



**DOCTORS HOSPITAL
ANNUAL REPORT 2015**

DOCTORS HOSPITAL HEALTH SYSTEM

OUR MISSION

Doctors Hospital exists to operate a quality acute care hospital that meets and exceeds the healthcare needs and expectations of our patients, provides an enriching and rewarding professional environment for our Associates and Physicians, makes a positive contribution to the advancement of healthcare in the Region, and provide increasing value to our shareholders.



OUR MISSION

The Bahamas Medical Center exists to assist in the fulfillment of the vision of Doctors Hospital by providing Emergency and Outpatient care to the population of New Providence and the Family Islands along with our International Patients. We will also provide a Medical Fitness Center that will coordinate a comprehensive Wellness program.



DOCTORS HOSPITAL HEALTH SYSTEM

Our Vision

Doctors Hospital will be the best healthcare provider in the Region.

Our Core Values

The phrase **"We Care"** is more than just a slogan to us, it is an acronym for the qualities we believe are essential to our business:

W- Welcome
E - Empathy

C - Commitment
A - Accountability
R - Respect
E - Excellence

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CHAIRMAN'S REPORT

As the Bahamas continues to struggle its way out of an extended economic recession, Doctors Hospital Health System continues to focus on providing the highest level of healthcare in our core business, developing new revenue streams and containing costs where possible.

With choices for healthcare and economic forces – including VAT on healthcare services – making it ever more important for people to shop wisely, we at Doctors Hospital Health System appreciate that Bahamians have a choice when it comes to their healthcare.

CONTINUES...

JOE W. P.
KRUKOWSKI
Chairman of the Board

CHAIRMAN'S REPORT

With this in mind, we continue to ensure that Doctors Hospital and Bahamas Medical Center remain the top choice for even the most discerning patient.

As companies and individuals continue to struggle against this sluggish economy, Doctors Hospital Health System has seen a reduction in the number of insured patients, but an increase in the number of self-pay patients. While this shift in patient portfolio brings with it an increased risk of higher receivables, it does tell us that despite their lack of insurance coverage, Bahamians are still finding a way to seek healthcare with their first choice provider.

In order to continue to meet their expectations of top quality healthcare, in late 2014, we embarked on a journey to examine who we are and what we want to be. Our Associates defined a list of Standards in keeping with our corporate Values and each member of our team has pledged to uphold these Standards, assuring that every patient has an Excellent Experience with everyone they encounter within our health system.

While we keep our main focus on our core business, we continue to explore and develop new initiatives that will not only improve our company's bottom line, but provide enhanced healthcare for Bahamians and our visitors.

This year we plan to expand and enhance our outpatient clinic at Doctors Hospital. This will help our Physician partners provide a continuum of care within the health system and creates an added level of convenience for our patients.

We have strengthened our public/private partnerships to address the new and pending regulatory requirements (VAT and NHI) and we remain committed to our community support through public education, health screenings.

Bahamas Medical Center continues to grow its business, although slower than we would wish. The Hyperbaric Therapy has done better than projections and the Urgent Care Center continues to increase volumes. The Medical Fitness Center is a fast growing department with much potential ahead. The medical tourism program has had many bureaucratic obstacles as we await approvals for a number of different programs that will have a very positive effect on our financial position.

On behalf of the Board of Directors, I thank and appreciate our loyal customers for continuing to select Doctors Hospital Health System. We also thank our Physicians, Associates and shareholders for their support. Meeting and exceeding the expectations of our customers and patients while ensuring that Doctors Hospital health system is poised for the future remains our objective.

Sincerely

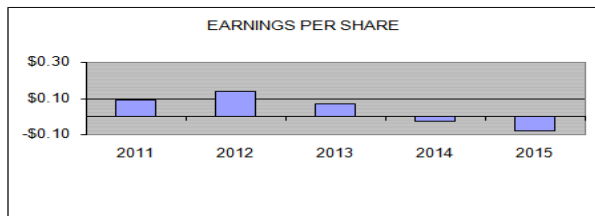


JOE W. P.
KRUKOWSKI
Chairman of the Board
Doctors Hospital Health System Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Fiscal 2015 Results of Operations

Consolidated Net loss totaled \$(759,573) or \$(0.08) per share, for the year ended January 31, 2015, compared to a loss of \$(261,391) or \$(0.03) per share, for the year ended January 31, 2014. Net profit for Doctors Hospital (Bahamas) Limited for fiscal 2015 totaled \$698,428 compared with a profit of \$1,348,774 last year. Net Loss for Bahamas Medical Center is \$(1,458,001) compared with \$(1,610,165) fiscal 2014.

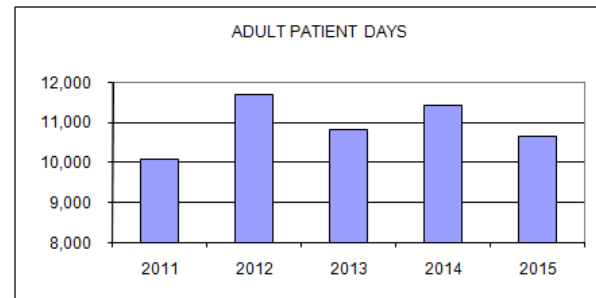


DOCTORS HOSPITAL (BAHAMAS) LIMITED

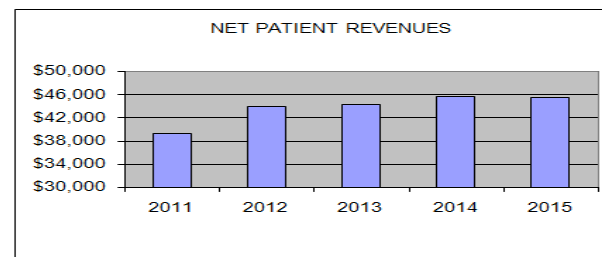
Revenue/Volume Trends

For the year ended January 31, 2015 total net revenue decreased \$208,967. Adult patient days decreased by 6.7% from the previous year. Decreases in the Intensive and Intermediary Care Units accounted for 96% of the change. Total admissions to the facility were 4,061 in fiscal 2015 compared to 3,870 in fiscal 2014, representing a 4.9% increase over the prior year. This increase in admissions represented shorter stay admissions and one-day surgery cases, and therefore

did not translate to increased revenue. The average daily census decreased to 29.2 patients per days from 31.3 in the previous year.



