



**DOCTORS HOSPITAL**

*Isn't your Health Worth it?*

24hr Laboratory + Emergency Services + Rehabilitation Center + 24hr Pharmacy  
Wound Care + Imaging + MRI + Operating Theaters + International Accreditation



Quality + Experience + Health + Innovation + Service + Care  
Respect + Commitment + Excellence

# 2014 ANNUAL REPORT



# 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**

# TABLE OF CONTENTS

<b>Chairman's Report</b>	<b>4 - 5</b>
<b>Management's Discussion &amp; Analysis of the Financial Statements</b>	<b>6 - 7</b>
.....	
<b>Independent Auditors' Report</b>	<b>8</b>
Consolidated Statement of Financial Position	<b>9 - 10</b>
Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>11</b>
Consolidated Statement of Changes in Equity	<b>12</b>
Consolidated Statement of Cash Flows	<b>13</b>
Notes to Consolidated Financial Statements	<b>14 - 38</b>
.....	
<b>Professional Advisors</b>	<b>39</b>
<b>Executive Team and Board of Directors</b>	<b>40</b>



# CHAIRMAN'S REPORT

**Doctors Hospital Health System** continues to lead the way in the Bahamas and the region in providing the highest level of health care to our patients, and driving innovation when it comes to the latest proven approaches to medicine.

We are extremely proud that following another round of rigorous examination and testing, Doctors Hospital has been reaccredited by Joint Commission International. More than three years after we were first awarded this internationally recognized qualification, Doctors Hospital remains the only acute care hospital in the entire Caribbean to be awarded the Gold Seal of approval symbolizing excellence in health care.

As part of our vision to strive to be the best health care provider in the region, Doctors Hospital Health System continues to make strategic investments to expand our service line into new and exciting areas. These investments are expected to have a positive impact on financial performance over the longer term.

---

*“Our Bahamas Medical Center leadership team is working with spine surgeons interested in bringing patients to The Bahamas for surgery and a number of leaders in the stem cell industry interested in partnering with Doctors Hospital Health System to put the Bahamas in the forefront of this new and exciting development in medicine.”*

---

In February, 2014, we launched the Hyperbaric Oxygen Therapy department (HBOT). The new state of the art Hyperbaric chamber has been well received and is beginning to record a brisk business with many opportunities for growth. HBOT is proven to help patients heal faster and better and has become a key component in advanced wound care, particularly for diabetic patients.

JOE W. P.  
**KRUKOWSKI**  
Chairman of the Board



We anticipate ongoing demand for HBOT as more physicians and surgeons identify even more ways in which the therapy can improve outcomes for their patients. The HBOT center has been designed to accommodate a second monoplace chamber should the need arise, in response to increased demand.

Doctors Hospital Health System is also taking the lead in the development of a comprehensive Cancer Rehabilitation Program. The program begins by providing inpatient rehabilitation following surgery or other procedure. Patients can then opt to continue their specialized cancer rehabilitation at either the Doctors Hospital outpatient Rehabilitation Center or at Bahamas Medical Center. This rehabilitation process can be followed by participation in the dedicated Cancer Wellness program at Bahamas Medical Center's Medical Fitness facility, which will accelerate the healing process.

CONTINUES...

# CHAIRMAN'S REPORT

---

Efforts to encourage Bahamians to adopt a healthier lifestyle continue. To this end we offer Corporate Wellness programs, our signature Weight Loss Solutions program, Annual and Executive Physicals and a number of ongoing public education initiatives including the longstanding Doctors Hospital Distinguished Lecture Series and the recently launched Bahamas Medical Center Talks.... Health mobile lecture program.

We continue to make strategic investments in equipment, training and human resources to ensure that we maintain our lead as one of the leading providers of health care. Nevertheless, the country continues to struggle against a sluggish economy. As a consequence the team at Doctors Hospital and Bahamas Medical Center maintain a tight reign on spending wherever possible.

Unfortunately the reality is that the local insurance-covered and self-pay populations continue to contract as the country's economy shows no signs of immediate recovery. Alternative strategies are being identified to maintain and grow revenue. This includes every opportunity to grow our patient base through our International Patient Program based at Bahamas Medical Center on Blake Road and supported by our main facility at Collins Avenue.

Interest in Bahamas Medical Center and The Bahamas as a destination for providing health care services continues to grow, based on strategic marketing efforts and the positive feedback of satisfied customers.

Already, we have been selected as the location for the North American HearLife Clinic by MedEl for Cochlear Implants. The expectation is that while the latest hearing implant technologies will certainly be available to the local population, most of the business will come from the United States and the Caribbean.

Our Bahamas Medical Center leadership team is working with spine surgeons interested in bringing patients to The Bahamas for surgery and a number of leaders in the stem cell industry interested in partnering with Doctors Hospital Health System to put the Bahamas in the forefront of this new and exciting development in medicine.

