



# DOCTORS HOSPITAL

ANNUAL REPORT

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# DOCTORS HOSPITAL HEALTH SYSTEM

## About US

### Our Mission



**DOCTORS HOSPITAL**  
*Isn't Your Health Worth It?*

*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



**BAHAMAS**  
**Medical Center**  
WALK IN FOR HOSPITAL QUALITY HEALTH CARE

*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

**JOE W. P.  
KRUKOWSKI**  
CHAIRMAN OF THE BOARD

*Last year was one of holding steady through continued external challenges including the introduction of Value Added Tax and the impending introduction of National Health Insurance. Through it all, Doctors Hospital Health System continued to focus on its core purpose – the delivery of top quality health care to the Bahamian society, while identifying and taking advantage of new growth potential and positioning the company for other opportunities.*



*DHHS has a number of other exciting programs set to commence in the coming year, having gone through the necessary series of approval processes*

The introduction of VAT in 2015 required DHHS to redefine our billing process. In addition to the new challenges

CONTINUES...

most businesses faced in ensuring VAT compliance, VAT dictated that we could no longer continue to bundle our billing to include our fees as well as those of the Physicians who provide services at our facilities. Our Finance team and our Physician community were able to accomplish this major change in operations with no disruption to our patients.

Last year we shared with you an initiative we undertook to help us continue to meet and exceed patient expectations. During this past year, our focus has been on continued staff education and reinforcement to ensure that those Standards we hold ourselves to are met every day with every encounter.

With our International Patient Program housed at Bahamas Medical Center, we continue to explore opportunities to add programs that will not only serve the local patient community, but attract patients from overseas.

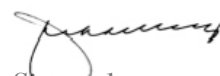
Last year we were excited to play an integral part in the country's first Cochlear Implant which restored the hearing thus transforming the life of a young Bahamian man. The surgery was performed at Doctors Hospital and was the result of our partnership with the hearLIFE Clinic based at Bahamas Medical Center.

In 2015 we added an exciting program – Fecal Microbiota Transplant. This program, which is tied to the leading Taymount Clinic in England, treats patients for a number of gastrointestinal and neurological conditions.

DHHS has a number of other exciting programs set to commence in the coming year, having gone through the necessary series of approval processes.

And finally, we continue to closely monitor the evolution of the National Health Insurance being proposed by the Government. Our executives have spent the past year meeting with the key stakeholders responsible for formulating this new system and continue to meet and be involved in the process to ensure that the program that is eventually implemented is what is best for consumers in both the private and public arenas. We foresee some interesting opportunities for DHHS as a result of NHI.

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 and Associates for their hard work and our 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*

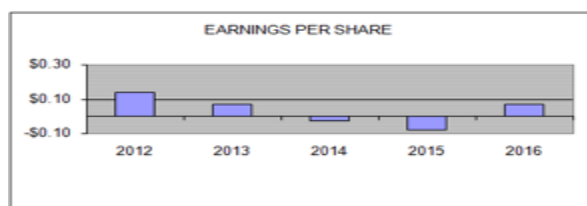




# MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

## FISCAL 2016 RESULTS OF OPERATIONS

Consolidated Net profit totaled \$702,790 or \$0.07 per share, for the year ended January 31, 2016, compared to a loss of \$(759,573) or \$(0.08) per share, for the year ended January 31, 2015. Net profit for Doctors Hospital (Bahamas) Limited for fiscal 2016 totaled \$1,855,992 compared with a profit of \$698,428 last year. Net Loss for Bahamas Medical Center is \$ (1,153,202) compared with \$ (1,458,001) fiscal 2015.