While total net patient revenue only fell \$208,967; In-patient revenue (net) decreased \$2,020,111 and Emergency Services increased \$1,492,406 of which 50% is directly attributable to physician services and is offset as an expense to outside services medical.



Expenses:

Total expenses increased \$627,759 or 1.4% and as a percentage of total revenue expenses are 98.5% compared with 97.1% last year. The principal variances are discussed below:

Medical Services

Medical services increased by \$765,097 or 11.4% in fiscal 2015 over the previous year, primarily as a result of increased volumes in the emergency area and price increases for professional fees.

Government Taxes & Fees

Business license fees increased \$265,912 or 30%, and is due to the increased rate for business license tax.

BAHAMAS MEDICAL CENTER LIMITED

Revenue/Volume Trends

Total net revenue for the year was \$1,392,908 compared with \$1,168,083 last fiscal, an increase of \$224,825 or 19.25%.

The hyperbaric department (oxygen therapy) came on line this year and is primarily responsible for the increased revenue along with increased business in outpatient physical therapy.

While there was some improvement in revenue generation, budgeted increases in medical tourism surgeries were again not realized due to approval difficulties.

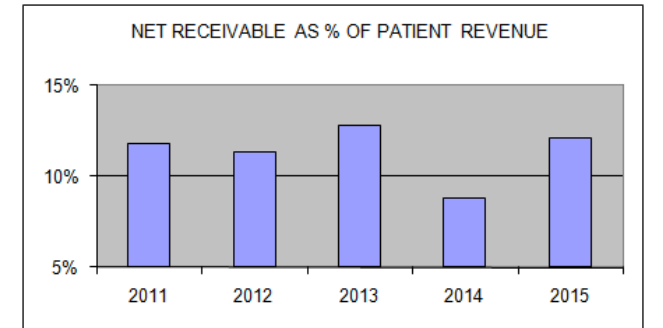
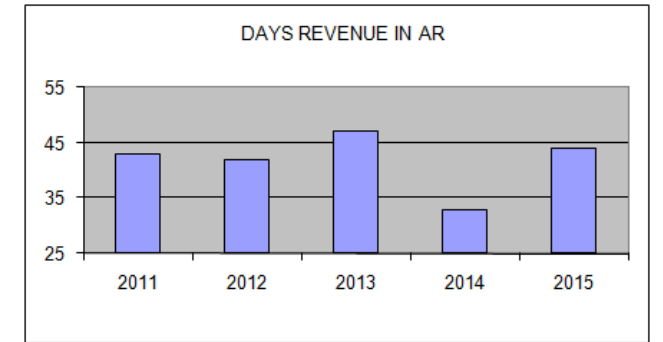
Expenses

Total expenses were \$3,085,115 in fiscal 2015 compared with \$3,009,314 fiscal 2014, a 2.5% increase which was mainly due to depreciation and salaries in the new hyperbaric department.

AR MANAGEMENT AND PROVISION FOR DOUBTFUL ACCOUNTS

Bad debt expense, as a percentage of patient service revenues decreased to 2.9% for the year ended January 31, 2015, compared to 3.9% the previous year. This represented a decrease of \$456,642, or 25.1%.

The number of days revenue in accounts receivable at year-end (AR Days) for fiscal 2015 stand at 44 compared with fiscal 2014 at 32.5 days, and net receivables as a percentage of net patient revenue rose to 12.13% from 8.84%. The increase is due to a higher census during the last two months of the year and slower than usual payments from the insurance companies due to value added tax complications.



LIQUIDITY AND CAPITAL RESOURCES

INVESTING ACTIVITIES

Net cash used was \$2.5 million compared to net cash used of \$3.8 million in the previous year. All funds were used for purchases of property, plant, equipment, intangibles and facility improvements. As with the previous year, all investing activities for this year were funded from internally-generated cash flows. A general breakdown of the additions as reported in Note 12 and 13 to the financial statements are as follows:

	Year Ended January 31, 2015	Year Ended January 31, 2014
Medical equipment & furniture	\$ 915,000	\$ 954,000
Bahamas Medical Center equipment & renovations	158,000	834,000
Land and Building purchase	669,000	822,000
Facility equipment equipment & renovations	318,000	497,000
Information technology	325,000	403,000
Ambulance	-	142,000
Support Department equipment	97,000	126,000
Total property, plant, equipment and intangibles	\$ 2,482,000	\$ 3,778,000

Capital expenditure for fiscal 2016 is projected at \$4.0 million for replacement equipment and facility improvements.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Doctors Hospital Health System Limited:

We have audited the consolidated financial statements of Doctors Hospital Health System Limited (the "Company"), which comprise the consolidated statement of financial position as at January 31, 2015, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

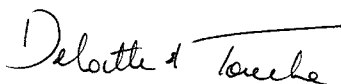
Auditors' responsibility

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

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

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Doctors Hospital Health System Limited as at January 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


April 29, 2015

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 7)	\$ 4,525,247	\$ 6,047,048
Accounts receivable-patients, net (Note 8)	647,975	618,986
Accounts receivable-third-party payors, net (Note 8)	5,024,646	3,515,665
Inventories (Note 9)	1,835,681	1,747,280
Other assets (Note 10)	1,043,805	942,203
Total current assets	13,077,354	12,871,182
NON-CURRENT ASSETS:		
Investment	30,000	30,000
Goodwill, net (Note 11)	430,902	430,902
Other intangible assets (Note 12)	566,173	767,665
Fixed assets (Note 13)	16,561,456	17,021,179
Total non-current assets	17,588,531	18,249,746
TOTAL ASSETS	\$ 30,665,885	\$ 31,120,928

