. Accordingly, the variant accounting policies adopted by the Associates and Joint Ventures have been disclosed in the financial statements.
- C. For the fiscal years ending 31st March 2004 and 2003, the financial statements of the Subsidiary Companies have been published along with the financial statements of the Parent Company. For the fiscal year ending 31st March, 2006, the company (AHEL) has been exempted from publishing the standalone accounts of six of its subsidiaries, under section 212 of the Companies Act, 1956. However, necessary disclosure under section 212 has been made. The accounts of the seventh subsidiary, Apollo Hospital (UK) Limited have been published under section 212 of the Companies Act, 1956. No Profit and Loss Account has been prepared since the Company is yet to commence its operations. Hence the notes to accounts (Schedule J of the Consolidated Financial Statements) for the year ending 31st March 2006 are inclusive of the relevant notes appearing in the standalone financial statements of the Holding Company.
- D. In the case of foreign associate, the assets, liabilities, income and expenses have been translated at exchange rates prevailing on the date of balance sheet. The difference between the cost of investment and the net assets attributable to the company as at the balance sheet date arising out of exchange rate fluctuation has been charged off against the reserves.

### 3. ACCOUNTING POLICIES

#### A. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported values of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from the estimates.

#### B. Inventories

- a. The inventories of all medicines, Medicare items traded and dealt with by the Company are valued at cost applying the FIFO method.
- b. Stock of provision, stores, stationery and house keeping items are stated at cost applying the FIFO method.
- c. Surgical instruments, linen, crockery and cutlery are subject to 1/3 write off wherever applicable.
- d. Imported Inventory:
  - Stocks already paid for are accounted for at the exchange rates prevailing at the respective dates of payment.
  - Stocks for which payments were still outstanding on 31st March, 2006 are accounted for at the applicable exchange rates prevailing on that date.

#### C. Prior Period Items

Prior period expenses and income are separately identified, classified, and dealt with as required under Accounting Standard 5 on "Net Profit or Loss for the Period, Prior Period items and Changes in Accounting Policies" issued by the Institute of Chartered Accountants of India.

#### D. Depreciation

##### Apollo Hospitals Enterprise Limited

- i. Depreciation has been provided
  - a. On assets installed after 1st April, 1987 on straight line method at rates specified in Schedule XIV to the Companies Act, 1956 on single shift basis.



- b. On assets installed prior to 2nd April 1987 on straightline method at the rates equivalent to the Income Tax rates.
- ii. Depreciation on new assets acquired during the year has been provided at the rates applicable from the date of acquisition to the end of the financial year.
- iii. In respect of the assets sold during the year, depreciation has been provided from the beginning of the year till the date of its disposal.
- iv. Individual assets acquired for Rs.5,000/- and below are fully depreciated in the year of acquisition.
- v. Amortization:
  - a. The cost of land and building taken on lease by the company from Orient Hospital, Madurai will be amortised over a period of 30 years though the lease is for a period of 60 years.
  - b. Unrealised amounts on project development and pre-operative project expenses incurred at Bilaspur Hospital amounting to Rs.56,622,740/- are included in advances and deposits account. The above expenses incurred on project will be amortised over the balance lease period of 18 years. The amount amortised during the current year is Rs.3,145,718/- balance yet to be amortised as on 31.03.2006 is Rs.44,039,898/-.
  - c. A lease rental on operating leases is recognised as an expense in the Profit & Loss account on straight line basis as per the terms of the agreement.

#### **Apollo Health and Lifestyle Limited**

Fixed Assets are stated at the cost of acquisition less accumulated depreciation. Direct costs relating to acquisition of fixed assets are capitalized until the assets are ready to be put to use. These costs include freight, installation costs, duties and taxes, and other allocated expenses. Depreciation is provided using the straightline method, 'pro rata' for the period of use of the assets, at annual depreciation rates stipulated in Schedule XIV to the Indian Companies Act, 1956, or based on the estimated useful lives of the assets, whichever is higher, as follows:

<b>Assets</b>	<b>Rates of Depreciation (%)</b>
Furniture & Fittings	6.33
Leasehold Improvements	20.00
Leasehold Improvements - Furniture	6.33
Office Equipment	4.75
Air Conditioners	4.75
Electrical Installation	4.75
Computers	16.21
Vehicles	20.00

Fixed Assets having an original cost less than Rs.5000 individually are fully depreciated in the year of purchase or installation. Assets under finance lease are amortized over the useful life or lease term, as appropriate.

#### **Apollo Gleneagles Hospital Limited**

Depreciation on fixed assets is provided for on straight line basis as follows:

- (a) Hospital Buildings - at 3.33 %.
- (b) Other Assets - As per Schedule XIV of the Companies Act, 1956.

The cost of leasehold land has not been amortised over the period of lease, since the lease is intended to be renewed on the expiry of the stipulated period. Capital Work in Progress includes advances given for the project.

**Apollo Gleneagles PET CT Limited**

Depreciation has been provided on straight line method at the rates specified in the Schedule XIV to the Companies Act 1956 on prorata basis - Number of days for all assets from date of commencement of commercial operations on 12th October 2005.

**The Lanka Hospitals Corporation Limited**

Depreciation has been provided on a consistent basis so as to write off the cost of Property, Plant and Equipment over their estimated useful lives as follows. The depreciation is provided at the following rates based on the new useful lives.

Assets	Rates of Depreciation (%)
Motor Vehicles	25
Furniture & Fittings	10
Computers	15
Office Equipment	10
Other Equipment	6.14
Buildings on Lease Hold land	2.5
Medical Equipment	6.62
Medical Vehicles	25

The company uses the straight-line method in computing depreciation.

A full year's Depreciation is provided on Property, Plant and Equipment in the year of disposal whereas no depreciation is provided in the year of purchase or commissioning.

**Apollo Health Street Private Limited**

Depreciation is provided using the straight line method as per useful life of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher, except as stated hereunder:

- In case of Apollo Health Street Inc. USA, depreciation is provided at rates based on the estimated useful life of the respective assets as determined by the management.
- Leasehold improvements are amortised over shorter of lease period and estimated useful life;
- Acquired Goodwill, other than arising on consolidation is amortised in two years; and
- Library books are fully depreciated in the year of purchase.

Individual assets costing up to or less than Rs.5,000/- (excluding those included under leasehold improvements) is fully depreciated in the year of purchase.

The management has re-estimated the useful life of all categories of assets which has resulted in change in depreciation rates with respect to Computers & Computer equipment, Office equipment, Furniture & Fittings and Vehicles from rates prescribed under Schedule XIV of the Companies Act, 1956 to 33.33%, 20%, 20% and 20% respectively.

Had the Company continued to charge depreciation as per the rates prescribed under Schedule XIV of the Companies Act, 1956, the depreciation for the current year would have been lower and profit for the current year would have been higher by Rs. 18,193,064/-.

**Family Health Plan Limited**

Fixed assets are stated at cost of acquisition. Depreciation of fixed assets has been provided on written down value method at the rates prescribed in schedule XIV of the Companies Act, 1956. Depreciation on new assets acquired during the year has been provided at the rates applicable from the date of its acquisition to the end of the financial year.

## **E. Revenue Recognition**

### **Apollo Hospitals Enterprise Limited**

- (i) Income from Healthcare Services is recognised on completed service method. The Hospital collections of the company are net of discounts of Rs.32,791,997/- (Rs.1,570,876/-)
- (ii) Pharmacy Sales are stated net of returns, discounts, adjusted for export incentives exchange fluctuations on export receivables and inclusive of Sales Tax and exclusive of Value Added Tax (VAT) where applicable.
- (iii) Lease rental income on operating leases is recognised as an income in the profit and loss account on straight line basis as per the terms of the agreement, in accordance with Accounting Standard 19 "Leases" issued by the Institute of Chartered Accountants of India.
- (iv) Hospital Project Consultancy income is recognised as and when it becomes due, on percentage completion method, on achievement of milestones.
- (v) Income from Treasury Operations is recognised on receipt basis.

### **Unique Home Health Care Limited**

Income from Medical Services is accounted for on accrual basis. The collections of the Company are net of payment to nurses. Non repayable membership fees collected from patients are accounted for as Capital Fund treating them as Capital Receipts.

### **Apollo Health and Lifestyle Limited**

The Company has recognized revenue as follows.

- a) With reference to the License fee 100% on operational clinics. On others on a prorata basis, based upon progress of work and date of signing the agreements.
- b) Operating Licence Fees income has been recognised based on the percentage of the gross sales of operational clinics from the date of commencement till March 31,2006.

### **Apollo Gleneagles Hospital Limited**

Revenue is recognised on rendering of services and is net of discounts there against. Income from operations include charges on account of in- patient and out-patient services, diagnostic and other medical services and other relatable charges.

### **Apollo Gleneagles PET - CT Limited**

Revenue is recognised on an accrual basis. Revenue comprises income from services rendered to patients for diagnosis.

### **The Lanka Hospitals Corporation Limited**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Hospital services : Revenue is recognised at the point of invoicing.

Sales of goods (Pharmaceuticals) : Revenue from the sale of goods is recognised at the point of invoicing.

Interest Income : Interest income is recognised on an accrual basis unless collectibility is in doubt.

Rental income : Rental income is recognised on an accrual basis.

Other income : Other income is recognised on an accrual basis.