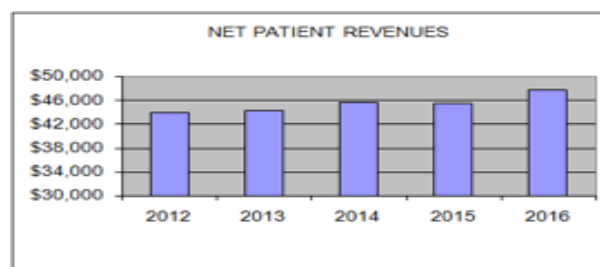
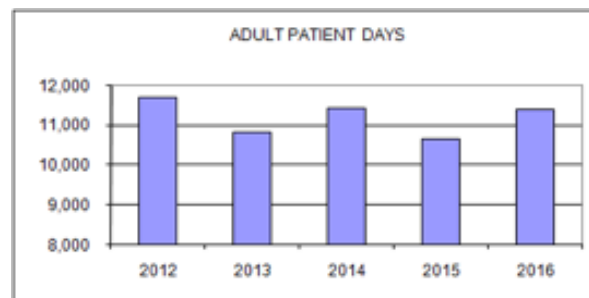
## DOCTORS HOSPITAL (BAHAMAS) LIMITED

### Revenue/Volume Trends

For the year ended January 31, 2016 total net revenue increased 4.9% or \$ 2,237,853. Patient days increased by 6.9% from the previous year. Increases in the Intensive and Intermediary Care Units accounted for 91% of the change. Total admissions to the facility were 4,063 in fiscal 2016 compared to 4,061 in fiscal 2015. The flat admission numbers and increased patient days are indicative of the higher utilization of the Intensive Care Units. The average daily census increased to 31.2 patients per days from 29.2 in the previous year.

### Expenses:

Total expenses increased \$ 1,103,355 or 2.4%. The principal variances are discussed below:



### Salaries and Benefits

Salaries and Benefits increased \$1,502,492; 73% of which is as a result of hiring Radiologists for the imaging department; the offset is in the reduction of outside services medical.

### Medical Supplies

Medical supplies increased by \$ 439,848 or 6.5% in fiscal 2016 over the previous year, as a result of increased volumes.

### Loss on Disposal of Fixed Asset

Architectural drawing fees in the amount of \$573,000 that were completed in 2010 and held in work-in-progress pending the major renovation were written off. It was decided to permanently put this project on hold as the investment to expand is not feasible at this time.

## BAHAMAS MEDICAL CENTER LIMITED

### Revenue/Volume Trends

Total net revenue for the year was \$ 1,434,193 compared with \$ 1,392,908 last fiscal an increase of \$41,285 or 2.9%.

Approval for the FMT (Fecal Microbiota Transplant) program was finally received in November: two months prior to year end therefore expected revenues did not materialize. Provisional approval was officially received in April 2016 for specific stem-cell therapy and is expected to impact revenue numbers next year. There are two more stem-cell programs awaiting the June 2016 meeting of the Government Committee, and a new cancer program awaiting approval.

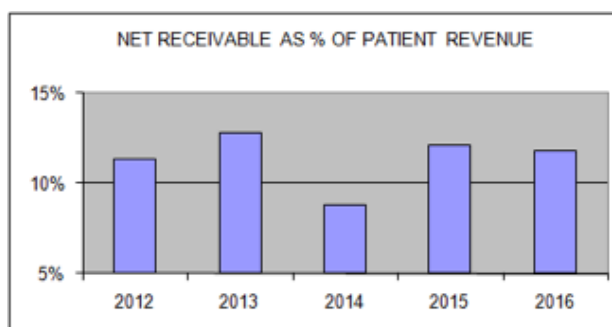
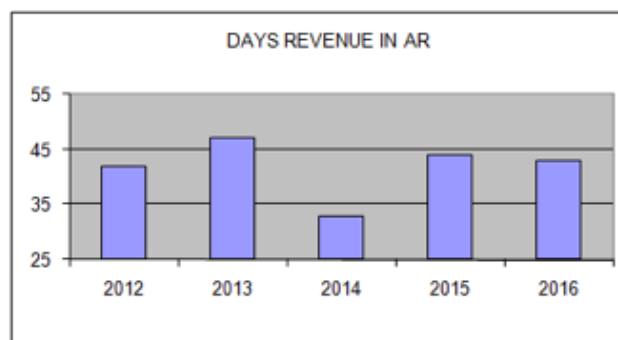
### Expenses

Total expenses were \$ 2,818,725 in fiscal 2016 compared with \$ 3,085,115 fiscal 2015, a decrease of \$ 266,390 or 8.6%. This reduction was a result of a concentrated effort to reduce operating costs until planned revenues can be realized.