This year we will also be working closely with a team from the Medical Tourism Association - the leaders in medical tourism globally - to fine tune our strategy for developing programs and attracting international patients.

These are positive developments but delays in receiving the appropriate approvals for the projects to proceed continue to frustrate our intentions. Further delays could result in loss of these enterprises to other destinations, which appear more receptive to accommodating the operation. If this were to occur it would be detrimental to the patient community, the medical profession, the hospitality industry and the country's reputation in general. We encourage expediency of any necessary approvals for these important medical procedures. 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

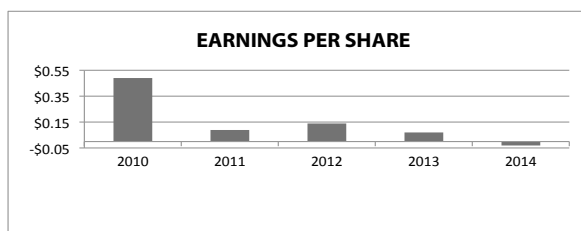


JOE W. P.  
**KRUKOWSKI**  
Chairman of the Board  
*Doctors Hospital Health System Limited*

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

## Fiscal 2014 Results of Operations

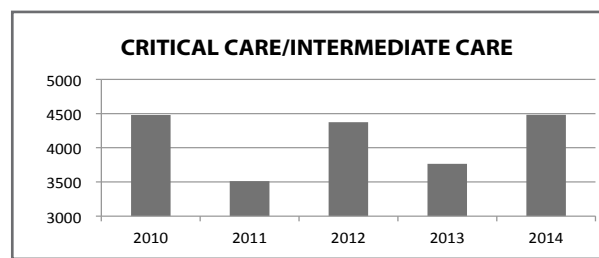
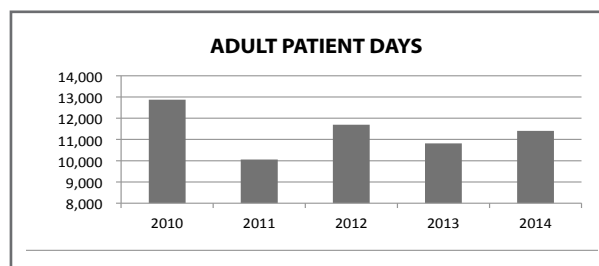
Consolidated Net loss totaled \$(261,391) or \$(0.03) per share, for the year ended January 31, 2014, compared to a profit of \$723,757 or \$0.07 per share, for the year ended January 31, 2013. Net income for Doctors Hospital (Bahamas) Limited for fiscal 2013 totaled \$1,348,774 compared with \$1,858,887 last year. Net Loss for Bahamas Medical Center (formerly Western Medical Plaza) is \$(1,610,165) compared with \$ (1,135,130) fiscal 2013.



## DOCTORS HOSPITAL (BAHAMAS) LIMITED

### Revenue/Volume Trends

For the year ended January 31, 2014 total net revenue increased \$1,284,058. Adult patient days increased by 5.5% from the previous year. Increases in the Intensive and Intermediary Care Units accounted for over 100% of these changes. Total admissions to the facility were 3,870 in fiscal 2014 compared to 4,061 in fiscal 2013, representing a 4.7% decrease over the prior year. The average daily census increased to 31.3 patients per day from 29.5 in the previous year.



While in-patient services saw an increase in Critical Care/Intermediate Care, Medical Surgical decreased 1.8%. In addition, after the increased volume last fiscal year, most outpatient areas including Emergency visits saw decreases that were below levels of the past two years. As the economy continues to struggle, the level of insured individuals able to access private health care is shrinking.

### Expenses:

Total expenses increased \$1,794,170 or 4.1% and as a percentage of total revenue expenses are 97.1% compared with 95.9% last year. The principal variances are discussed below:

CONTINUES...

## Salaries and Benefits

Salaries and benefits increased by \$1,068,704 or 5.9% over the previous year and as a percentage of Net Patient Revenue increased to 42.4% from 41.3%. An additional physician service was added, and pharmacy & MRI hours were extended, accounting for 40% of the increase. The increase in the aforementioned areas were offset by new business. Increased census in the critical care areas accounted for 18%, and the balance of the increase was incurred in overtime for difficult to recruit technical areas, and in preparations for renewal of our Joint Commission Certification.

## Medical Supplies

Medical supplies increased by \$501,406 or 8% in fiscal 2014 over the previous year, primarily as a result of increased volumes, and price increases for laboratory and operating room supplies. These expenses, as a percentage of net patient service revenues increased to 14.7% in fiscal 2014 from 14.0% in fiscal 2013.