#### **Apollo Health Street Private Limited**

The Company recognises revenue on the following basis:

- |  |   |
|--|---|
| (a) Software development and implementation                                  | Software Development:<br>On the basis of software developed and billed, as per the terms of contracts based on milestones achieved under the percentage of completion method.<br>Software implementation:<br>On the completion of installation and based on the terms of arrangements with the concerned parties, except where the payment terms are extended beyond the normal credit period the revenues are recognised as the payment becomes due from the customer. |
| (b) Online medical education   | On rendering of the services based on the terms of the agreements/arrangements with the concerned parties or on a time proportion basis over the period of such services.   |
| (c) Professional services fees including medical coding and billing services | On rendering of the services based on the terms of the agreements/arrangements with the concerned parties.  |
| (d) Website development  | As per the terms of agreements based on milestones achieved under the percentage of completion method.  |
| (e) Course fees  | On a time proportion basis over the duration of course and is stated net of discounts.  |
| (f) Membership and subscription  | On a time proportion basis over the period of membership/subscription to the facilities.  |
| (g) Health check ups   | On the provision of agreed services.  |
| (h) Course admission fees  | On an upfront basis at the time of admission.   |

#### **Indraprastha Medical Corporation Limited**

- (i) Revenue is recognised on accrual basis. Hospital Revenue comprises of income from services rendered to the out-patients and in-patients. Revenue also includes value of services rendered pending billing in respect of in-patients undergoing treatment as on 31st March 2006.
- (ii) The revenue in respect of export benefits is recognised on the basis of foreign exchange earned in the previous financial year at the rate at which entitlement accrues.

#### **Family Health Plan Limited**

The revenue from TPA operations is accounted in line with the wordings in the mediclaim policy, which specifies the conditions under which the premium paid will be refunded, thereby aligning the revenue recognition with the policy wordings. All other streams of revenue are being recognized on accrual basis and prorated till the end of the financial year. Income from TPA operations is recognized inclusive of applicable service tax.

#### **F. Fixed Assets**

##### **Apollo Hospitals Enterprise Limited**

- a. All Fixed Assets have been stated at cost less accumulated depreciation and impairment losses recognised. Additional cost relating to the acquisition and installation of fixed assets are capitalised. Additional cost arising out of the increase in liability on account of fluctuations in foreign currency has been added to the cost of the assets.

- b. Land which was revalued in prior years by Rs.103,133,472/- (Chennai Hospital Division = Rs.50,080,324/- and Hyderabad Hospital Division = Rs.53,053,148/-) was written back to its original cost in 2002-03.
- c. Assets acquired under Hire Purchase agreements are capitalised to the extent of principal value, while finance charges are charged to revenue on accrual basis.
- d. Interest on borrowings for acquisition of fixed assets and related revenue expenditure incurred for the period prior to the commencement of operations for the expansion activities of the company are capitalised.

**Samudra Healthcare Enterprises Limited**

The company has returned / reduced equipment worth Rs. 88,22,000/- from gross block of assets during the year and to that extent the gross block of fixed assets is reduced and depreciation charged is written back.

**Imperial Cancer Hospital & Research Centre Limited**

Fixed Assets including the Capital Work in Progress has been re structured as per the shareholders agreement .The value of Land has been reinstated in the books of account at Rs. 200.00 million and the excess over book value Rs. 199.00 million has been accounted as Revaluation Reserve.

**Apollo Gleneagles PET - CT Limited**

Interest on borrowings for acquisition of fixed assets and related revenue expenditure incurred for the period prior to the commencement of operations are capitalised to Medical Equipment..

**The Lanka Hospitals Corporation Limited**

The Property, Plant and Equipment are stated at cost less accumulated depreciation.

The cost of Property, Plant and Equipment is the cost of purchase or construction together with any expenses incurred in bringing the assets to its working conditions for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

Capital work in progress is transferred to the respective asset account at the time of the first utilisation of the asset or at the time the asset is commissioned.

**G. Investments**

- a. Long-term investments are stated at cost to the Company.
- b. A provision for diminution, if any, is made to recognise the decline other than temporary in the value of long term Investments.
- c. Current Investments are valued at lower of cost or market value.
- d. In case of foreign investments, the cost is the rupee value of the foreign currency on the date of the investment. The face value of the foreign investments is shown at the face value reflected in foreign currency of that related country.

**H. Government Grants**

**The Lanka Hospitals Corporation Limited**

Government grants received to compensate the company for the cost of an asset is recognised in the balance sheet as deferred income when there is a reasonable assurance that it will be received and that the company will comply with the conditions attaching to it. Grants so deferred are recognised in the income statement as income on a systematic basis over the useful life of the asset.

## **I. Miscellaneous Expenditure**

### **Apollo Hospitals Enterprise Limited**

Preliminary, Public Issue, Rights issue Expenses and expenses on private placement of shares are amortised over 10 years.

### **Apollo Hospitals International Limited**

Preliminary expenses are amortised over a period of 5 years

### **Apollo Health Street Private Limited**

Preliminary expenses relating to incorporation of the Company are amortised equally over a period of 5 years. Share issue expenses are amortised equally over a period of 3 years.

### **Indraprastha Medical Corporation Limited**

Preliminary expenses and expenses incurred for public issue including commission for subscription of shares and brokerage is amortised over a period of ten years.

## **J. Deferred Revenue Expenditure**

### **Apollo Hospitals Enterprise Limited**

Special advertisement expenditure, software expenses and expenditure incurred on the upgradation of the building of AB Medical centres Limited upto the commencement of the lease in the year 2003-04 are written off over a period of five years.

### **Apollo Gleneagles Hospital Limited**

Balance of deferred revenue as on 01.04.2004, have been continued to be expensed over originally contemplated period of 5 years

## **K. Intangible Assets**

### **Apollo Hospitals Enterprise Limited**

Intangible assets are initially recognized at cost and amortised over the best estimate of their useful life.

Cost of software including directly attributable cost, if any, acquired for internal use, is allocated / amortized over a period of 36 months.

### **Apollo Health and Lifestyle Limited**

In the year 2003-04 the company has implemented the Accounting Standard -26 "Intangible Assets" issued by the Institute of Chartered Accountants of India. However, the management of the company feels that the amortization of this expenditure would be on the basis of number of clinics in operation, which would be the best estimate of the useful economic life of this intangible asset.

Trademark and Concept Rights: The company has entered into an agreement with Apollo Hospitals Enterprise Limited and has incurred an expenditure of Rs.29,100,190/-. This expenditure is towards the usage of "Apollo" name by the company for the franchisee clinics and also for the concept of franchisee mode of business. The expenditure on such licensing is amortised in proportion to the number of clinics that are in operation.

### **Apollo Gleneagles Hospital Limited**

Intangible assets are recognised at cost comprising purchase price inclusive of import duties, if any, and other taxes. Expenditure on intangible items are recognised as an expense unless it forms part of the cost of acquisition of an eligible intangible asset. Depreciable amount of such asset is allocated on systematic basis on the best estimates of its useful life. Cost of software including directly attributable cost, if any, acquired for internal use, is allocated / amortized over a period of 36 months.

**Apollo Health Street Private Limited**

An intangible asset is recognised, as an asset only if it is probable that the future economic benefits that are attributable to the asset will flow to the Company. Intangible assets are stated at cost less accumulated amortization.

Cost of software is amortized on the straight-line basis over useful life of asset estimated by management, which is two years. Goodwill arising on consolidation of acquired subsidiaries is carried at cost.

**Indraprastha Medical Corporation Limited**

Intangible Assets are stated at cost less accumulated amortisation. Intangible assets are amortised on straight line method over the estimated useful life of the assets. The useful life of the intangible assets for the purpose of amortization is estimated to be three years.

**L. Employee Benefits****Apollo Hospitals Enterprise Limited**

- a. Contributions to PF are accounted on accrual basis.
- b. The company has covered gratuity liability under the LIC's Group Gratuity cum Life Assurance Scheme.
- c. The Company has no 'Leave encashment scheme' as a part of 'Retirement Benefits Scheme'. The employees of the company are entitled to encash their unavailed leave accrued during the course of their employment in accordance with the Company's rules and regulations. The same is therefore accounted as and when claimed.

**Unique Home Health Care Limited**

Gratuity has been provided for employees based on the provisions of Payment of Gratuity Act.

**Apollo Gleneagles Hospital Limited**

Liability for leave encashment is recognised as per the management's estimates.

**Apollo Gleneagles PET - CT Limited**

The company does not have any gratuity liability as on the date of the balance sheet

**Family Health Plan Limited**

The company has made provision for payment of gratuity to employees as per the actuarial valuation.

**Apollo Health Street Private Limited**

- a. Liability towards gratuity is accrued and provided for in the manner stipulated under the Payment of Gratuity Act, 1972 on the basis of actuarial valuation made at the end of each financial year.
- b. Liability towards leave encashment is accrued and provided for on the basis of actuarial valuation made at the end of each financial year.
- c. Liabilities of the subsidiary Apollo Health Street Inc., towards various state and federal employee benefits such as (a) social security; (b) employer federal unemployment benefits etc., is limited to the amounts contributed to the respective authorities.
- d. Employee Compensation expenses in respect of stock options granted to the employees are recognised over the expected life of the option using intrinsic value method as prescribed in 'Guidance Note on Accounting for Employee Share based payments' issued by the Institute of Chartered Accountants of India.