(Continued)

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 31, 2015

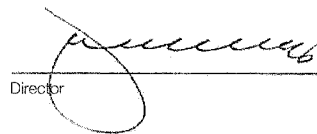
(Expressed in Bahamian dollars)

	2015	2014
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other liabilities (Note 14)	\$ 3,647,463	\$ 3,342,933
EQUITY		
Share capital:		
Authorized 12,500,000 Common shares at par value of \$0.04 (2014 - 12,500,000); issued and fully paid 9,971,634 (2014 - 9,971,634)	398,865	398,865
Contributed surplus	12,358,030	12,358,030
Retained earnings	14,261,527	15,021,100
Total equity	27,018,422	27,777,995
TOTAL LIABILITIES AND EQUITY	\$ 30,665,885	\$ 31,120,928

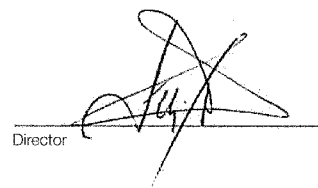
(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 21, 2015 and are signed on its behalf by:



Director



Director

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2015	2014
REVENUE:		
Patient services revenue, net	\$ 46,783,624	\$ 46,767,766
Other revenue, net	1,677,255	1,487,736
Total revenue	48,460,879	48,255,502
EXPENSES:		
Salaries and benefits (Note 16)	20,651,654	20,344,091
Medical supplies	6,906,187	6,871,436
Medical services	7,841,512	7,052,034
Depreciation and amortization (Notes 12 and 13)	3,143,612	3,201,491
Other operating expenses	2,231,199	2,298,676
Utilities	1,905,320	1,975,826
Bad debt expense (Note 8)	1,363,463	1,820,105
Government taxes and fees (Note 17)	1,305,853	1,003,208
Outside services	937,079	1,152,771
Insurance	910,914	876,447
Repairs and maintenance	867,440	698,731
Dietary expenses	584,907	587,686
Rent	344,973	375,558
Legal expenses	226,339	258,833
Total expenses	49,220,452	48,516,893
LOSS AND COMPREHENSIVE		
LOSS FOR THE YEAR	\$ (759,573)	\$ (261,391)
LOSS PER SHARE (Note 21):		
Basic and fully diluted	\$ (0.08)	\$ (0.03)

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings	Total
Balance at January 31, 2013	9,971,634	\$ 398,865	\$ 12,358,030	\$ 15,880,789	\$ 28,637,684
Loss and comprehensive loss	-	-	-	(261,391)	(261,391)
Dividends paid (Note 18)	-	-	-	(598,298)	(598,298)
Balance at January 31, 2014	9,971,634	398,865	12,358,030	15,021,100	27,777,995
Loss and comprehensive loss	-	-	-	(759,573)	(759,573)
Balance at January 31, 2015	<u>9,971,634</u>	<u>\$ 398,865</u>	<u>\$ 12,358,030</u>	<u>\$ 14,261,527</u>	<u>\$ 27,018,422</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	\$ (759,573)	\$ (261,391)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Bad debt expense (Note 8)	1,363,463	1,820,105
Depreciation and amortization (Notes 12 and 13)	<u>3,143,612</u>	<u>3,201,491</u>
Operating income before working capital changes	3,747,502	4,760,205
Increase in accounts receivable	(2,901,433)	(234,173)
Increase in inventories	(88,402)	(108,884)
Increase in other assets	(101,602)	(300,987)
Increase in accounts payable and other liabilities	<u>304,530</u>	<u>177,712</u>
Net cash from operating activities	<u>960,595</u>	<u>4,293,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 13)	(2,454,696)	(3,628,570)
Purchase of intangible assets (Note 12)	<u>(27,700)</u>	<u>(150,113)</u>
Net cash used in investing activities	<u>(2,482,396)</u>	<u>(3,778,683)</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Dividends paid to shareholders (Note 18)	\$ -	\$ (598,298)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,521,801)	(83,108)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>6,047,048</u>	<u>6,130,156</u>
END OF YEAR (Note 7)	<u>\$ 4,525,247</u>	<u>\$ 6,047,048</u>
SUPPLEMENTAL INFORMATION:		
Interest received	<u>\$ 18,279</u>	<u>\$ 34,522</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

1. GENERAL

Doctors Hospital Health System Limited ("DHHS" or the "Company") was incorporated under the laws of the Commonwealth of The Bahamas on July 1, 1998. Shares of the Company are publicly traded and listed on the Bahamas International Securities Exchange. The Company provides a broad range of healthcare services. The consolidated financial statements for the year ended January 31, 2015 comprise the Company and its subsidiaries as described in Note 6.