## BAHAMAS MEDICAL CENTER LIMITED

## Revenue/Volume Trends

Bahamas Medical Center completed its first full year in operation. Total net revenue for the year was \$1,399,000 compared with \$486,000 last fiscal. The revenue was \$1,275,000 below projection as the start of surgical programs for International Patients did not get off the ground due to licensing and permit delays.

## Expenses

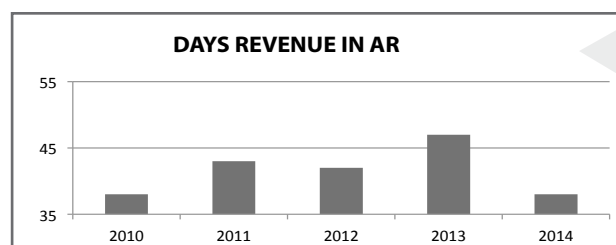
Total expenses were \$3,009,000 in fiscal 2014 compared with \$1,621,000 fiscal 2013. Salaries and Benefits accounted for 46.5% of the increase as there was twelve months of the expense compared to five months last year. Salary costs are monitored closely and the facility is continuing to use the support departments of Doctors Hospital and part-time Associates where necessary. Medical supplies increased 21.2% in conjunction with the activity and depreciation expense increased 17.6%.

## AR MANAGEMENT AND PROVISION FOR DOUBTFUL ACCOUNTS

Bad debt expense, as a percentage of patient service revenues increased to 3.9% for the year ended January 31, 2014, compared to 2.9% the previous year. This represented an increase of \$457,662, or 34.9%, and is a direct result of increased self-pay patients in the critical

care areas.

The number of days revenue in accounts receivable at year-end (AR Days) for fiscal 2014 stand at 32.5 compared with fiscal 2013 at 47.5 days, and net receivables as a percentage of net patient revenue fell to 8.84% from 12.8%.



## LIQUIDITY AND CAPITAL RESOURCES

### INVESTING ACTIVITIES

Net cash used was \$3.7 million compared to net cash used of \$3.4 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, 2014	Year Ended January 31, 2013
Medical equipment & furniture	\$ 954,000	\$ 454,000
Bahamas Medical Center equipment & renovations	834,000	1,755,000
Land purchase	822,000	-
Facility equipment equipment & renovations	497,000	345,000
Information technology	403,000	594,000
Ambulance	142,000	-
Support Department equipment	126,000	258,000
<hr/>		
Total property, plant, equipment and intangibles	\$ 3,778,000	\$ 3,406,000

Capital expenditure for fiscal 2015 is projected at \$3.2 million for Doctors Hospital and \$0.3 million for Bahamas Medical Center.

### FINANCING ACTIVITIES

Cash used in financing activities was \$ 0.6 million. Two dividends were paid during the year totaling \$0.06 per share.

**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, 2014, 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**

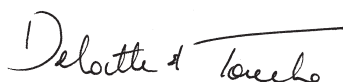
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

**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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



April 17, 2014



**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JANUARY 31, 2014***(Expressed in Bahamian dollars)*

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents (Note 7)	\$ 6,047,048	\$ 6,130,156
Accounts receivable-patients, net (Note 8)	618,986	633,113
Accounts receivable-third-party payors, net (Note 8)	3,515,665	5,087,470
Inventories (Note 9)	1,747,280	1,638,396
Other assets (Note 10)	942,203	641,216
Total current assets	<u>12,871,182</u>	<u>14,130,351</u>
NON-CURRENT ASSETS:		
Investment	30,000	30,000
Goodwill, net (Note 11)	430,902	430,902
Other intangible assets (Note 12)	767,665	992,836
Fixed assets (Note 13 )	<u>17,021,179</u>	<u>16,218,816</u>
Total non-current assets	<u>18,249,746</u>	<u>17,672,554</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 31,120,928</u></u>	<u><u>\$ 31,802,905</u></u>

*(Continued)*

See notes to consolidated financial statements.

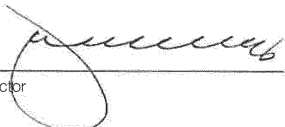
**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT JANUARY 31, 2014***(Expressed in Bahamian dollars)*


	<b>2014</b>	<b>2013</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable and other liabilities (Note 14)	\$ 3,342,933	\$ 3,165,221
<b>EQUITY</b>		
Share capital:		
Authorized 12,500,000 Common shares at par value of \$0.04 (2013 - 12,500,000); issued and fully paid 9,971,634 (2013 - 9,971,634)	398,865	398,865
Contributed surplus	12,358,030	12,358,030
Retained earnings	15,021,100	15,880,789
Total equity	27,777,995	28,637,684
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 31,120,928</b>	<b>\$ 31,802,905</b>

*(Concluded)*

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 17, 2014 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, 2014***(Expressed in Bahamian dollars)*