**The Lanka Hospitals Corporation Limited**

Full provision has been made on account of Retiring Gratuity from the first year of service of the employee, in conformity with the Sri Lanka Accounting Standard No. 16 - "Retirement Benefit Costs" at half (1/2) month's salary for each year's

service. However, according to the Payment of Gratuity Act No.12 of 1983, the liability for gratuity to an employee arises only on completion of five years of continued service with the company. The liability is not externally funded nor actuarially valued. The item is grouped under Non-Current Liabilities in the Balance Sheet.

**Indraprastha Medical Corporation Limited**

The Company has provided for the liability for leave encashment for the year on the basis of actuarial valuation as at the end of the financial year.

**M. Provision for Current and Deferred Tax**

**Apollo Hospitals Enterprise Limited**

- i. Income tax is computed using the tax effect accounting method, where taxes are accrued in the same period as and when the related revenue and expense arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions.
- ii. The differences that result between the profit calculated for income tax purposes and the profit as per the financial statements are identified and thereafter deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered.

**Apollo Hospitals International Limited**

In the perception of the Management, the accumulated carry forward loss will be absorbed virtually over a period of time. Hence Deferred Tax Assets to the extent of Rs. 77,873,200/- is recognised.

**Apollo Health and Lifestyle Limited**

The company has made a provision of Minimum Alternate Tax of Rs.223,708/- as per provisions of Income Tax Act. As per Para 17 of AS 22, on consideration of prudence, no deferred tax asset is created as the company has significant carry forward losses and unabsorbed depreciation.

**Apollo Gleneagles Hospital Limited**

The Company has significant amount of carried forward losses and depreciation under the Income Tax Act, 1961. However, as a matter of prudence deferred tax assets has been recognized to the extent there is deferred tax liability and as such, there is no impact of the same on these accounts.

**The Lanka Hospitals Corporation Limited**

In accordance with the powers conferred on the Board of Investment of Sri Lanka under Section 17 of the BOI Law No 4 of 1978 the profits of the hospital are exempt from income tax for a period of 12 years.

No deferred taxation has been provided in the Financial Statements, in view of the tax holiday enjoyed by the company.

**Indraprastha Medical Corporation Limited**

For the current year ended 31st March, 2006, timing differences have resulted in a net deferred tax credit amounting to Rs. 12,585,998/- which is adjusted to the provision for taxation for the year.

**Family Health Plan Limited**

The Company has reversed net deferred tax liability of Rs.667,099/-, arising out of timing differences during the year 2005-2006

**N. Provision for Doubtful Debts**

**Apollo Hospitals Enterprise Limited**

On the recommendation of the Audit Committee, the Board of Directors have approved a policy for Bad Debts.



**Apollo Gleneagles Hospital Limited**

Receivables remaining outstanding for more than 180 days are provided for to the extent of 50% and those for more than 365 days or otherwise considered doubtful are fully provided for at the end of the year.

**Apollo Health Street Private Limited**

The Company periodically evaluates customers' dues to the Company for collectibles. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customers operates, and general economic factors, which could effect the customers ability to settle. The company normally creates provision for debtors as follows:

Period Outstanding	Domestic Debtors	Export Debtors
> 6 months	Nil	50%
> One Year	50%	100%
> Two Years	100%	NA

Until previous year, the company used to provide for export debtors on similar basis as domestic debtors as mentioned above. Had the company followed earlier method of providing for bad debts, the bad debt expense would have been lower by and profit for the year would have been higher by Rs.935,685/-.

**O. Segment Reporting****Apollo Hospitals Enterprise Limited**

The accounting policies adopted for segment reporting are in line with the accounting policies of the company with the following additional policies for Segment reporting:

- i. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "unallocable expenses".
- ii. Inter segment revenue and expenses are eliminated.

**P. Earnings per Share****Apollo Hospitals Enterprise Limited**

In determining earnings per share, the company considers the net profit after tax, preference dividend and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing Basic Earnings per Share is the weighted average number of shares outstanding during the period. For computing Diluted Earnings per Share, potential equity is added to the above weighted average number of shares.

**Q. Leases****Apollo Gleneagles Hospital Limited**

The cost of leasehold land has not been amortised over the period of lease, since the lease is intended to be renewed on the expiry of the stipulated period.

**Apollo Gleneagles PET CT Limited**

Lease rentals on operating leases is recognised as an expense in the profit and loss account on straight line basis as per the terms of the agreement.

**Apollo Health Street Private Limited**

Finance Lease: Leases, which effectively transfer to the Company, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease

payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the lease term.

Operating Lease: Leases where the lessor effectively retains substantially all the risks and the benefits of ownership of the leased assets are classified as Operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Fixed assets include Computer and Vehicle obtained under finance lease arrangements. The finance lease terms are for a period of three to four years and it is more likely than not that at the end of the lease term the legal title will pass to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

#### **The Lanka Hospitals Corporation Limited**

Operating Leases : Leases where the lessor effectively retains substantially all the risks and benefit of ownership over the leased term are classified as operating leases. Rentals paid under operating leases are recognised as an expense over the lease term. Premiums paid are carried forward and amortised over the entire lease period.

Commitment on Land Lease: The Company has entered into a 99 year lease agreement with the Urban Development Authority. In terms of this agreement Rs 16.12 million is to be paid within the period of annual lease premiums payable are as follows.

<b>Year</b>	<b>Annual Lease Premiums (Exchange Rate of SLR 1.00 = INR 0.43479)</b>	
1999 to 2003	4,031,092	(Excluding Taxes)
2004 to 2025	8,062,184	(Excluding Taxes)
2026	4,031,092	(Excluding Taxes)

Premiums paid on each installment is carried forward and amotised over the 99 year period, in accordance with the said agreement.

From the year 2027 SLR 7,000/- per annum is payable as nominal ground rent for 5 years. Thereafter the said ground rent will be revised every 5 years on the basis of an annual increase no greater than the average weighted deposit rate published by the Central Bank of Sri Lanka prevailing at the end of each year or 10% per annum whichever is lower.

#### **Family Health Plan Limited**

The expenditure on the development of leasehold assets represents expenditure incurred by the company towards interior and temporary structure in the leased accommodation. The same is being written off over the primary period of lease.

#### **R. Foreign Currency Transactions**

##### **Apollo Hospitals Enterprise Limited**

- a. Current assets and current liabilities are converted at closing year-end rates or contracted forward rates as applicable.
- b. Exchange differences relating to Fixed Assets are adjusted in the cost of the asset.
- c. Translated exchange losses or gains are dealt with in the Profit & Loss Account in accordance with Accounting Standard 11 - "Accounting for the Effects of changes in Foreign Exchange Rates", issued by the Institute of Chartered Accountants of India

- d. Currency swap transactions: Currency swap transactions are accounted for on the date of settlement and realised gain/loss in respect of settled contracts are recognised in the Profit and Loss account.

#### **Apollo Health Street Private Limited**

##### **Foreign Currency Translations :**

Effective for accounting periods commencing on or after April 1, 2004 the Institute of Chartered Accountants of India ("the ICAI") has revised Accounting Standard 11 on accounting for "The Effects of Changes in Foreign Currency Rates". The AS 11 (Revised) requires that in accordance with the guidance provided under the revised AS 11, the reporting enterprises shall classify their foreign operations as "integral foreign operations" or "non-integral foreign operations".

Based on the analysis of the following factors the management of the Company has designated its overseas subsidiary Apollo Health Street Inc. as an "integral foreign operations" of the Company:

- a. Apollo Health Street Inc's operations are under direct supervision and control of the Company's management;
- b. There are high proportion of inter-company transactions;
- c. Apollo Health Street Inc's operations are mainly financed by the Company;
- d. Costs of labour, material and other components of Apollo Health Street Inc's operations are mainly in Indian Rupee i.e. reporting currency of the Company;
- e. Cash flows of Apollo Health Street Inc's have direct impact on the cash flows of the Company.

In accordance with AS 11 (Revised), the financial statements of integral foreign operation, including foreign branches, have been translated as if the transactions of foreign operation had been those of the Company.

##### **Foreign Currency Transactions:**

###### **Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

###### **Conversion**

Foreign currency monetary items are reported using the closing rate. Non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

###### **Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as part of fixed asset. Exchange differences on liability relating to fixed assets acquired within India arising out of transactions entered on or before March 31, 2004 are added to the cost of the asset in line with the Accounting Standard - 11 (1994)

###### **Foreign Branch**

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

###### **Forward Exchange Contracts**

A gain or loss on forward exchange contracts is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted rate (or the forward rates last used to measure a gain or loss on that contract for an earlier

year). The gain or loss so computed is recognised in the statement of Profit and Loss for the period. The premium or discount on the forward exchange contract is not recognised separately.

**The Lanka Hospitals Corporation Limited**

Transactions arising in foreign currencies are converted into Sri Lankan Rupees at the rate of exchange prevailing at the time the transactions were effected.

Monetary Assets and Liabilities denominated in foreign currencies are translated into Sri Lankan rupees at the appropriate exchange rate prevailing at the balance sheet date. The resulting gains and losses arising therefrom have been dealt with in the Income Statement.

**S. Borrowing Costs**

**The Lanka Hospitals Corporation Limited**

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of Property, Plant & Equipment, that takes a substantial period of time to get ready for its intended use or sale and are capitalised as part of that asset during the period of construction/development.

**T. Impairment**

**Apollo Hospitals Enterprise Limited**

During the year 2002-03 on a review of fixed assets certain selected Medical Equipment were identified and impaired. For the current year on a review as required by AS 28, the management is of the opinion that no impairment loss or reversal of impairment loss is required, as conditions of impairment do not exist.