The Company's registered office is located at Sassoon House, Shirley Street and Victoria Avenue, Nassau, Bahamas.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after February 1, 2014. The adoption of these Standards and Interpretations has not led to any changes in the Company's accounting policies.

a. Standards and Interpretations effective but not affecting the reported results or financial position

- IFRS 1 (Amended) First Time Adoption of IFRS-Government Loans
- IFRS 10 Consolidated Financial Statements - Investment Entities
- IFRS 12 Disclosure of Interests in Other Entities - Investment Entities
- IFRS 13 Fair Value Measurements
- IAS 16 (Amended) Property, Plant and Equipment
- IAS 27 (Revised 2012) Separate Financial Statements - Investment Entities
- IAS 32 (Amended) Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities
- IAS 36 (Amended) Impairment of Assets
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The above standards have not led to changes in the consolidated financial position of the Company during the current year.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

b. Standards and Interpretations in issue but not yet effective

- IFRS 7 (Amended) Financial Instruments: Disclosures
- IFRS 8 (Amended) Operating Segments (Effective for Accounting Periods Beginning on or after July 1, 2014)
- IFRS 9 (Amended) Financial Instruments (Effective for Accounting Periods Beginning on or after January 1, 2018)
- IFRS 10 Consolidated Financial Statements - Consolidation Exception (Effective accounting period beginning on or after January 1, 2016)
- IFRS 11 Joint Agreements - Accounting for Acquisition (Effective accounting period beginning on or after January 1, 2016)
- IFRS 12 Disclosure of Interests in Other Entities - Consolidation (Effective Accounting Period beginning on or after January 1, 2016)
- IFRS 14 Regulatory Deferral Accounts (Effective for Accounting Periods Beginning on or after January 1, 2018)
- IFRS 15 Revenue from Contracts with Customers (Effective for Accounting Periods Beginning on or after January 1, 2017)
- IAS 16 (Amended) Property, Plant and Equipment - Acceptable Methods of Depreciation and Amortization
- IAS 19 (Amended) Employee Benefits
- IAS 28 (Amended) Investments in Associates and Joint Ventures - Consolidation Exception
- IAS 32 (Amended) Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities
- IAS 34 (Amended) Interim Financial Reporting
- IAS 36 (Amended) Impairment of Assets -Recoverable Amount Disclosures for Non-Financial Assets
- IAS 38 (Amended) Intangible Assets
- IAS 39 (Amended) Novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies

Management does not anticipate that the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - The consolidated financial statements of DHHS have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of preparation - The consolidated financial statements have been prepared on a historical cost basis except for financial assets and liabilities, which have been recorded at amortized cost.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

Basis of consolidation - These consolidated financial statements include the accounts of the Company and its subsidiaries: Doctors Hospital (Bahamas) Limited ("DHB"), Doctors Hospital (East) Limited ("DHE"), Doctors Hospital (West) Limited ("DHW"), and Bahamas Medical Center Limited ("BMC"); formerly Western Medical Plaza ("WMP"). On September 11, 2012 the subsidiary Western Medical Plaza Limited's name was changed to Bahamas Medical Center Limited. The Company and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas. The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies. These consolidated financial statements are expressed in Bahamian dollars, which is also the Company's functional currency.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. All inter-company accounts and transactions have been eliminated.

Cash and cash equivalents - Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial instruments - Financial assets within the scope of IAS 32 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

On initial recognition a financial asset or liability is measured at its fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition financial assets are classified as either financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; or available-for-sale; and are measured at their fair values without any deduction for transaction costs, except for the following financial assets:

- loans and receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

After initial recognition financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Inventories - Inventories consist of pharmaceutical and medical supplies. Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition (including freight and duty) are accounted for on a first-in-first-out basis. Net realizable value is the estimated selling price less cost in the ordinary course of business.

Goodwill - Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment is assessed as indicated under impairment of non-financial assets.

Intangible assets - Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Impairment is assessed as indicated under impairment of non-financial assets.

Intangible assets represent the core computer software application in the Company's healthcare information system and are amortized using the straight-line method over a period of seven years.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

Fixed assets - Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less accumulated impairment losses. Such cost includes the cost of replacing part of the fixed asset when that cost is incurred, if the recognition criteria are met. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Land and buildings	20 - 40 years
Leasehold improvements	3 - 10 years
Furniture and equipment	3 - 10 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of fixed assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the fixed assets) is included in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognized.

Impairment of non-financial assets - The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Company assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized.

Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 January.

Leases - Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The determination of whether an arrangement is, or contains a lease at inception date is based on the substance of the arrangement of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease rentals are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease and are included in rent expense.

Company as a lessor

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

Revenue recognition - Net patient service revenue consists of patient service revenues that are recorded based upon established billing rates less allowances for contractual discounts. Included in net patient service revenue are services rendered by contracted third-party physicians, which are disbursed either during the same month recognized or when paid. Revenues are recorded during the period the healthcare services are provided based on estimated amounts due from patients and third-party payors.

Pension benefits - The Company has a defined contribution pension plan. Contributions under the plan are recorded as expense in the consolidated statement of profit or loss and other comprehensive income. The Company recognizes a liability for their portion and employee contributions withheld. There are no further obligations beyond the contribution.

Earnings per share - Basic earnings and fully diluted earnings per common share is computed by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

Income taxes - There are no income taxes imposed on the Company by the Commonwealth of The Bahamas.

Provisions - The Company accrues for estimated professional liability claims when the claims are probable and reasonably estimable. Details of claims are not separately disclosed where sensitive in nature or where such disclosure may impact negotiations.

Contingencies - A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated financial statements. They are not disclosed when the possibility of an outflow of resources embodying economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be recovered, the recovery shall be recognised when, and only when, it is virtually certain that it will be received if the Company settles the obligation. Recoveries arising from a liability claim are recognized as a receivable.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the consolidated statement of financial position date - Post year-end events that provide additional information about the Company's position at the consolidated

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgments and estimates - The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses and disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Contractual discounts

Estimates of contractual allowances are based upon the payment terms specified in the related contractual agreements. The estimated reimbursement amounts are subject to adjustment in subsequent periods as final settlements are determined based on detailed review of bills submitted for payment.

Provision for doubtful accounts

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for doubtful accounts is based on management's assessment of historical and expected net collections, business and economic conditions and other collection indicators. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to "uninsured" amounts (including co-payments and deductible amounts from patients who have healthcare coverage) due directly from patients. Accounts are written off when all reasonable internal and external collection efforts have been performed. Adverse changes in general economic conditions, business office operations, payor mix, or trends in healthcare coverage could affect collection of accounts receivable, cash flows and results of operations.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows over a period of time deemed reasonable by management.