	<b>2014</b>	<b>2013</b>
REVENUE:		
Patient services revenue, net	\$ 46,767,766	\$ 44,621,165
Other revenue, net	<u>1,487,736</u>	<u>1,437,162</u>
Total revenue	<u>48,255,502</u>	<u>46,058,327</u>
EXPENSES:		
Salaries and benefits (Note 16)	20,344,091	18,630,178
Medical supplies and services	13,923,470	13,404,199
Depreciation and amortization (Notes 12 and 13)	3,201,491	3,261,844
Other operating expenses	2,298,676	2,254,029
Utilities	1,975,826	1,747,970
Bad debt expense (Note 8)	1,820,105	1,309,066
Outside services	1,152,771	1,062,040
Government taxes and fees (Note 17)	1,003,208	1,012,535
Insurance	876,447	871,999
Repairs and maintenance	698,731	699,482
Dietary expenses	587,686	509,859
Rent	375,558	393,587
Legal expenses	<u>258,833</u>	<u>177,782</u>
Total expenses	<u>48,516,893</u>	<u>45,334,570</u>
(LOSS) PROFIT AND COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (261,391)</u>	<u>\$ 723,757</u>
(LOSS) EARNINGS PER SHARE (Note 21):		
Basic and fully diluted	<u>\$ (0.03)</u>	<u>\$ 0.07</u>

See notes to consolidated financial statements.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JANUARY 31, 2014***(Expressed in Bahamian dollars)*

	<u>Number of shares</u>	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 31, 2012	9,971,634	\$ 398,865	\$ 12,358,030	\$ 15,555,897	\$ 28,312,792
Profit and comprehensive income	-	-	-	723,757	723,757
Dividends paid (Note 18)	-	-	-	(398,865)	(398,865)
Balance at January 31, 2013	9,971,634	398,865	12,358,030	15,880,789	28,637,684
Profit and comprehensive loss	-	-	-	(261,391)	(261,391)
Dividends paid (Note 18)	-	-	-	(598,298)	(598,298)
Balance at January 31, 2014	<u>9,971,634</u>	<u>\$ 398,865</u>	<u>\$ 12,358,030</u>	<u>\$ 15,021,100</u>	<u>\$ 27,777,995</u>

See notes to consolidated financial statements.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JANUARY 31, 2014***(Expressed in Bahamian dollars)*

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
(Loss) profit for the year	\$ (261,391)	\$ 723,757
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense (Note 8)	1,820,105	1,309,066
Depreciation and amortization (Notes 12 and 13)	3,201,491	3,261,844
Loss on disposal of fixed assets	-	650
Operating income before working capital changes	4,760,205	5,295,317
Increase in accounts receivable	(234,173)	(2,030,752)
Increase in inventories	(108,884)	(243,024)
Increase in other assets	(300,987)	(5,732)
Increase in accounts payable and other liabilities	177,712	8,403
Net cash from operating activities	<u>4,293,873</u>	<u>3,024,212</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets (Note 13)	(3,628,570)	(3,349,316)
Purchase of intangible assets (Note 12)	(150,113)	(56,946)
Net cash used in investing activities	<u>(3,778,683)</u>	<u>(3,406,262)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY:</b>		
Dividends paid to shareholders (Note 18)	\$ (598,298)	\$ (398,865)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(83,108)	(780,915)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,130,156</u>	<u>6,911,071</u>
<b>END OF YEAR (Note 7)</b>	<u>\$ 6,047,048</u>	<u>\$ 6,130,156</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest received	<u>\$ 34,522</u>	<u>\$ 72,272</u>

See notes to consolidated financial statements.



# DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

*(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, 2014 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, 2013. 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 7 (Amended) Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities  
 IFRS 10 Consolidated Financial Statements  
 IFRS 11 Joint Arrangements  
 IFRS 12 Disclosure of Interests in Other Entities  
 IFRS 13 Fair Value Measurements  
 IAS 1 (Amended) Presentation of Items of Other Comprehensive Income  
 IAS 12 (Amended) Deferred Tax-Recovery of Underlying Assets  
 IAS 16 (Amended) Property, Plant and Equipment  
 IAS 19 (Revised 2011) Employee Benefits  
 IAS 27 (Revised 2011) Separate Financial Statements  
 IAS 28 (Revised 2011) Investments in Associates and Joint Ventures  
 IAS 34 (Amended) Interim Financial Reporting

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

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.

#### ***b. Standards and Interpretations in issue but not yet effective***

IFRS 9 (Amended) Financial Instruments

IFRS 14 Regulatory Deferral Accounts

IAS 32 (Amended) Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities

IAS 36 (Amended) Impairment of Assets -Recoverable Amount Disclosures for Non-Financial 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.

***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.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

**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:

- a) loans and receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;
- b) 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.