**Apollo Hospitals International Limited**

On a further review as at the year end the Management is of the opinion that no impairment or reversal of loss arise on Fixed Assets.

**Apollo Gleneagles Hospital Limited**

The company runs a diagnostic centre (the centre), independent of its Hospital and thereafter, both the hospital as well as the centre has been considered by the Management as two separate Cash Generating Units (CGUs) for the purpose of determination of impairment in value of fixed assets. As required by Accounting Standard (AS-28) 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the Company has carried out the assessment for any indication of further impairment loss/reversal of such loss provided earlier. In the view of Management no such indication exists as on the Balance Sheet date.

**Indraprastha Medical Corporation Limited**

Fixed assets both tangible and Intangible assets are tested for impairment every year and impairment loss if any is provided / adjusted as applicable. In accordance with the provisions of the AS-28 issued by Institute of Chartered Accountants of India on Impairment of Assets, the company has carried out an impairment test in respect of all assets. On the basis of such exercise the company has determined that for the year ended 31st March 2006, no impairment / reversal of loss is required.

**U. Provisions, Contingent Liabilities and Contingent Assets**

**Apollo Hospitals Enterprise Limited**

A provision is recognised when the company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not provided for unless a reliable estimate of probable outflow to the company exists as at the Balance Sheet date. Contingent assets are not recognised.

#### 4. CONTINGENT LIABILITIES

- a. Claims against the company not acknowledged as debts- Rs.848,894,434/- (Rs. 790,206,521/-)
- b. Pursuant to a subscription agreement entered into by a subsidiary, Apollo Hospitals International Limited situated in Ahmedabad, with ICICI, IDFC and IDBI Limited, the Company, Apollo Hospitals Enterprise Limited is under an obligation to buy back the shares subscribed to by such institutions, any time after the expiry of three years from the date of the first disbursement at the option of the financial institutions, at prices to be determined at the time of exercising the option. The obligation to buy back the shares has been completed with respect to ICICI. Subsequent to the closure of accounts as at March 31,2006, the option has been exercised by IDFC and the Company has complied with its obligation of buy back.
- c. Estimated amount of contracts remaining to be executed on capital account not provided for Rs. 614,317,520/- (Rs.60,838,840/-).
- d. The estimated customs duty guarantees given by the company in favour of the Assistant Collector of Customs, pending receipt of customs duty exemption certificates amounts to Rs.99,700,026/- (Rs.99,700,026/-).

This is subject to the result of writ petition pending in the Madras High Court with respect to the Chennai Hospital Division Rs.73,709,545/- (Rs. 73,709,545/-).

Application has been made for duty exemption certificates by the Pharmaceutical Division, which is pending with the Government. The estimated customs duty is Rs. 14,825,739/- (Rs.14,825,739/-).

The Hyderabad division has executed bonds in favour of the President of India to the extent of Rs.11,164,742/- (Rs.11,164,742/-) pending its application for receipt of customs duty exemption certificates from the Government.

- e. (i) Letters of credit opened by various banks in favour of foreign suppliers for consumables, spares, medicines and medical equipment amounts to Rs.33,509,125/- (Rs. 84,156,306/-)
- (ii) Bank Guarantees as on 31.03.2006. Rs.247,617,600/- (Rs 95,220,493/-)
- (iii) Corporate Guarantees

Rs. in Crores

On Behalf of	In Favour of	As at 31.03.2006	As at 31.03.2005
Apollo Hospitals International Limited	HDFC	55.55	55.55
	IDBI	5.00	5.00
	IDFC	15.75	15.75
Apollo Health Street Private Limited	Development Credit Bank	NIL	4.60
<b>Total</b>		<b>76.30</b>	<b>80.90</b>

- f. (i) Additional liability, for payment of sales tax on work orders pursuant to court proceedings between contractors and the State governments-Rs.206,076/- (Rs.206,076/-) in the case of Chennai Division of Apollo Hospitals Enterprise limited.
- (ii) In respect of the claim for sales tax made by the Commercial Tax Department for Rs.281,361/- (Rs.1,810,634/-) for the various assessment years, the matter is under contest in the case of Pharmacy Division of Apollo Hospitals Enterprise Limited.

## 5. GENERAL INFORMATION

### Further Issue of Equity Shares

#### Apollo Hospitals Enterprise Limited

During the current financial year, the Company has issued and allotted 9,000,000 Global Depository Receipts ( including a Green Shoe Option of 650,000 GDRs) representing 9,000,000 underlying equity shares of Rs 10/ each at a price of USD 7.80 per GDR (a premium of Rs 330/- per equity share ) to the Depository, The Bank of New York.

### Terms of Conversion of Convertible Preference Shares

#### Apollo Health Street Private Limited

Preference shareholders have a right to request the Company at any time for conversion of preference shares to equity shares. The conversion factor shall be 1 so long as the pre-money valuation of the Company is USD 10,000,000 and 0.56261 if pre-money valuation of the Company is USD 12,000,000.

### Terms of Issue of Convertible Equity Warrants

#### Apollo Hospitals Enterprise Limited

The Company has issued and allotted 1,039,965 equity warrants convertible into equity shares of nominal value of Rs. 10/- each at a premium of Rs. 324.15 to the Promoters/Promoter Group on 3rd June, 2005 on a preferential allotment basis. The issue price is higher than the minimum price Rs. 334.11 fixed in accordance with the guidelines for preferential issues of the Securities and Exchange Board of India (Disclosure and Investor Protection) guidelines 2000. Accordingly the promoters have paid 10% of the consideration per warrant Rs. 334.15 on the date of allotment. The balance 90% payable on the exercise of option for conversion within 18 months of date of allotment.

### Terms of Issue of Employee Stock Options Plan

#### Apollo Health Street Private Limited

During the current year the company has granted stock options to certain employees. The options would vest over a period of three years and will be settled by issue of fully paid equity shares. The plan is in the nature of equity settled plan.

#### Key features of plan

Particulars	As at March 31, 2006	
Grant date	April 14, 2005	
Exercise price	Rs.10	
Exercise Period	5 years from date of vesting	
Vesting Schedule	Date	No. of Options
	September 30, 2005	95,900
	March 31, 2006	128,900
	March 31, 2007	141,200
	March 31, 2008	48,000
<b>Stock Options:</b>		
Outstanding at the beginning of the year	Nil	
Granted during the year	414,000	
Forfeited during the year	Nil	
Exercised during the year	Nil	
Expired during the year	Nil	
Exercisable at the end of the year	224,800	
Outstanding at the end of the year	414,000	

Particulars	As at March 31, 2006
<b>Pricing of Option :</b>	
Fair Value of Option	Rs.2.53
Option Pricing Model used	Black Scholes Model
Inputs to the model:	
a) Average Share Price	Rs.10/-
b) Exercise Price	Rs.10/-
c) Expected Volatility - Unlisted Company	0%
d) Risk Free Interest rate	6%
e) Option life	5 years

Had the company accounted for the stock options using the fair value method, the employee compensation would have been higher by and the profits would have been lower by Rs.769,662/- and correspondingly the basic and diluted earning per share would have been lower by Rs.0.06 and Rs.0.05 respectively.

#### 6. TERMS OF REDEMPTION OF DEBENTURES

##### Apollo Hospitals Enterprise Limited

- a) 10.80% Non-Convertible Debentures placed with Indian Bank, Indian Overseas Bank, Jammu & Kashmir Bank Limited, Andhra Bank and Life Insurance Corporation of India shall be redeemed in three instalments of 33%,33% & 34% at the end of the 3rd, 4th and 5th year from the date of allotment (5th April, 2002) respectively. Accordingly the first instalment was redeemed in April 2005 and the second, in April 2006.
- b) 8.57% Non-Convertible Debentures placed with Karnataka Bank Ltd. shall be redeemed in three annual instalments at the end of the 3rd, 4th and 5th years from the date of allotment (19th September, 2002) respectively. Accordingly the first instalment was redeemed in September 2005.
- c) 7.27% Non-Convertible Debentures privately placed with General Insurance Corporation of India and Karnataka Bank Ltd. shall be redeemed at par at the end of 5 years, if the put / call is not exercised at the end of 3rd year from the date of allotment. (11th May 2003 Rs.4 Crores and 21st July 2003 Rs.6 Crores). On exercise of the option by General Insurance Corporation of India in April 2006, the Company has redeemed Rs. 4 crores of the debentures.

#### 7. DETAILS OF SECURED LOANS AND SECURITY

##### Apollo Hospitals Enterprise Limited

###### a. Debentures

- i) 10.80% Non-Convertible Debentures privately placed with Indian Bank, Indian Overseas Bank, Jammu & Kashmir Bank Limited, Andhra Bank and Life Insurance Corporation of India secured by,
  - a. An Equitable Mortgage of all immovable properties situated at No.21 Greams Lane, off. Greams Road, Chennai - 600 006 and No.320 Mount Road, Teynampet, Chennai-600 018 both present and future ranking pari passu with other debentures.
  - b. A charge on the whole of movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except book-debts) whether installed or not, and whether now lying, or stored in ,or about, or shall, hereafter from time to time during the continuance of the security, be brought into, or upon, or be stored, or be in, or about , any or all of the Company's factory premises or godown situated at No.21, Greams Lane, Off Greams Road, Chennai-600 006 and No.320, Anna Salai, Teynampet, Chennai-600 018, or wherever else the same may be or be held by the party to the order or disposition of the Company or in the course of transit or high seas or on order or delivery howsoever and wheresoever in the possession of the Company ranking pari passu with other debentures.