### AR MANAGEMENT AND PROVISION FOR DOUBTFUL ACCOUNTS

Bad debt expense, as a percentage of patient service revenues increased to 3.4% for the year ended January 31, 2016, compared to 2.9% the previous year. This represented an increase of \$ 317,454, or 23.3%. This increase is a direct result of increased critical care self-pay patients.

The number of days revenue in accounts receivable at year-end (AR Days) for fiscal 2016 stand at 43 compared with fiscal 2015 at 44 days, and net receivables as a percentage of net patient revenue decreased slightly to 11.77% from 12.13%.



### LIQUIDITY AND CAPITAL RESOURCES

#### INVESTING ACTIVITIES

Net cash used was \$2.9 million compared to net cash used of \$2.5 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 13 and 14 to the financial statements are as follows:

	Year Ended January 31, 2016	Year Ended January 31, 2015
Medical equipment & furniture	\$ 1,366,00	\$ 915,000
Bahamas Medical Center equipment & renovations	137,000	158,000
Land and Building purchase	107,000	669,000
Facility equipment equipment & renovations	681,000	318,000
Information technology	379,000	325,000
Support Department equipment	253,000	97,000
.....		
Total property, plant, equipment and intangibles	\$ 2,923,000	\$ 2,482,000

Capital expenditure for fiscal 2017 is projected at \$4.0 million for replacement equipment and facility improvements.



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## 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 "Group"), which comprise the consolidated statement of financial position as at January 31, 2016, 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

May 9, 2016

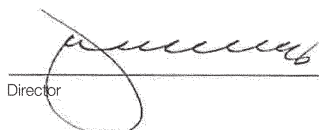


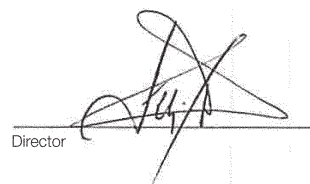
**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT JANUARY 31, 2016***(Expressed in Bahamian dollars)*

	2016	2015
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents (Note 7)	\$ 5,353,112	\$ 4,525,247
Accounts receivable-patients, net (Note 8)	932,884	647,975
Accounts receivable-third-party payors, net (Note 8)	4,841,745	5,024,646
Inventories (Note 9)	1,934,028	1,835,681
Other assets (Note 10)	<u>1,079,443</u>	<u>1,043,805</u>
Total current assets	<u>14,141,212</u>	<u>13,077,354</u>
NON-CURRENT ASSETS:		
Investment (Note 11)	30,000	30,000
Goodwill, net (Note 12)	430,902	430,902
Other intangible assets (Note 13)	492,261	566,173
Fixed assets (Note 14)	<u>15,922,138</u>	<u>16,561,456</u>
Total non-current assets	<u>16,875,301</u>	<u>17,588,531</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 31,016,513</u></u>	<u><u>\$ 30,665,885</u></u>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable and other liabilities (Note 15)	<u>\$ 3,694,166</u>	<u>\$ 3,647,463</u>
<b>EQUITY</b>		
Share capital:		
Authorized 12,500,000 Common shares at par value of \$0.04 (2015 - 12,500,000); issued and fully paid 9,971,634 (2015 - 9,971,634)	398,865	398,865
Contributed surplus	12,358,030	12,358,030
Retained earnings	<u>14,565,452</u>	<u>14,261,527</u>
Total equity	<u>27,322,347</u>	<u>27,018,422</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>\$ 31,016,513</u></u>	<u><u>\$ 30,665,885</u></u>

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 18, 2016 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, 2016***(Expressed in Bahamian dollars)*