Contingencies

The Company is currently a defendant in a number of cases involving claims and disputes mainly related to medical practice. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Company's consolidated financial position and financial performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

5. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

For management purposes, the Company is organized into units based on patient type, and has three reportable operating segments as follows:

In-patients - which include intensive care, intermediate care and medical/surgical care;

Out-patients - which include ambulatory surgical patients, imaging, laboratory, physical therapy and pharmaceutical services;

Emergency services - which include patients seen through the Emergency Department.

Support services such as dietary, environmental, security, engineering, and all administrative departments have been allocated to these segments based on revenue dollars, square footage and number of employees where appropriate.

Bahamas Medical Center Limited - a subsidiary of Doctors Hospital (Bahamas) Limited.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2015			
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center Ltd.	Unallocated	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Note 7)	\$ 4,502,762	\$ 22,160	\$ 325	\$ 4,525,247
Accounts receivable-patients, net (Note 8)	625,351	22,624	-	647,975
Accounts receivable-third-party payors, net (Note 8)	4,935,571	89,075	-	5,024,646
Inventories (Note 9)	1,778,895	56,786	-	1,835,681
Other assets (Note 10)	909,424	134,381	-	1,043,805
Total current assets	12,752,003	325,026	325	13,077,354
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net (Note 11)	430,902	-	-	430,902
Other intangible assets (Note 12)	564,173	2,000	-	566,173
Fixed assets (Note 13)	6,403,474	1,912,222	8,245,760	16,561,456
Total non-current assets	7,398,549	1,914,222	8,275,760	17,588,531
TOTAL ASSETS	\$ 20,150,552	\$ 2,239,248	\$ 8,276,085	\$ 30,665,885
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and other liabilities (Note 14)	\$ 3,601,595	\$ 45,868	\$ -	\$ 3,647,463

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2014			
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center Ltd.	Unallocated	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Note 7)	\$ 6,031,547	\$ 15,241	\$ 260	\$ 6,047,048
Accounts receivable-patients, net (Note 8)	603,046	15,940	-	618,986
Accounts receivable-third-party payors, net (Note 8)	3,431,041	84,624	-	3,515,665
Inventories (Note 9)	1,663,431	83,849	-	1,747,280
Other assets (Note 10)	841,059	101,144	-	942,203
Total current assets	12,570,124	300,798	260	12,871,182
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net (Note 11)	430,902	-	-	430,902
Other intangible assets (Note 12)	764,465	3,200	-	767,665
Fixed assets (Note 13)	7,018,757	2,182,065	7,820,357	17,021,179
Total non-current assets	8,214,124	2,185,265	7,850,357	18,249,746
TOTAL ASSETS	\$20,784,248	\$2,486,063	\$7,850,617	\$ 31,120,928
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and other liabilities (Note 14)	\$ 3,304,634	\$ 38,299	\$ -	\$ 3,342,933

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2015						
	In-Patient	Out-Patient	Emergency services	Unallocated	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center	Consolidated
Patient services revenue, net	\$ 25,935,569	\$ 9,412,178	\$ 10,042,969	\$ -	\$ 45,390,716	\$ 1,392,908	\$ 46,783,624
Salaries	12,900,352	3,142,814	3,568,176	-	19,611,342	1,040,312	20,651,654
Medical supplies	3,980,629	1,738,355	1,033,248	-	6,752,232	153,955	6,906,187
Medical services	1,873,802	1,211,873	4,394,667	-	7,480,342	361,170	7,841,512
Depreciation and amortization	1,625,026	581,313	375,325	-	2,581,664	561,948	3,143,612
Other operating	1,334,100	360,252	381,149	-	2,075,501	155,698	2,231,199
Utilities	1,116,402	229,465	261,327	-	1,607,194	298,126	1,905,320
Bad debt expense, net of recoveries	727,750	254,681	282,003	-	1,264,434	99,029	1,363,463
Outside services	534,012	120,484	132,390	-	786,886	150,192	937,078
Government taxes and fees	717,380	200,385	234,063	-	1,151,828	154,026	1,305,854
Repairs and maintenance	490,078	156,553	144,068	-	790,699	76,741	867,440
Dietary expenses	384,974	79,772	88,253	-	552,999	31,908	584,907
Rent	198,551	69,484	76,938	-	344,973	-	344,973
Legal expenses	129,114	45,184	50,032	-	224,330	2,009	226,339
Total expenses	26,012,170	8,190,615	11,021,639	-	45,224,424	3,085,114	48,309,538
Segment profit (loss)	(76,601)	1,221,563	(978,670)	-	166,292	(1,692,206)	(1,525,914)
Other revenue	-	202,666	938,270	302,114	1,443,050	234,205	1,677,255
Insurance	-	-	-	-	(910,914)	-	(910,914)
Unallocated sub total	-	202,666	938,270	302,114	532,136	234,205	766,341
Net income (loss)	\$ (76,601)	\$ 1,424,229	\$ (40,400)	\$ 302,114	\$ 698,428	\$ (1,458,001)	\$ (759,573)