- ii) 8.57% Non-Convertible Debentures privately placed with Karnataka Bank Limited secured by
    - a. An Equitable Mortgage of all immovable properties situated at No.21 Greams Lane, Off. Greams Road, Chennai - 600 006 and No.320 Mount Road, Teynampet, Chennai-600 018 both present and future ranking pari passu with other debentures.
    - b. A charge on the whole of movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except book-debts) whether installed or not, and whether now lying, or stored in ,or about, or shall, hereafter from time to time during the continuance of the security, be brought into, or upon, or be stored, or be in, or about , any or all of the Company's factory premises or godown situated at No.21, Greams Lane, Off Greams Road, Chennai-600 006 and No.320, Anna Salai, Teynampet , Chennai-600 018, or wherever else the same may be or be held by the party to the order or disposition of the Company or in the course of transit or high seas or on order or delivery howsoever and wheresoever in the possession of the Company ranking pari passu with other debentures.
  - iii) 7.27% Non-Convertible Debentures privately placed with General Insurance Corporation of India and Karnataka Bank Limited, secured by a first charge on:
    - a. All that piece and parcel of land measuring 43 grounds and 1200 sq.ft with all the buildings erected thereon comprised in Sr No.67/2 of Block No.13, bearing corporation Door No.21, Greams Lane, off. Greams Road. Chennai-600 006 together with all buildings and structures thereon, all plant & machinery attached to the earth and permanently fastened to the earth, both present and future ranking pari passu with other debentures.
    - b. The basement comprising plinth area of 13,414 Sq.ft Ground floor comprising plinth area of 11,694 Sq.ft. and lift machine room on the roof measuring 290 Sq.ft. constructed on the plot of land measuring 24 ground & 1,400 sq.ft. comprising plot Nos. 1,2&3 covered by survey No.3856 situated at No.320, Mount Road, Teynampet, Chennai-600 018 together with all buildings and structures thereon, all plant & machinery attached to the earth and permanently fastened anything attached to the earth. Hypothecation of whole of the movable plant & machinery, machinery spares, tools & accessories other movable, both present and future (save and except book debts) whether installed or not and whether now lying or stored in or about or shall hereafter time to time during the continuance of the security of these present be brought into or upon or be stored or be in or about any or all of the company's factories premises or godowns situate at No.21, Greams Lane, off. Greams Road, Chennai-600 006 and No.320, Mount Road, Teynampet , Chennai - 600 018 in the state of Tamil Nadu or wherever else the same may be or be held by the party to the order or disposition of the company or in the course of transit or in high seas or in order or delivery howsoever and where-so-ever in the possession of the company ranking pari passu with other debentures.
- b. HDFC Bank**
- Loan from HDFC Bank is secured by way of
- i. First pari passu hypothecation charge charged on all movable assets of the company present and future.
  - ii. Pari passu equitable mortgage of immovable properties situated at No.21, Greams Lane, Off Greams Road, Chennai 600 006 and No.320, Anna Salai, Teynampet, Chennai 600 018 both present and future.
- c. Indian Bank**
- Loan from Indian Bank is secured by way of
- i. First pari passu hypothecation charge on all movable assets of the company present and future.
  - ii. Pari passu equitable mortgage of immovable properties situated at No.21, Greams Lane, Off Greams Road, Chennai 600 006 and No.320, Anna Salai, Teynampet, Chennai 600 018 both present and future.
- d. UTI Bank**
- Term Loan from UTI Bank is secured by first mortgage and charge on all the company's immovable and movable properties, both present and future. The above mortgage and charge shall rank pari passu with the charges created in favour of other lenders.



**e. Bank of Bahrain and Kuwait BSC.**

Loan from Bank of Bahrain and Kuwait BSC is secured by first pari passu hypothecation charge on entire movable fixed assets present and future and an equitable mortgage of all immovable properties situated at No.21, Greams Lane, off. Greams Road, Chennai 600 006 and No.320, Mount Road, Teynampet, Chennai 600 018 both present and future ranking pari passu with the existing loans.

**f.** Loans and advances from Banks are secured by hypothecation of inventories and book debts, and a second charge on specific fixed assets of the company.

**g.** In Hyderabad Division fixed deposit receipts worth Rs.9,404,672/- (Rs.2,296,607/-) are under lien with the bankers for obtaining Letters of Credit and Bank Guarantee.

**Unique Home Healthcare Limited**

Hire purchase finance from ICICI Bank Rs 32,800/- (Rs 158,015/-) is secured by hypothecation of the vehicle acquired out of the loan.

Unsecured loan represents temporary loan received from Apollo Hospitals Enterprise Limited. As Unique Home Health Care Limited is a wholly owned subsidiary of Apollo Hospitals Enterprise Limited and the above arrangement is temporary in nature and hence no interest is payable on such loan

**Imperial Cancer Hospital & Research Centre Limited**

Jammu & Kashmir Bank Term Loan \* - Rs. 270,108,663/-

Kotak Mahindra Primus Limited\*\* - Rs.235,143/-

\* Secured by charge on immovable property

\*\* Secured against vehicle

**Apollo Hospitals International Limited**

Secured Loans as on 31st March 2006

(Amount in Rs.)

Institutions	2005-2006	2004-2005
IDBI Limited	50,000,000	50,000,000
HDFC Limited	550,500,000	550,500,000
IDFC Limited	142,500,000	142,500,000
Total	*743,000,000	*743,000,000

\* Secured by pari passu first charge on all the fixed assets of the Company present and future.

**Apollo Gleneagles Hospital Limited**

(Amount in Rs)

Rupee Term Loan from	2005-2006	2004-2005
IFCI Limited	21,753,192	21,756,192
Industrial Development Bank of India	15,000,000	15,000,000
Infrastructure Development Finance Company Limited	483,300,000	483,300,000
Housing Development Finance Corporation Limited	605,900,000	605,900,000
Indian Bank	270,000,000	-
Cash Credit Facility - Indian Bank	6,086,173	46,054,968
Interest accrued and due	180,808	-
Total	1,402,220,173	1,172,008,160

- (i) Rupee Term Loans are secured by first mortgage and charge on all the immovable and movable assets.
- (ii) Rupee Term Loans from IFCI Limited and "Industrial Development Bank of India" carries zero rate of interest and are repayable on February 28, 2012 and on December 31, 2011 respectively.
- (iii) Under certain circumstances of default by the Company, IFCI Limited and "Industrial Development Bank of India" have an option to convert the outstanding amount of rupee term loan not exceeding 20% of the amount of the loan into fully paid up Equity Shares of the Company at par.
- (iv) Cash credit from Indian Bank is secured by hypothecation of current assets including book debts and also by way of second charge on the fixed assets of the hospital.

**Apollo Gleneagles PET CT Limited**

Indian Bank Term Loan Rs 120,000,000/- (Rs 70,874,143/-) is secured by pari passu first charge on all movable assets of the company present and future.

**8. LEASES**

**In Respect of Non-cancellable Operating Leases**

	<b>Not later than one year (Rs.)</b>	<b>Later than one year and not later than five years (Rs.)</b>	<b>More than five years upto ten years (Rs.)</b>
Minimum Lease Payments	83,224,989	269,073,283	356,338,645

All operating leases and sub leases are renewable after the period of agreement on mutual consent of both lessor and lessee.

**9. EARNINGS IN FOREIGN EXCHANGE**

<b>Particulars</b>	<b>2005-2006 (Rs.)</b>	<b>2004-2005 (Rs.)</b>
<b>Hospital Division</b>		
Hospital fees	84,245,535	98,463,458
<b>Pharmacy Division</b>		
Project Consultancy Services	24,256,509	70,698,514
Reimbursement of expenses	24,968,636	43,000,086
Pharmacy Sales	7,278,473	5,954,260

**10. Directors' travelling included in travelling and conveyance amounts to Rs.10,310,692/- (Rs7,662,102/-)**

**11. UNCLAIMED DIVIDEND:**

<b>YEAR</b>	<b>AMOUNT (Rs.)</b>
1998-99	1,007,986
1999-00	1,553,003
2000-01	1,457,577
2001-02	1,381,997
2002-03	1,535,844
2003-04	1,918,147
2004-05	2,402,477

The amount due and outstanding to be credited to the Investor Education and Protection Fund of the Central Government as per the provisions of Section 205A and 205C of the Companies Act, 1956 is Rs.945,074/-. This represents the dividend and deposits remaining unclaimed for a period of 7 years from the date they became due for payment, during the year, as per Section 205A and 205C of the Companies Act, 1956.

12. Income earned on currency swap transactions during the year on unsettled contracts as on 31st March 2006 has been accounted for in the P&L account as interest received is Rs.114,739/- (Rs.819,204/-). Outstanding unsettled contracts as on 31st March, 2006 is Rs. NIL (Rs.2,100,000/-).

13. During the current financial year, transfer of Rs.100,000,000/- has been made to the Debenture Redemption Reserve, and the balance in the Reserve is considered adequate to meet the liability for redemption of debenture in the future.

14. Confirmation of balances from Debtors, Creditors and for Deposits are yet to be received in a few cases though the company has sent the letters of confirmation to them.

Sundry Debtors represent the debt outstanding on sale of hospital services, pharmaceutical products, lease rental and project meeting fees and is considered good. The company holds the personal security of the debtors.