#### 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.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

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.

**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

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

*(Expressed in Bahamian dollars)*

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.

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.



## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

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.

**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.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

**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 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.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

#### 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, 2014

(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, 2014

(Expressed in Bahamian dollars)

	2014			
	Doctors Hospital (Bahamas) <u>Ltd.</u>	Bahamas Medical Center Ltd.	Unallocated	Consolidated
<b>ASSETS</b>				
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	<u>12,570,124</u>	<u>300,798</u>	<u>260</u>	<u>12,871,182</u>
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)	<u>7,018,757</u>	<u>2,182,065</u>	<u>7,820,357</u>	<u>17,021,179</u>
Total non-current assets	<u>8,214,124</u>	<u>2,185,265</u>	<u>7,850,357</u>	<u>18,249,746</u>
TOTAL ASSETS	<u>\$ 20,784,248</u>	<u>\$ 2,486,063</u>	<u>\$ 7,850,617</u>	<u>\$ 31,120,928</u>
<b>LIABILITIES</b>				
CURRENT LIABILITIES:				
Accounts payable and other liabilities (Note 14)	<u>\$ 3,304,634</u>	<u>\$ 38,299</u>	<u>\$ -</u>	<u>\$ 3,342,933</u>



# DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

	2013			
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center Ltd.	Unallocated	Consolidated
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and cash equivalents (Note 7)	\$ 5,800,300	\$ 329,227	\$ 629	\$ 6,130,156
Accounts receivable-patients, net (Note 8)	616,970	16,143	-	633,113
Accounts receivable-third-party payors, net (Note 8)	4,979,849	107,621	-	5,087,470
Inventories (Note 9)	1,570,538	67,858	-	1,638,396
Other assets (Note 10)	553,503	87,713	-	641,216
Total current assets	13,521,160	608,562	629	14,130,351
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net (Note 11)	430,902	-	-	430,902
Other intangible assets (Note 12)	992,836	-	-	992,836
Fixed assets (Note 13)	7,294,219	1,681,896	7,242,701	16,218,816
Total non-current assets	8,717,957	1,681,896	7,272,701	17,672,554
TOTAL ASSETS	\$22,239,117	\$2,290,458	\$7,273,330	\$ 31,802,905
<b>LIABILITIES</b>				
CURRENT LIABILITIES:				
Accounts payable and other liabilities (Note 14)	\$ 3,140,667	\$ 24,554	\$ -	\$ 3,165,221

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2014

(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	11,941,601	3,736,116	3,657,085	-	19,334,802	1,009,289	20,344,091
Medical supplies and services	8,289,833	2,593,604	2,538,741	-	13,422,178	501,292	13,923,470
Depreciation and amortization	1,690,856	529,011	517,821	-	2,737,688	463,803	3,201,491
Other operating	1,271,449	397,793	389,378	-	2,058,620	240,056	2,298,676
Utilities	1,051,680	329,035	322,075	-	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	565,111	176,804	173,064	-	914,979	237,792	1,152,771
Government taxes and fees	547,160	171,188	167,567	-	885,915	117,293	1,003,208
Repairs and maintenance	391,865	122,603	120,009	-	634,477	64,254	698,731
Dietary expenses	335,933	105,102	102,879	-	543,914	43,772	587,686
Rent	231,953	72,570	71,035	-	375,558	-	375,558
Legal expenses	156,529	48,972	47,936	-	253,437	5,396	258,833
Total expenses	27,565,168	8,624,196	8,441,767	-	44,631,131	3,009,315	47,640,446
Segment profit (loss)	391,512	468,244	108,796	-	968,552	(1,841,232)	(872,680)
Other revenue	-	-	-	1,256,669	1,256,669	231,067	1,487,736
Insurance	-	-	-	(876,447)	(876,447)	-	(876,447)
Unallocated sub total	-	-	-	380,222	380,222	231,067	611,289
Net income (loss)	\$ 391,512	\$ 468,244	\$ 108,796	\$ 380,222	\$ 1,348,774	\$ (1,610,165)	\$ (261,391)

(Continued)

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2014*(Expressed in Bahamian dollars)*