	<b>2016</b>	<b>2015</b>
REVENUE:		
Patient services revenue, net	\$ 49,062,762	\$ 46,783,624
Other revenue, net	<u>1,697,446</u>	<u>1,677,255</u>
Total revenue	<u>50,760,208</u>	<u>48,460,879</u>
EXPENSES:		
Salaries and benefits (Note 17)	22,104,165	20,651,654
Medical supplies	7,394,499	6,906,187
Medical services	6,422,917	7,841,512
Depreciation and amortization (Notes 13 and 14)	3,063,851	3,143,612
Other operating expenses	2,132,349	2,231,199
Bad debt expense (Note 8)	1,680,917	1,363,463
Utilities	1,607,023	1,905,320
Government taxes and fees (Note 18)	1,242,825	1,305,853
Outside services	968,677	937,079
Insurance	903,788	910,914
Repairs and maintenance	833,944	867,440
Dietary expenses	582,488	584,907
Loss on disposal of fixed assets	572,660	-
Rent	361,747	344,973
Legal expenses	<u>185,568</u>	<u>226,339</u>
Total expenses	<u>50,057,418</u>	<u>49,220,452</u>
PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 702,790</u>	<u>\$ (759,573)</u>
EARNINGS PER SHARE (Note 22):		
Basic and fully diluted	<u>\$ 0.07</u>	<u>\$ (0.08)</u>

See notes to consolidated financial statements.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)*


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	<u>Number of shares</u>	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 31, 2014	9,971,634	\$ 398,865	\$ 12,358,030	\$ 15,021,100	\$ 27,777,995
Loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(759,573)</u>	<u>(759,573)</u>
Balance at January 31, 2015	9,971,634	398,865	12,358,030	14,261,527	27,018,422
Profit and comprehensive income	-	-	-	702,790	702,790
Dividends paid (\$.04 per share (Note 19))	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398,865)</u>	<u>(398,865)</u>
Balance at January 31, 2016	<u>9,971,634</u>	<u>\$ 398,865</u>	<u>\$ 12,358,030</u>	<u>\$ 14,565,452</u>	<u>\$ 27,322,347</u>

See notes to consolidated financial statements.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)*

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit (loss) for the year	\$ 702,790	\$ (759,573)
Adjustments to reconcile net profit loss to net cash provided by operating activities:		
Loss on disposal of fixed assets	572,660	-
Bad debt expense (Note 8)	1,680,917	1,363,463
Depreciation and amortization (Notes 13 and 14)	<u>3,063,851</u>	<u>3,143,612</u>
Operating income before working capital changes	6,020,218	3,747,502
Increase in accounts receivable	(1,782,925)	(2,901,433)
Increase in inventories	(98,347)	(88,402)
Increase in other assets	(35,638)	(101,602)
Increase in accounts payable and other liabilities	<u>46,703</u>	<u>304,530</u>
Net cash from operating activities	<u>4,150,011</u>	<u>960,595</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets (Note 14)	(2,773,767)	(2,454,696)
Purchase of intangible assets (Note 13)	<u>(149,514)</u>	<u>(27,700)</u>
Net cash used in investing activities	<u>(2,923,281)</u>	<u>(2,482,396)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY:</b>		
Dividends paid to shareholders (Note 19)	\$ (398,865)	\$ -
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>827,865</b>	<b>(1,521,801)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>4,525,247</b></u>	<u><b>6,047,048</b></u>
<b>END OF YEAR (Note 7)</b>	<u><u><b>\$ 5,353,112</b></u></u>	<u><u><b>\$ 4,525,247</b></u></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest received	<u><u>\$ 7,054</u></u>	<u><u>\$ 18,279</u></u>

See notes to consolidated financial statements.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2016

*(Expressed in Bahamian dollars)*

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#### 1. GENERAL

Doctors Hospital Health System Limited ("DHHS" or the "Group") was incorporated under the laws of the Commonwealth of The Bahamas on July 1, 1998. Shares of the Group are publicly traded and listed on the Bahamas International Securities Exchange. The Group provides a broad range of healthcare services. The consolidated financial statements for the year ended January 31, 2016 comprise the Group and its subsidiaries as described in Note 6.

The Group'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, 2015. The adoption of these Standards and Interpretations has not led to any changes in the Group'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 Group during the current year.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(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 Group with the exception of IFRS 9, 15 and 16 for which it has not yet concluded its analysis.