Sundry Debtors and Loans and Advances shown under the head Current Assets includes the amounts due from concerns which are under same management or in which some of the Directors are interested as Directors /Trustees, which amounts to Rs.574,485,113/- (Rs.144,578,993/-). Advances and deposits represent the advances recoverable in cash or in kind or for value to be realised. The amounts of these advances and deposits are considered good for which the company holds no security other than the debtors' personal security.

15. Previous year's expenditure included in this year's account amounts to Rs.63,178,738/- (Rs.2,308,898/-). The Electricity charges incurred in respect of main hospital is net of Rs.7,700,635/- (Rs.9,467,375/-) [units qualified KWH - 1,540,127 (1,893,475), being the rebate received from TNEB for Wind Electric Generators owned & run by the Company.

16. There are no amounts due to Small Scale Industrial Undertakings/concerns as at 31st March, 2006 (as on 31st March, 2005 - Nil)

17. In the process of acquiring Apollo Gleneagles Hospital Limited (AGHL) in Kolkata, Apollo Hospitals Enterprise Limited had initially invested Rs.3 crores [ 0.5 crores towards equity and Rs.2.5 crores to discharge other liabilities of AGHL of erstwhile Duncan Gleneagles Hospital Limited (DGHL)] to acquire 50.26% holding in DGHL (subsequently reduced to 49%, now increased to 50%). AGHL assigned an unsecured debt of Rs.17.6 crores existing in its books to AHEL. As a measure of prudence, this amount is not recognised as an advance or investment in the books of AHEL currently and will be accounted for as and when the amount(s) are received.

18. On review of the operations of setting up the Hospital in Noida, the company has re-assigned the lease agreement between itself and the lessor to its associate, Indraprastha Medical Corporation Limited, by extinguishing its rights and privileges in the original lease deed dated 27.10.01.

#### 19. EXPENDITURE IN FOREIGN CURRENCY

Particulars	For the period ended 31.03.2006 (Rs.)	For the period ended 31.03.2005 (Rs.)
<b>a. CIF Value of Imports:</b>		
Inclusive of Machinery and Equipment, Stores and Spares and other consumables.	329,995,549	201,134,766
<b>b. Investments</b>	27,933,734	Nil
<b>c. Expenditure</b>		
Includes Travelling Expenses, Professional Charges, Rates & Taxes, Business Promotion Expenses, Advertisement, Telephone Charges, Books and Periodicals, Office Maintenance Expenses, Project Expenses and Rent	48,049,500	34,135,476

Particulars	For the period ended 31.03.2006 (Rs.)	For the period ended 31.03.2005 (Rs.)
<b>d. Dividends</b>		
Amount remitted during the year in foreign currency on account of dividends	20,330,791	49,161,758
Non-Residents shareholders to whom remittance was made Nos.	1,003	1023
Shares held by non-resident share-holders on which dividend was paid Nos.	30,947,673	4,037

## 20. MANAGERIAL REMUNERATION

### Apollo Hospital Enterprise Limited

Particulars	2005-2006 (Rs.)	2004-2005 (Rs.)
<b>Profit before Managerial Remuneration</b>	947,963,980	765,487,801
<b>Add:</b> Provision for Bad debts	11,810,872	21,363,448
<b>Less:</b> Profit on sale of assets & Units	177,485	2,569,748
<b>Divisible Profit to Managerial Remuneration</b>	959,597,067	784,281,501
Chairman's Remuneration (5% of profits)	44,728,299	36,648,668
Managing Director's Remuneration (2% of profits)	17,891,320	14,659,467
Remuneration to Executive Directors		
<b>Executive Director - Finance</b>		
Salaries and Allowances } upto 02.02.2006	1,250,000	1,500,000
P.F Contribution } upto 02.02.2006	150,000	180,000
Remuneration w.e.f. 03.02.2006	1,722,470	-
Total	3,122,470	1,680,000
<b>Executive Director-Operations</b>		
Salaries and Allowances } upto 02.02.2006	1,250,000	1,500,000
P.F. Contribution } upto 02.02.2006	150,000	180,000
Remuneration w.e.f. 03.02.2006	688,988	-
Total	2,088,988	1,680,000
Commission to Non-Executive Directors	1,601,505	1,576,438

### Apollo Hospitals International Limited

Managing Director's Remuneration Rs.1,316,560/- (Rs 1,317,000/-)

### Samudra Healthcare Enterprises Limited

Salary to Managing Director Rs.525,000/-

Salary to Executive Director Rs.525,000/-

### Apollo Gleneagles Hospital Limited

Remuneration paid to Manager Rs.819,000/-

**Indraprastha Medical Corporation Limited**

Remuneration to the Managerial Personnel:

Particulars	2005-2006	2004-05
Salary	5,745,600	3,573,824
Perquisites	1,062,008	821,781

As no commission is payable to the Managing Director, the computation of net profits under section 349/350 of the Companies Act, 1956 is not being given.

**21. CONSUMPTION OF MATERIALS**

Particulars	2005 - 2006		2004-2005	
	Value	%	Value	%
Total Consumption of Materials	2,026,001,328	100.00	1,587,072,177	100.00
Indigenous Materials	1,982,413,628	98.00	1,553,740,447	98.00
Imported Materials	43,587,700	2.00	33,331,730	2.00

(Consumption relates to items used for medical services only.)

**22. AUDIT EXPENSES**

Particulars	2005-2006	2004-2005
Audit Fees	4,871,972	3,315,755
Tax Audit	930,848	622,301
Other Services	3,520,892	982,340
Other Expenses	515,955	185,748

23. In respect of the Income Tax claims of Rs.147,399,455/- (Rs.46,129,928/-) by the Income Tax Department, the amount is under contest.

24. In respect of the Hyderabad Division of Apollo Hospitals Enterprise Limited, National Saving Certificates shown under investments are given as security to the Chief Ration Officer, Government of Andhra Pradesh.

25. In respect of the Apollo Hospitals Enterprise Limited, the net difference in Foreign Exchange (the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled) amounting to Rs.1,671,855/- (Rs.3,127,979/-) has been adjusted to the profit and loss account, which is in conformity to the Accounting Standard 11 on "Accounting for the effects of changes in Foreign Exchange rates" issued by the Institute of Chartered Accountants of India. Amount adjusted to the cost of fixed assets on account of exchange differences is by Rs.1,629,953/- (Rs.229,938/-).

**26. OTHERS****AB Medical Centres Limited**

The Share Capital includes a sum of Rs.900,000/- allotted for consideration other than cash.

**Apollo Gleneagles Hospital Limited**

a) The Company's accumulated losses at the year end have exceeded its net worth as on that date, however these accounts have been prepared on their assumption that it will be able to continue as a going concern considering the financial and technical support from its promoters, expected growth in its performance and profitability in future years.

- b) In the opinion of the Board of Directors, unless otherwise stated, the current assets and loans and advances have the value at least equal to the amount at which these are stated in the balance sheet, if realized in the ordinary course of the business, and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required in this respect.
- c) Certain debit and credit balances including debtors, creditors including deposits, unsecured loans from body corporates, banks balances and loans and advances etc. are subject to confirmation and reconciliation and consequential adjustments, if any, arising therefrom.
- d) Buildings of Rs 20,449,569/- (Net) pertaining to diagnostic center at Gariahat include the cost of land pending allocation/ ascertainment of cost attributable there against.
- e) Kolkata Municipal Corporation (KMC) has enhanced the annual valuation retrospectively from the financial year 1998-1999 for computation of property tax. The company has disputed the enhancement and the matter is pending in appeal with KMC. However, the property tax has continued to be recognized as per the management estimates. Adjustments in this respect will be carried out on final determination of the liability. Expected outflow in this regard is dependent upon the outcome of the dispute.
- f) Loans and advance includes Rs.1,108,518/- outstanding/unreconciled for a considerable period of time. Pending outcome of the steps taken for recovery/reconciliation, no provision in this respect has been considered necessary.
- g) A provision of Rs. 2,847,879/- for the year has been recognized for exgratia/customary bonus to the employees. The entire amount is expected to be incurred in the next financial year.

The break up of these provision is as follows :

Particulars	Exgratia/ customary bonus (Rs)	Rates & Taxes (Rs)
Opening balance	15,04,744	85,00,000
Provisions made during the year	28,47,879	1,42,83,772
Amounts used during the year	10,87,870	-
Unused amounts reversed during the year	4,16,874	-
Closing balance	28,47,879	2,27,83,772

- h). Deferred revenue expenses represent:

Particulars	As at 31.03.06	As at 31.03.05
Consultation fees for pre-commissioning/opening period	63,561,807	84,749,076
Service charges paid to CESC Limited	4,352,259	5,803,012
Pre payment premium paid for settlement of loan	11,580,000	15,440,000
Total	79,494,066	105,992,088
Less: Amortised during the year	26,498,028	26,498,022
Balance	52,996,038	79,494,066

**Indraprastha Medical Corporation Limited**

- i) The appeal filed by the company against assessment of property tax by MCD, has been decided by the Additional District Judge, Delhi on 17th April, 2004 remanding the case to MCD for reassessment on the basis of directions set out in the said order.

The Company has provided Rs. 83,693,078/- (Previous Year Rs. 83,693,078/-) against property tax liability up to 31st March 2004. The Company has been advised by their legal counsel that on the basis of facts and the directions

given by the Honourable Judge, the Company's liability is not likely to exceed the amount provided for the said liability in the books of account.