	2013						
	In-Patient	Out-Patient	Emergency services	Unallocated	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center	Consolidated
Patient services revenue, net	\$ 26,205,322	\$ 8,840,543	\$ 9,226,263	\$ -	\$ 44,272,128	\$ 349,037	\$ 44,621,165
Salaries	10,926,026	3,486,320	3,853,752	-	18,266,098	364,080	18,630,178
Medical supplies and services	7,873,373	2,548,464	2,775,709	-	13,197,546	206,653	13,404,199
Depreciation and amortization	1,819,623	580,613	641,805	-	3,042,041	219,803	3,261,844
Other operating	1,263,411	403,135	445,622	-	2,112,168	141,861	2,254,029
Utilities	961,403	306,768	339,100	-	1,607,271	140,699	1,747,970
Bad debt expense, net of recoveries	783,056	249,861	276,194	-	1,309,111	(45)	1,309,066
Outside services	483,916	154,409	170,684	-	809,009	253,031	1,062,040
Government taxes and fees	535,019	170,716	188,708	-	894,443	118,092	1,012,535
Repairs and maintenance	330,461	105,445	116,558	-	552,464	147,018	699,482
Dietary expenses	294,467	93,960	103,862	-	492,289	17,570	509,859
Rent	235,428	75,121	83,038	-	393,587	-	393,587
Legal expenses	98,925	31,565	34,892	-	165,382	12,400	177,782
Total expenses	25,605,108	8,206,377	9,029,924	-	42,841,409	1,621,162	44,462,571
Segment profit (loss)	600,214	634,166	196,339	-	1,430,719	(1,272,125)	158,594
Other revenue	-	-	-	1,300,167	1,300,167	136,995	1,437,162
Insurance	-	-	-	(871,999)	(871,999)	-	(871,999)
Unallocated sub total	-	-	-	428,168	428,168	136,995	565,163
Net income (loss)	\$ 600,214	\$ 634,166	\$ 196,339	\$ 428,168	\$ 1,858,887	\$ (1,135,130)	\$ 723,757

*(Concluded)*

# DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

### 6. INVESTMENTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest	
		2014	2013
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:

	2014	2013
Short-term deposits	\$ 3,517,266	\$ 4,585,456
Cash at bank and in hand	<u>2,529,782</u>	<u>1,544,700</u>
	<u>\$ 6,047,048</u>	<u>\$ 6,130,156</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, 2014

(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.

	2014	2013
Accounts receivable - third-party payors	\$ 3,904,905	\$ 5,718,871
Accounts receivable - patients	4,251,698	3,034,037
Allowance for doubtful accounts	<u>(4,021,952)</u>	<u>(3,032,325)</u>
	<u>\$ 4,134,651</u>	<u>\$ 5,720,583</u>

Movement in the allowance for doubtful account was as follows:

	2014	2013
Balance at beginning of the year	\$ 3,032,325	\$ 2,095,762
Bad debt expense for the year	1,820,105	1,309,066
Recoveries previously written off	188,300	267,178
Doubtful receivables written off in the year	<u>(1,018,778)</u>	<u>(639,681)</u>
Balance at end of the year	<u>\$ 4,021,952</u>	<u>\$ 3,032,325</u>

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

Patient	2014	2013
0-30	\$ 189,941	\$ 140,751
31-90	114,943	195,341
91-180	154,410	143,047
181-270	<u>159,692</u>	<u>153,974</u>
Total	<u>\$ 618,986</u>	<u>\$ 633,113</u>
Third-Party Payors	2014	2013
0-30	\$ 2,713,504	\$ 3,923,821
31-90	554,927	860,210
91-180	<u>247,234</u>	<u>303,439</u>
Total	<u>\$ 3,515,665</u>	<u>\$ 5,087,470</u>



## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

#### 9. INVENTORIES

Inventories are comprised of the following:

	2014	2013
Medical supplies	\$ 1,382,693	\$ 1,278,395
Pharmaceuticals	<u>364,587</u>	<u>360,001</u>
Total inventories at the lower of cost and net realizable value	<u>\$ 1,747,280</u>	<u>\$ 1,638,396</u>

The amount of write-downs of inventories recognized as an expense is \$175,571 (2013: \$66,550), 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:

	2014	2013
Prepaid expenses	\$ 655,383	\$ 413,808
Security deposits	152,303	151,965
Advances and other assets	<u>134,517</u>	<u>75,443</u>
	<u>\$ 942,203</u>	<u>\$ 641,216</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, 2014 is \$430,902 (2013: \$430,902).

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

#### 12. OTHER INTANGIBLE ASSETS

Other intangible assets are comprised of the following:

	2014	2013
<b>Cost:</b>		
Balance at beginning of year	\$ 4,169,722	\$ 4,112,776
Additions	<u>150,113</u>	<u>56,946</u>
Balance at end of year	<u>4,319,835</u>	<u>4,169,722</u>
 <b>Accumulated amortization:</b>		
Balance at beginning of year	\$ 3,176,886	\$ 2,571,921
Amortization for the year	<u>375,284</u>	<u>604,965</u>
Balance at end of year	<u>3,552,170</u>	<u>3,176,886</u>
Net book value	<u>\$ 767,665</u>	<u>\$ 992,836</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, 2014 are fully amortized assets of \$2,938,575 (2013: \$157,573).

# DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(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
<b>COST:</b>					
Balance at January 31, 2012	\$ 10,037,790	\$ 572,660	\$ 1,472,912	\$ 16,893,239	\$ 28,976,601
Transfers in	5,703,061	-	153,812	419,086	6,275,959
Additions	-	70,298	253,791	3,025,227	3,349,316
Disposals	-	-	(238,296)	(955,691)	(1,193,987)
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	-	290,381	2,516,114	3,628,570
Disposals	-	-	(304,867)	(411,025)	(715,892)
Balance at January 31, 2014	<u>\$ 16,562,926</u>	<u>\$ 572,660</u>	<u>\$ 1,698,031</u>	<u>\$ 21,486,950</u>	<u>\$ 40,320,567</u>
<b>ACCUMULATED DEPRECIATION:</b>					
Balance at January 31, 2012	\$ 6,750,929	\$ -	\$ 871,469	\$ 10,041,482	\$ 17,663,880
Transfers in	1,502,800	-	139,767	419,086	\$ 2,061,653
Depreciation	244,419	-	209,037	2,203,423	2,656,879
Disposals	-	-	(238,296)	(955,043)	(1,193,339)
Balance at January 31, 2013	8,498,148	-	981,977	11,708,948	21,189,073
Depreciation	244,419	-	202,634	2,379,154	2,826,207
Disposals	-	-	(304,867)	(411,025)	(715,892)
Balance at January 31, 2014	<u>\$ 8,742,567</u>	<u>\$ -</u>	<u>\$ 879,744</u>	<u>\$ 13,677,077</u>	<u>\$ 23,299,388</u>
<b>CARRYING AMOUNT:</b>					
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>
At January 31, 2013	<u>\$ 7,242,703</u>	<u>\$ 642,958</u>	<u>\$ 660,242</u>	<u>\$ 7,672,913</u>	<u>\$ 16,218,816</u>

During the year, fully depreciated assets of \$715,892 (2013: \$1,193,987) were retired from service. Included in leasehold improvements, furniture and equipment at January 31, 2014 are fully depreciated assets of \$7,112,977 (2013: \$5,894,084).

Investment property was transferred to Fixed Assets in the amount of \$4,214,306. The hospital opened an outpatient facility, a wholly owned subsidiary of DHHS, at the Blake Road property, under the name Bahamas Medical Center Limited (formerly Western Medical Plaza Limited) as of October, 2012.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

#### 14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are comprised of the following:

	2014	2013
Accounts payable - trade	\$ 1,370,222	\$ 1,346,124
Accrued expenses	1,054,081	889,899
Related party payable (Note 19)	443,646	512,706
Other liabilities	311,379	265,193
Vacation benefit accrual	163,605	151,299
	<u>\$ 3,342,933</u>	<u>\$ 3,165,221</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 and are 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.

#### 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, 2014, approximately \$2.7 million (2013: \$2.7 million) was undrawn and available.

# DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

### 16. SALARIES AND BENEFITS EXPENSE

Salaries and benefits expense are comprised of the following:

	2014	2013
Salaries and benefits (Note 19)	\$ 19,302,832	\$ 17,638,657
National Insurance costs	662,274	621,962
Pension costs - defined contributions pension plan (Note 20)	<u>378,985</u>	<u>369,559</u>
	<u>\$ 20,344,091</u>	<u>\$ 18,630,178</u>

### 17. GOVERNMENT TAXES AND FEES

Government taxes and fees are comprised of the following:

	2014	2013
Work permit fees	\$ 399,164	\$ 397,264
Business license	347,870	349,814
Property taxes	<u>256,174</u>	<u>265,457</u>
	<u>\$ 1,003,208</u>	<u>\$ 1,012,535</u>

### 18. DIVIDENDS PAID

	2014	2013
Dividend on ordinary shares:		
Final dividend for 2014 \$0.06 (2013: \$0.04)	<u>\$ 598,298</u>	<u>\$ 398,865</u>



## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(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.

<b>Entities with significant influence over the Company</b>	<b>Year</b>	<b>Purchases from Related Parties</b>	<b>Amounts owed to Related Parties</b>
Trauma and Emergency			
Medical Services Limited (TEMS)	2014	\$ 3,074,269	\$ 157,870
	2013	3,082,153	145,365
Radiology Associates Limited	2014	1,906,137	450,178
	2013	2,089,520	512,706
<b>Key management personnel</b>	<b>Year</b>	<b>Purchases from Related Parties</b>	<b>Amounts owed to Related Parties</b>
Rassin Holding Ltd.	2014	\$ 40,000	\$ -
	2013	60,000	-
Barry and David Rassin	2014	48,000	-
	2013	48,000	-
Med Management Limited	2014	48,300	-
	2013	48,300	-
Other directors' interests	2014	269,780	14,031
	2013	248,890	6,894

(Continued)

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

#### 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 \$269,780 (2013: \$248,890) from IBM (Bahamas) Limited ("IBM") and other international affiliates of IBM. One of the Company's Directors is a senior executive of IBM.