(Continued)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

	2014						
	In-Patient	Out-Patient	Emergency services	Unallocated	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center	Consolidated
Patient services revenue, net	\$ 27,956,680	\$ 9,092,440	\$ 8,550,563	\$ -	\$ 45,599,683	\$ 1,168,083	\$ 46,767,766
Salaries	13,183,841	2,911,202	3,239,759	-	19,334,802	1,009,289	20,344,091
Medical supplies	4,134,717	1,651,866	920,352	-	6,706,935	164,502	6,871,437
Medical Services	2,094,523	1,160,372	3,460,348	-	6,715,243	336,790	7,052,033
Depreciation and amortization	1,793,689	584,495	359,504	-	2,737,688	463,803	3,201,491
Other operating	1,357,496	353,891	347,233	-	2,058,620	240,056	2,298,676
Utilities	1,203,404	234,503	264,883	-	1,702,790	273,036	1,975,826
Bad debt expense, net of recoveries	1,091,198	341,398	334,177	-	1,766,773	53,332	1,820,105
Outside services	630,394	139,805	144,780	-	914,979	237,792	1,152,771
Government taxes and fees	578,100	140,951	166,864	-	885,915	117,293	1,003,208
Repairs and maintenance	436,006	107,312	91,159	-	634,477	64,254	698,731
Dietary expenses	389,287	75,815	78,812	-	543,914	43,772	587,686
Rent	231,953	72,685	70,920	-	375,558	-	375,558
Legal expenses	156,528	49,050	47,859	-	253,437	5,396	258,833
Total expenses	27,281,136	7,823,345	9,526,650	-	44,631,131	3,009,315	47,640,446
Segment profit (loss)	675,544	1,269,095	(976,087)	-	968,552	(1,841,232)	(872,680)
Other revenue	-	149,410	734,391	372,868	1,256,669	231,067	1,487,736
Insurance	-	-	-	(876,447)	(876,447)	-	(876,447)
Unallocated sub total	-	149,410	734,391	(503,579)	380,222	231,067	611,289
Net income (loss)	\$ 675,544	\$ 1,418,505	\$ (241,696)	\$ (503,579)	\$ 1,348,774	\$ (1,610,165)	\$ (261,391)

(Concluded)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

6. INVESTMENTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest	
		2015	2014
Doctors Hospital (Bahamas) Limited	Bahamas	100	100
Bahamas Medical Center Limited	Bahamas	100	100
Doctors Hospital (East) Limited	Bahamas	100	100
Doctors Hospital (West) Limited	Bahamas	100	100

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2015	2014
Short-term deposits	\$ 3,533,957	\$ 3,517,266
Cash at bank and in hand	991,290	2,529,782
	<u>\$ 4,525,247</u>	<u>\$ 6,047,048</u>

Short-term deposits are made for varying periods of between 30 days and 3 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

8. ACCOUNTS RECEIVABLE, NET

Accounts receivable-patients represent amounts due primarily from self-pay patients and balances due from insured patients after settlements by their insurers. Accounts receivable third-party payors represent amounts due from insurance companies.

	2015	2014
Accounts receivable - third-party payors	\$ 5,738,383	\$ 3,904,905
Accounts receivable - patients	4,841,082	4,251,698
Allowance for doubtful accounts	<u>(4,906,844)</u>	<u>(4,021,952)</u>
	<u>\$ 5,672,621</u>	<u>\$ 4,134,651</u>

Movement in the allowance for doubtful account was as follows:

	2015	2014
Balance at beginning of the year	\$ 4,021,952	\$ 3,032,325
Bad debt expense for the year	1,363,463	1,820,105
Recoveries previously written off	256,381	188,300
Doubtful receivables written off in the year	<u>(734,952)</u>	<u>(1,018,778)</u>
Balance at end of the year	<u>\$ 4,906,844</u>	<u>\$ 4,021,952</u>

At January 31, the aging analysis of patient and third-party receivables, net of provisions, were as follows:

Patient	2015	2014
0-30	\$ 308,700	\$ 189,941
31-90	133,125	114,943
91-180	141,172	154,410
181-270	<u>64,978</u>	<u>159,692</u>
Total	<u>\$ 647,975</u>	<u>\$ 618,986</u>
Third-Party Payors	2015	2014
0-30	\$ 3,818,398	\$ 2,713,504
31-90	947,618	554,927
91-180	<u>258,630</u>	<u>247,234</u>
Total	<u>\$ 5,024,646</u>	<u>\$ 3,515,665</u>

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

9. INVENTORIES

Inventories are comprised of the following:

	2015	2014
Medical supplies	\$ 1,430,086	\$ 1,382,693
Pharmaceuticals	<u>405,595</u>	<u>364,587</u>
Total inventories at the lower of cost and net realizable value	<u>\$ 1,835,681</u>	<u>\$ 1,747,280</u>

The amount of write-downs of inventories recognized as an expense is \$120,611 (2014: \$175,571), which is recognized in medical supplies and services on the consolidated statement of profit or loss other comprehensive income.

10. OTHER ASSETS

Other assets are comprised of the following:

	2015	2014
Prepaid expenses	\$ 786,597	\$ 655,383
Security deposits	154,961	152,303
Advances and other assets	<u>102,247</u>	<u>134,517</u>
	<u>\$ 1,043,805</u>	<u>\$ 942,203</u>

11. GOODWILL

The goodwill recorded relates to the Company's acquisition of imaging subsidiaries. The Company tests goodwill for impairment annually or more frequently if there are indications that goodwill may be impaired. The tests were performed at January 31 and no provision for impairment was deemed necessary. Therefore, goodwill at January 31, 2015 is \$430,902 (2014: \$430,902).

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

12. OTHER INTANGIBLE ASSETS

Other intangible assets are comprised of the following:

	2015	2014
Cost:		
Balance at beginning of year	\$ 4,319,835	\$ 4,169,722
Additions	<u>27,700</u>	<u>150,113</u>
Balance at end of year	<u>4,347,535</u>	<u>4,319,835</u>
Accumulated amortization:		
Balance at beginning of year	\$ 3,552,170	\$ 3,176,886
Amortization for the year	<u>229,192</u>	<u>375,284</u>
Balance at end of year	<u>3,781,362</u>	<u>3,552,170</u>
Net book value	<u>\$ 566,173</u>	<u>\$ 767,665</u>

Other intangible assets represent the core computer software application in the Company's healthcare information system. Amortization expense is included in the line item 'depreciation and amortization' in the consolidated statement of profit or loss and other comprehensive income. Included as at January 31, 2015 are fully amortized assets of \$2,951,289 (2014: \$2,938,575).