Further the company has provided Rs. 2,968,053/- against property tax liability for the year ended 31st March, 2006 as per unit area method of calculating the property tax.

- j). Under the terms of the agreement between the Government of NCT of Delhi and the company, the Hospital project of the company has been put up on the land belonging to Government of NCT of Delhi. The Government of NCT of Delhi is committed to meet the expenditure to the extent of Rs. 154,780,000/- out of IMCL Building fund account (funds earmarked for the period) together with the interest thereon for construction of definite and designated buildings while the balance amount of the cost of the building will be borne by the Company. As at 31st March, 2006, the aforesaid fund, together with interest thereon amounting to Rs. 192,357,946/- have been utilized towards progress payments to contractors, advances to contractors, payments for materials, etc. The ownership of the building between Government of NCT of Delhi and the company will be decided at a future date keeping in view the lease agreement.
- k). Capital work-in-progress Rs 118,818,678/- pertains to the expenditure incurred by the company on setting up a Hospital on land owned by the Noida Authority (U P). The hospital is being set up on land taken on lease from Noida Authority. The rights of the leased land has been acquired through an assignment deed in favour of the company by Apollo Hospitals Enterprise Limited who are the sub-lessee.

The Details of Capital work in progress as under	31.03.2006 (Rs.)
i. Building under construction	57,285,287
ii. Machinery/Equipments under installation	55,243,970
iii. Pre-operative expenses pending allocation	6,289,421
Total	<u>118,818,678</u>

- l). The company had filed application for determination of question of law under section 84 of the Delhi Value Added Act, 2004 (VAT) before the Commissioner, Trade and Taxes, Delhi (CTT) regarding the applicability of VAT to the hospital, inter alia, in respect of medicines and consumables administered by the hospitals in the course of medical treatment to its patients.

The CTT has vide its order dated 17th March 2006 in this regard held that VAT would be applicable to the hospitals in respect of the aforesaid. The company has preferred an appeal against aforesaid order of the CTT.

## 27. CONSOLIDATED SEGMENT REPORTING

(Rs. in Million)

Particulars	31.03.2006	31.03.2005
1. Segment Revenue (Net sales / Income from each Segment)		
a) Hospitals	7,740	6,322
b) Others	70	314
Sub - Total	<u>7,811</u>	<u>6,636</u>
Less : Intersegment Revenue	20	15
Net sales / Income from operations	<u>7,791</u>	<u>6,621</u>
2. Segment Results (Profit / (Loss) before Tax and interest from each segment )		
a) Hospitals	972	917
b) Others	12	-
Sub - Total	<u>984</u>	<u>917</u>
Less : (i) Interest (Net)	243	242
(ii) Other un-allocable expenditure net of un-allocable income	67	147
Profit Before Tax	<u>673</u>	<u>528</u>

Particulars	(Rs in million)	
	31.03.2006	31.03.2005
Less :		
(i) Current tax	254	231
(ii) Deferred tax	(31)	(27)
(iii) Fringe Benefit Tax	15	-
Profit after tax	<u>435</u>	<u>324</u>
3. Segment assets		
a) Hospitals	9,103	7,507
b) Others	391	262
c) Unallocated assets	807	422
Total	<u>10,301</u>	<u>8,191</u>
4. Segment liabilities		
a) Hospitals	4,002	3,759
b) Others	25	202
c) Unallocated liabilities	1204	908
Total	<u>5,231</u>	<u>4,869</u>
5. Segment capital employed		
a) Hospitals	5,101	3,748
b) Others	366	60
c) Unallocated capital employed	(397)	(486)
Total	<u>5,070</u>	<u>3,322</u>
6. Segment capital expenditure incurred		
a) Hospitals	1,853	1,605
b) Others	24	31
Total	<u>1,877</u>	<u>1,636</u>
7. Segment Depreciation		
a) Hospitals	376	297
b) Others	2	14
Total	<u>378</u>	<u>311</u>
8. Segment Non-cash expenditure		
a) Hospitals	18	38
b) Others	0	2
Total	<u>18</u>	<u>40</u>



**28. RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS:**

Name of the Related Party	Nature of Relationship	Nature of Transaction	2005-2006 (Rs.)	2004-2005 (Rs.)
<b>Parent Company</b>				
Dr. Prathap. C.Reddy	Key Management Personnel (Chairman)	Remuneration Paid	44,728,299	36,648,668
Smt. Preetha Reddy	Key Management Personnel (Managing Director)	Remuneration Paid	17,891,320	14,659,467
Smt. Suneeta Reddy	Key Management Personnel (Executive Director-Finance)	(a) Salary and Allowances	1,250,000	1,500,000
		(b) Contribution to PF	150,000	180,000
		(c) Remuneration Paid	1,722,470	-
		<b>TOTAL</b>	<b>3,122,470</b>	<b>1,680,000</b>
Smt. Sangita Reddy	Key Management Personnel (Executive Director-Operations)	(a) Salary and Allowances	1,200,000	1,500,000
		(b) Contribution to PF	150,000	180,000
		(c) Remuneration Paid	688,988	-
		<b>TOTAL</b>	<b>2,088,988</b>	<b>1,680,000</b>
Shri. P. Obul Reddy	Relative of Key Management Personnel (Director)	(a) Sitting fees	50,000	50,000
		(b) Commission	150,000	150,000
		<b>TOTAL</b>	<b>200,000</b>	<b>200,000</b>
<b>Subsidiary Company (AHIL)</b>				
Shri.C.D.D.Reddy	Key Management Personnel	Remuneration paid during the year	1,316,560	1,316,560
<b>Associate Company (IMCL)</b>				
Smt. Anne Marie Moncure	Key Management Personnel	Remuneration to Managing Director	6,807,608	6,807,608

**29. CALCULATION OF EARNINGS PER SHARE:**

Particulars	31.03.2006	31.03.2005
Profit after Minority interest, Share in associates and preference dividend (A) (Rs.)	519,904,896	384,176,053
Weighted Average number of equity shares (B) (Nos)	48,060,399	40,595,693
Basic Earnings per Rs.10/- share(A/B) (Rs.)	10.82	9.46
Convertible Equity Warrants issued during the year (C) (Nos.)	1,039,965	-
Weighted Average No. of Shares for Diluted Earnings per Share (D)	49,100,364	40,595,693
Diluted Earnings per Share of Rs 10/- (A) / (D) (Rs.)	10.59	9.46

30. The deferred tax for the year debited to the profit and loss account of the group comprises :

Deferred tax liability for the year = Rs.22,356,357/- (Rs. 1,404,561/-)  
Deferred tax asset for the year = Rs.53,067,817/- (Rs. 28,456,132/-)

The accumulated deferred tax liability/(asset) of the group as on 31.03.2006 comprises :

On account of depreciation = Rs. 479,479,833/- (Rs. 429,109,642/-)  
On account of unabsorbed losses and depreciation = Rs. (80,862,099/-) ( Rs. (28,649,083/-) )  
On account of DRE = Rs. 95,549,692/- (Rs. 109,208,429/-)

**Apollo Hospitals Enterprise Limited**

The company adjusts the amount of Deferred Tax Liability carried forward by applying the tax rate that has been enacted or substantively enacted at the date of the Balance Sheet on accumulated timing differences. Such differences were accounted for in 2004-05. No such adjustment has been effected this year, since the tax rates have not changed for the fiscal 2006.

The effects on such Deferred Tax Liability , if any, arising out of assessments completed but under contest under various stages of appeal will be made on the appeals being decided.

31. Figures of the current year are not comparable with that of the previous year due to the inclusion of figures of two new subsidiaries, one new joint venture and a former subsidiary being converted into an associate during the current year.
32. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.
33. Figures of the current year have been rounded off to the nearest rupee.
34. Where disclosures have not been made by subsidiaries, associates or joint ventures in their independent Notes, the figures relate to those of the parent company alone.
35. All figures in the Notes with respect to Subsidiaries, Joint Ventures and Associates are gross figures as detailed in their independent notes to accounts and not adjusted as per the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India (ICAI).

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As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004

Place: Chennai  
Date: 12th June 2006

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For and on behalf of the Board of Directors

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

# Consolidated

## Cash Flow Statement for the year ended 31st March 2006

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash Flow from operating activities</b>				
<b>Net profit before tax and extraordinary items</b>		673,361,230		527,632,693
<b>Adjustment for:</b>				
Depreciation	378,340,034		311,314,799	
Profit on sale of assets	(4,600)		-	
Profit on sale of investments	(172,885)		(2,569,749)	
Loss on sale of assets	1,005,949		1,765,467	
Interest paid	243,593,749		242,435,354	
Misc.Exp.written off	33,028,286		39,936,292	
Impairment loss / gain	267,822		(9,006,609)	
Provision for bad debts	17,082,000		8,344,637	
Interest & Dividend received	(69,576,986)		(13,645,006)	
Diminution in value of current Investments	-		94,143,630	
		603,563,369		672,718,815
<b>Operating profit before working capital changes</b>		1,276,924,599		1,200,351,508
<b>Adjustment for:</b>				
Trade or other receivables	11,255,483		(189,665,409)	
Inventories	(90,578,243)		(32,534,475)	
Trade payables	294,381,138		(14,558,622)	
Others	(230,613,400)		(73,504,102)	
		(15,555,022)		(310,262,608)
<b>Cash generated from operations</b>		1,261,369,577		890,088,900
Interest paid		(251,825,333)		(261,045,293)
Taxes paid		(373,737,237)		(203,578,154)
<b>Cash flow before extraordinary items</b>		635,807,007		425,465,453
Adjustments for Misc.Exp.written off		(17,420,626)		(16,797,860)
Prior period expenses		(22,129,738)		(2,786,773)
<b>Net cash from operating activities</b>		596,256,642		405,880,820
<b>B Cash flow from Investing activities</b>				
Purchase of fixed assets		(1,985,189,580)		(604,306,808)
Purchase of investments		(1,230,234,332)		(234,395,976)
Sale of investments		229,830,685		12,338,696
Sale of fixed assets		63,937,592		1,769,777
Interest & Dividend received		69,576,985		13,645,006
<b>Net cash used in Investing activities</b>		(2,852,078,651)		(810,949,305)