##### *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, 2014 and 2013, the Company had no debts relating to amounts owed by related parties.

##### *Transactions with other related parties*

Compensation of key management personnel:

	2014	2013
Short-term employee benefits	\$ 1,437,808	\$ 1,426,247
Post-employment pension benefits	<u>115,482</u>	<u>123,081</u>
Total compensation paid to key management personnel	<u>\$ 1,553,290</u>	<u>\$ 1,549,328</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, 2014 amounted to \$721,266 (2013: \$671,578).

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

#### 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:

	<b>2014</b>	<b>2013</b>
(Loss) profit	\$ (261,391)	\$ 723,757
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>\$ (0.03)</u>	<u>\$ 0.07</u>

#### 22. COMMITMENTS

##### *Operating lease commitments*

Rental expenses for facilities and parking lots were approximately \$401,616 (2012: \$389,239).

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

	<b>2014</b>	<b>2013</b>
Within one year	\$ 341,343	\$ 344,903
After one year but not more than five years	<u>16,591</u>	<u>454,716</u>
	<u>\$ 357,934</u>	<u>\$ 799,619</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.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

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.

#### 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, 2014 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:

# DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2014

(Expressed in Bahamian dollars)

	2014	2013
Patients	15%	11%
Third party payors	<u>85%</u>	<u>89%</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. 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, 2014 or January 31, 2013.

\* \* \* \* \*

# PROFESSIONAL ADVISORS

## Bankers

**ROYAL BANK OF CANADA**  
ROYAL BANK HOUSE  
EAST HILL STREET  
PO BOX N-7549  
NASSAU, BAHAMAS

T: 242-356-8500

F: 242-325-8483

## Counsel & Attorneys

**GRAHAM, THOMPSON & CO**  
SASSOON HOUSE  
SHIRLEY STREET & VICTORIA AVENUE  
PO BOX N-272  
NASSAU, BAHAMAS

T: 242-322-4130

F: 242-328-1069

## Register & Transfer Agent\*

**BAHAMAS CENTRAL SECURITIES DEPOSITORY**  
FORT NASSAU CENTRE  
BRITISH COLONIAL HILTON  
2ND FLOOR, SUITE #202

T: 242-322-5573

F: 242-356-3613

## Financial Advisors

**KPMG CORPORATE FINANCE LTD MONTAGUE STERLING CENTRE**  
EAST BAY STREET  
PO BOX N-123  
NASSAU, BAHAMAS

T: 242-393-2007

F: 242-393-1772

## Auditors

**DELOITTE & TOUCHE**  
CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS  
2ND TERRACE WEST,  
CENTREVILLE  
PO BOX N-7120  
NASSAU, BAHAMAS

T: 242-302-4800

F: 242-322-3101

*Any other comments or inquiries should be addressed to:*

**CHIEF EXECUTIVE OFFICER**  
DOCTORS HOSPITAL HEALTH SYSTEM  
147 SHIRLEY STREET  
PO BOX N-3018  
NASSAU, BAHAMAS

T: 242-302-4640

F: 242-356-2704

---

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



# EXECUTIVE TEAM



CHARLES  
**SEALY**  
Chief Executive Officer



DR CHARLES  
**DIGGISS**  
Chief Medical Officer



JOANNE  
**LOWE**  
Chief Financial Officer



MARSHA  
**SANDS**  
VP Quality & Patient Safety



CHADWICK  
**WILLIAMSON**  
VP Management  
Information System



SABRINA  
**WALKINE**  
VP Corporate Finance



JASMINE  
**DAVIS**  
VP Patient Finance



DORCENA  
**NIXON**  
VP Patient Care



PAUL  
**HAVEN**  
VP Human Resources



CYNTHIA  
**SAWYERS**  
VP Clinical Services



MICHAELA  
**SUMNER-BUDHI**  
Legal Counsel

# BOARD OF DIRECTORS



JOE  
**KRUKOWSKI**  
Chairman



FELIX  
**STUBBS**  
Vice Chairman



OWEN  
**BETHEL**



DR CHARLES  
**DIGGISS**



DR LARRY  
**CARROLL**



KAREN  
**CAREY**



BARRY  
**RASSIN**



JEFFREY  
**ROBERTSON**



LEROY  
**ARCHER**







GET HEALTHY BAHAMAS WITH

MEDICAL FITNESS @



BAHAMAS  
Medical Center

Medical Fitness

Physical Therapy

Cardiac Rehab

Cancer Rehab

Nutrition

Weight Loss Solutions

Corporate Wellness

GET HEALTHY BAHAMAS [.com](http://gethealthybahamas.com)