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

13. FIXED ASSETS

Fixed assets are comprised of the following:

	Land and buildings	Work-in- Progress	Leasehold improvements	Furniture and equipment	Total
COST:					
Balance at January 31, 2013	\$ 15,740,851	\$ 642,958	\$ 1,642,219	\$ 19,381,861	\$ 37,407,889
Transfers (out) in	-	-	70,298	-	70,298
Additions	822,075	(70,298)	290,381	2,516,114	3,558,272
Disposals	<u>-</u>	<u>-</u>	<u>(304,867)</u>	<u>(411,025)</u>	<u>(715,892)</u>
Balance at January 31, 2014	16,562,926	572,660	1,698,031	21,486,950	40,320,567
Transfers (out) in	-	-	-	-	-
Additions	669,815	-	384,803	1,400,078	2,454,696
Disposals	<u>-</u>	<u>-</u>	<u>(9,664)</u>	<u>(750,498)</u>	<u>(760,162)</u>
Balance at January 31, 2015	<u>\$ 17,232,741</u>	<u>\$ 572,660</u>	<u>\$ 2,073,170</u>	<u>\$ 22,136,530</u>	<u>\$ 42,015,101</u>
ACCUMULATED DEPRECIATION:					
Balance at January 31, 2013	\$ 8,498,148	\$ -	\$ 981,977	\$ 11,708,948	\$ 21,189,073
Transfers in	-	-	-	-	\$ -
Depreciation	244,419	-	202,634	2,379,154	2,826,207
Disposals	<u>-</u>	<u>-</u>	<u>(304,867)</u>	<u>(411,025)</u>	<u>(715,892)</u>
Balance at January 31, 2014	8,742,567	-	879,744	13,677,077	23,299,388
Depreciation	244,412	-	201,046	2,468,962	2,914,420
Disposals	<u>-</u>	<u>-</u>	<u>(9,665)</u>	<u>(750,498)</u>	<u>(760,163)</u>
Balance at January 31, 2015	<u>\$ 8,986,979</u>	<u>\$ -</u>	<u>\$ 1,071,125</u>	<u>\$ 15,395,541</u>	<u>\$ 25,453,645</u>
CARRYING AMOUNT:					
At January 31, 2015	<u>\$ 8,245,762</u>	<u>\$ 572,660</u>	<u>\$ 1,002,045</u>	<u>\$ 6,740,989</u>	<u>\$ 16,561,456</u>
At January 31, 2014	<u>\$ 7,820,359</u>	<u>\$ 572,660</u>	<u>\$ 818,287</u>	<u>\$ 7,809,873</u>	<u>\$ 17,021,179</u>

During the year, fully depreciated assets of \$760,162 (2014: \$715,892) were retired from service. Included in leasehold improvements, furniture and equipment at January 31, 2015 are fully depreciated assets of \$7,853,446 (2014: \$7,112,977).

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are comprised of the following:

	2015	2014
Accounts payable - trade	\$ 1,186,547	\$ 1,370,222
Accrued expenses	1,297,582	1,054,081
Related party payable (Note 19)	419,837	443,646
VAT payable	266,583	-
Other liabilities	323,290	311,379
Vacation benefit accrual	153,624	163,605
	<u>\$ 3,647,463</u>	<u>\$ 3,342,933</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- Accrued expenses are non-interest bearing and are settled throughout the financial year.
- Related party payable is non-interest bearing and payable to Radiology Associates only when the corresponding amount in trade receivables is received by the Company, and amounts owing to TEMS and Other directors' interests which are included in accounts payable trade settled within 30 days. (See Note 19 for further information).
- Other liabilities are non-interest bearing and are normally settled throughout the financial year.
- Vacation benefit accrual is non-interest bearing and employees are encouraged to take time due in the year it is earned.
- VAT payable is paid monthly and is non-interest bearing if paid by the 28th of the following month.

15. BANK BORROWINGS

The Company maintains an overdraft facility to finance working capital needs. The facility is secured by an assignment of accounts receivable. Interest is charged at the Bahamian dollar prime rate plus 1.25% per annum. At January 31, 2015, approximately \$2.7 million (2014: \$2.7 million) was undrawn and available.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

16. SALARIES AND BENEFITS EXPENSE

Salaries and benefits expense are comprised of the following:

	2015	2014
Salaries and benefits (Note 19)	\$ 19,604,837	\$ 19,302,832
National Insurance costs	666,022	662,274
Pension costs - defined contributions pension plan (Note 20)	380,795	378,985
	<u>\$ 20,651,654</u>	<u>\$ 20,344,091</u>

17. GOVERNMENT TAXES AND FEES

Government taxes and fees are comprised of the following:

	2015	2014
Work permit fees	\$ 433,352	\$ 399,164
Business license	611,478	347,870
Property taxes	261,023	256,174
	<u>\$ 1,305,853</u>	<u>\$ 1,003,208</u>

18. DIVIDENDS PAID

	2015	2014
Dividend on ordinary shares:		
Final dividend for 2015 \$Nil (2014: \$0.06)	<u>\$ -</u>	<u>\$ 598,298</u>

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

19. RELATED PARTY TRANSACTIONS AND BALANCES

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Entities with significant influence over the Company	Year	Purchases from Related Parties	Amounts owed to Related Parties
Trauma and Emergency			
Medical Services Limited (TEMS)	2015	\$ 3,898,375	\$ 164,637
	2014	3,074,269	157,870
Radiology Associates Limited	2015	1,553,427	507,250
	2014	1,906,137	450,178
Key management personnel	Year	Purchases from Related Parties	Amounts owed to Related Parties
Rassin Holding Ltd.	2015	\$ -	\$ -
	2014	40,000	-
Barry and David Rassin	2015	48,000	-
	2014	48,000	-
Med Management Limited	2015	51,930	-
	2014	48,300	-
Other directors' interests	2015	76,615	-
	2014	269,780	14,031

Entities with significant influence over the Company

Trauma and Emergency Medical Services Limited ("TEMS")

One of the directors is a principal in TEMS, the company contracted to provide physician service in the Company's emergency department.