	31.03.2006		31.03.2005	
	Rs.	Rs.	Rs.	Rs.
<b>C Cash flow from financing activities</b>				
Membership fees		184,500		286,500
Proceeds from issue of share premium		2,897,576,043		490,863,480
Proceeds from issue of share capital		90,000,000		20,799,300
Proceeds from long term borrowings				393,609,389
Proceeds from short term borrowings		476,040,360		62,784,724
Repayment of finance/lease liabilities		(746,034,731)		(392,449,357)
Dividend paid		(207,443,472)		(138,315,408)
<b>Net cash from financing activities</b>		<b>2,510,322,700</b>		<b>437,578,628</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>254,500,691</b>		<b>32,510,143</b>
Cash and cash equivalents (opening balance)		284,649,843		252,139,700
Cash and cash equivalents (Closing balance)		539,150,535		284,649,843
<b>Cash and Cash Equivalents Comprise of:</b>				
1) Cash Balances		22,948,068		12,713,098
2) Bank Balances		516,202,467		271,936,745
<b>Total</b>		<b>539,150,535</b>		<b>284,649,843</b>

Notes :

1. Previous year figures are not comparable with current year figures due to the inclusion of two new subsidiaries, one new joint venture and a former subsidiary being converted into an associate during the current year. Refer clause 31 in Schedule 'J' Notes forming part of Consolidated Accounts.
2. Previous year figures have been regrouped wherever necessary.
3. Figures in bracket represent outflow.

As per our report annexed

For **M/s. S Viswanathan**  
Chartered Accountants

**V C Krishnan**  
Partner (Membership No.: 22167)  
17, Bishop Wallers Avenue (West)  
CIT Colony, Mylapore, Chennai 600 004

Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

For and on behalf of the Board of Directors

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

## Statement pursuant

to Section 212 of the Companies Act, 1956,  
relating to the Company's Subsidiary Companies  
for the Financial Year 2005-2006

Name of the Subsidiary Company	Unique Home Health Care Limited	Apollo Health and Lifestyle Limited	AB Medical Centres Limited	Samudra Healthcare Enterprises Limited	Apollo Hospital (UK) Limited	Apollo Hospitals International Limited	Imperial Cancer Hospital & Research Centre Limited
Financial Year ended on	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06
Date from which it become subsidiary Shares of subsidiary company held on the above date and extent of holding	5-Sep-98	12-Dec-02	19-Jul-01	29-Nov-05	08-Aug-05	20-Jun-01	18-Jan-06
i) Equity Shares	823,012	1,500,000	16,800	8,887,934	5,000	22,330,000	9,981,000
ii) Extent of Holding (%)	100.00	100.00	100.00	100.00	100.00	55.35	51.00
Net aggregate amount of profits/(losses) of the subsidiary for the above financial year so far as they concern members of Apollo Hospitals Enterprise Limited							
i) Dealt with	NA	NA	NA	NA	NA	NA	NA
ii) Not Dealt with	1,326,047	2,810,939	4,464,285	(25,065,246)	-	(103,097,056)	-
Net aggregate amount of profits/(losses) of the subsidiary for previous financial years as far as it concerns members of Apollo Hospitals Enterprise Limited							
i) Dealt With	NA	NA	NA	NA	NA	NA	NA
ii) Not Dealt With	1,264,779	5,903,168	2,406,562	NA	NA	(55,317,843)	NA

For and on behalf of the Board of Directors

Place: Chennai  
Date: 12th June 2006

**S K Venkataraman**  
Chief Financial Officer &  
Company Secretary

**Dr.Prathap C Reddy**  
Executive Chairman

**Preetha Reddy**  
Managing Director

**Suneeta Reddy**  
Executive Director - Finance

## Disclosure of Information Relating to Subsidiary Companies

(Pursuant to approval by Ministry of Company Affairs Under Section 212 (8) of the Companies Act, 1956 for the year ended 31st March 2006)  
(Rs.)

Particulars	UHHCL	AHLL	ABMCL	SHEL	AHUKL	AHIL	ICHRCL
Financial year ended	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06	31-Mar-06
Country of Incorporation	India	India	India	India	UK	India	India
Share Capital	8,230,120	15,000,000	16,800,000	88,879,340	£5000 (INR390,000)	403,459,690	195,700,000
Share Application Money	-	-	-	149,500,000	-	-	-
Reserves	5,721,025	-	179,000	-	-	89,999,995	398,000,000
Loan Funds	269,418,901	45,412,622	23,301,108	-	-	780,836,065	271,343,805
Current Liabilities & Provisions	2,812,266	30,273,059	542,650	11,272,757	-	152,645,242	32,654,654
Deferred Tax Liability	176,351	-	194,418	24,467,054	-	-	-
<b>Total Liabilities</b>	<b>286,358,663</b>	<b>90,685,681</b>	<b>41,017,176</b>	<b>274,119,151</b>	-	<b>1,426,940,992</b>	<b>897,698,459</b>
Net Fixed Assets	841,687	3,535,287	31,132,424	177,319,215	-	1,126,514,837	201,009,965
Capital work in progress	-	-	-	-	-	6,590,611	475,844,107
Net Intangible Assets	-	24,094,976	-	-	-	-	-
Investments	92,187,951	2,500,000	-	-	-	-	-
Current Assets, Loans & Advances	193,329,025	40,845,936	3,095,886	23,590,634	£5000 (INR390,000)	57,446,044	172,920,974
Debit Balance in Profit & Loss A/c.	-	19,709,482	6,788,866	73,032,102	-	158,414,900	47,923,413
Deferred Tax Asset	-	-	-	-	-	77,873,200	-
Miscellaneous Expenditure	-	-	-	177,200	-	101,400	-
<b>Total Assets</b>	<b>286,358,663</b>	<b>90,685,681</b>	<b>41,017,176</b>	<b>274,119,151</b>	-	<b>1,426,940,992</b>	<b>897,698,459</b>
Revenue / Income	6,429,221	56,454,597	7,345,662	44,131,723	-	212,912,294	-
<b>Profit / (Loss) before Taxation</b>	<b>2,097,967</b>	<b>3,613,228</b>	<b>6,023,504</b>	<b>(15,912,463)</b>	-	<b>(150,880,858)</b>	-
Deferred Tax Asset	-	-	-	-	-	50,078,918	-
Provision for Taxation - Current	715,856	223,708	510,000	-	-	1,767,636	-
- Deferred	12,528	-	1,049,219	9,099,385	-	-	-
Fringe Benefit Tax	43,536	578,581	-	53,398	-	527,480	-
<b>Profit / (Loss) After Taxation</b>	<b>1,326,047</b>	<b>2,810,939</b>	<b>4,464,285</b>	<b>(25,065,246)</b>	-	<b>(103,097,056)</b>	-
Proposed Dividend	-	-	-	-	-	-	-
<b>Details of Investments</b>							
Quoted - Non Trade - Current	665,850	-	-	-	-	-	-
Quoted - Non Trade - Long Term	83,386,101	-	-	-	-	-	-
Unquoted - Subsidiaries	-	-	-	-	-	-	-
Unquoted Non Trade Others	8,136,000	2,500,000	-	-	-	-	-
<b>Total Investments</b>	<b>92,187,951</b>	<b>2,500,000</b>	-	-	-	-	-

**Legend:**

UHHCL: Unique Home Health Care Ltd

AHUKL: Apollo Hospital (UK) Ltd

AHLL: Apollo Health & Lifestyle Ltd

AHIL: Apollo Hospitals International Ltd

ABMCL: AB Medical Centres Ltd

ICHRCL: Imperial Cancer Hospitals & Research Centre Ltd

SHEL: Samudra Healthcare Enterprises Ltd

**FOR THE KIND ATTENTION OF SHAREHOLDERS**

- Shareholders / Proxy holders attending the meeting should bring the Attendance slip to the meeting and hand over the same at the entrance duly signed.
- Shareholders / Proxy holders attending the meeting are requested to bring the copy of the Annual Report for reference at the meeting.

**Apollo Hospital (UK) Limited**  
Ground Floor, 150 Strand, LONDON WC2R 1JA

**Balance Sheet as at 31st March, 2006**

Particulars	INR	Amount GBP
<b>A. Liabilities</b>		
Share Capital	390,000	5,000
<b>Total</b>	<b>390,000</b>	<b>5,000</b>
<b>B. Assets</b>		
Current Assets		
Cash & Bank Balance	390,000	5,000
<b>Total</b>	<b>390,000</b>	<b>5,000</b>

**Note:**

No Profit & Loss Account has been prepared as the Company is yet to commence its operations.

Place : Chennai  
Date : 27th April, 2006

**Smt. Preetha Reddy**  
**Smt. Suneeta Reddy**  
**Smt. Shobana Kamineni**  
**Directors**