Radiology Associates Limited

One of the directors is a principal in Radiology Associates, the Company contracted to provide radiologist services in the Company's imaging department.

Other directors' interests

During the year, the Company made purchases totaling \$76,615 (2014: \$269,780) from IBM (Bahamas) Limited ("IBM") and other international affiliates of IBM. One of the Company's Directors is a senior executive of IBM.

[Continued]

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended January 31, 2015 and 2014, the Company had no debts relating to amounts owed by related parties.

Transactions with other related parties

Compensation of key management personnel:

	2015	2014
Short-term employee benefits	\$ 1,463,265	\$ 1,437,808
Post-employment pension benefits	117,938	115,482
Total compensation paid to key management personnel	<u>\$ 1,581,203</u>	<u>\$ 1,553,290</u>
		[Concluded]

20. PENSION PLAN

The Company has a defined contribution pension plan. Contributions to the plan amount to 10% of gross salaries of eligible Associates. The Company makes 100% of the 10% contribution for executive management personnel and matches all other Associate contributions up to 5% of gross salaries. Company and Associate contributions for the year ended January 31, 2015 amounted to \$738,406 (2014: \$721,266).

21. EARNINGS PER SHARE

Basic earnings and diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There are no potentially dilutive financial instruments therefore diluted and basic earnings per share are the same.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the year ended January 31:

	2015	2014
(Loss) profit	<u>\$ (759,573)</u>	<u>\$ (261,391)</u>
Weighted average number of ordinary shares on issue applicable to basic earnings per share	<u>9,971,634</u>	<u>9,971,634</u>
(Loss) earnings per share	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

22. COMMITMENTS

Operating lease commitments

Rental expenses for facilities and parking lots were approximately \$375,558 (2014: \$393,587).

Future minimum lease rentals are as follows as of January 31:

	2015	2014
Within one year	\$ 314,765	\$ 341,343
After one year but not more than five years	<u>874,568</u>	<u>16,591</u>
	<u>\$ 1,189,333</u>	<u>\$ 357,934</u>

23. CONTINGENCIES

The Company is subject to claims and lawsuits in the ordinary course of business. The largest category of these relates to medical malpractice. The results of claims, lawsuits and investigations cannot be predicted, and it is possible that from time to time the ultimate resolution of such matters, individually or in the aggregate, may have a material adverse effect on the Company's financial position, financial performance or cash flows.

When necessary, the Company defends itself vigorously against claims and lawsuits. However, the Company recognizes that, where appropriate, its interests may be best served by resolving certain matters without litigation. To that end, DHHS consistently engages in service recovery initiatives to satisfy customer needs and expectations and to achieve a non-litigated resolution of patient concerns.

The Company records provisions for claims and lawsuits when they are probable and estimable. The accrued amounts for estimated professional liability claims, to the extent not covered by insurance, are included in accounts payable and other liabilities. Liabilities and corresponding recoveries arising from claims and lawsuits are recorded gross.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

24. RISK MANAGEMENT

The Company's principal financial instruments consist of cash and cash equivalents. The Company has other financial instruments such as accounts receivable and accounts payable, which arise directly from its operations. The Company does not enter into derivative transactions.

Financial risk management objectives and policies - The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company has written risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control its financial instruments in a timely and accurate manner. Such written policies are reviewed annually by the Board of Directors and quarterly reviews are undertaken to ensure that the Company's policy guidelines are adhered to.

Credit risk - Credit risk arising from the inability of the counterparty to meet the terms of the Company's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Company. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Company does not expect to incur material credit losses on its risk management or other financial instruments. The Company's maximum exposure to credit risk in the event the counterparties fail to perform their obligations at January 31, 2015 in relation to each class of financial assets, is the carrying amount as indicated in the consolidated statement of financial position.

Concentrations of credit risk - The Company grants credit without collateral to its patients, most of which are local residents and are insured under third-party payor agreements. The maximum percentage owed by any one third-party payor is 29%. The mix of receivables (shown net) from patients and third party payors at January 31 was as follows:

	2015	2014
Patients	11%	15%
Third party payors	<u>89%</u>	<u>85%</u>
	<u>100%</u>	<u>100%</u>

Liquidity risk - The Company is exposed to liquidity risk in connection with its debt obligations, accounts payable and accrued expenses. Liquidity risk arises if the Company is unable to collect its receivables quickly at fair value, thereby affecting the Company's ability to repay its debts. The Company monitors its cash flows on a regular basis and has access to overdraft facilities as described in Note 15.

Operational risk - Operational risk is the risk that deficiencies in information systems or internal controls result in unexpected business, financial and operating losses. The identification and control of these risks is managed by the Company's management team.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED JANUARY 31, 2015

(Expressed in Bahamian dollars)

The Company's management team conducts regular reviews of all operational areas to ensure operational risks are being properly controlled and reported to the Finance/Audit Committee. Contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

Fair value of financial instruments - Financial instruments utilized by the Company include recorded assets and liabilities. All of the Company's financial instruments are short-term in nature or have interest rates that reset to market on a regular basis. Accordingly, the estimated fair value of the financial instruments is not materially different from the carrying value for each major category of the Company's recorded assets and liabilities.

25. CAPITAL MANAGEMENT

The primary objective of the Company's capital management program is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company regards equity as capital. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended January 31, 2015 or January 31, 2014.

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*Shareholders should refer specific questions regarding their shareholdings to the listed Register & Transfer Agent

JEFFREY
ROBERTSON

NOTES