**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, 2016

*(Expressed in Bahamian dollars)*

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**Basis of consolidation** - These consolidated financial statements include the accounts of the Group and its subsidiaries: Doctors Hospital (Bahamas) Limited ("DHB"), Doctors Hospital (East) Limited ("DHE"), Doctors Hospital (West) Limited ("DHW"), and Bahamas Medical Center Limited ("BMC"). The Group and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies. All intra-group transactions, balances, income and expenses and unrealised income and expense arising from inter-group transactions are eliminated in full on consolidation.

**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.

**Foreign currency translation** - These financial statements are measured using the currency of the primary economic environment in which the Group's operates. The financial statements are presented in Bahamian dollars, which is the Group's functional and presentation currency.

In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are denominated in foreign currencies and carried at fair value are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items denominated in foreign currencies and carried at historical cost are translated at the rate prevailing at the date of the transaction.

**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 Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)*

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 Group 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 Group 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 to sell in the ordinary course of business.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

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**Goodwill** - Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group'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 Group's healthcare information system and other related applications and are amortized using the straight-line method over a period of three to 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:

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.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
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***Impairment of non-financial assets*** - The Group 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 Group 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 Group 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 Group 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 Group performs its annual impairment test of goodwill as at 31 January.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

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**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.

*Group 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.

*Group 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. Revenues are recorded during the period the healthcare services are provided based on estimated amounts due from patients and third party payors. 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.

**Pension benefits** - The Group 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 Group 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 Group by the Commonwealth of The Bahamas.

**Value Added Tax (VAT)** - On January 1, 2015, the Government of The Bahamas implemented Value Added Tax (VAT). Output VAT related to sales of goods and services is payable to the Government upon its delivery to customers. Input VAT on goods and services purchased is generally recoverable against output VAT. VAT related to sales / purchases and services provision / receipt which are outstanding at the consolidated statement of financial position date is recognized in the consolidated statement of financial position on a net basis and disclosed within current liabilities.

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**Provisions** - The Group 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 Group 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 Group. 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 Group'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.

#### **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.



**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)*

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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.

*Revenue recognition*

Revenue earned by third party contracted physicians are recognized in the consolidated financial statements. For accounting purposes in accordance with IFRS 15, the Group is classified as a principal, as it assumes the credit risk relative to accounts receivable due from patients and third party payors.

*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.

*Contingencies*

The Group is currently a defendant in a number of cases involving claims and disputes mainly related to medical practice. The Group'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

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)*

and its legal counsel believe that the Group 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 Group'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 Group 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 Group is organized into units based on operating facility, and has two reportable operating segments which are Doctors Hospital (Bahamas) Limited ("DHB") and Bahamas Medical Center Limited a subsidiary of DHB.

	<b>2016</b>			
	Doctors Hospital (Bahamas) <u>Ltd.</u>	Bahamas Medical Center Ltd.	<u>Unallocated</u>	<u>Consolidated</u>
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 5,302,183	\$ 50,682	\$ 247	\$ 5,353,112
Accounts receivable-patients, net	923,223	9,661	-	932,884
Accounts receivable-third-party payors, net	4,729,276	112,469	-	4,841,745
Inventories	1,858,584	75,444	-	1,934,028
Other assets	<u>968,763</u>	<u>107,680</u>	<u>3,000</u>	<u>1,079,443</u>
Total current assets	<u>13,782,029</u>	<u>355,936</u>	<u>3,247</u>	<u>14,141,212</u>
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net	430,902	-	-	430,902
Other intangible assets	491,461	800	-	492,261
Fixed assets	<u>6,323,298</u>	<u>1,490,564</u>	<u>8,108,276</u>	<u>15,922,138</u>
Total non-current assets	<u>7,245,661</u>	<u>1,491,364</u>	<u>8,138,276</u>	<u>16,875,301</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 21,027,690</b></u>	<u><b>\$ 1,847,300</b></u>	<u><b>\$ 8,141,523</b></u>	<u><b>\$ 31,016,513</b></u>
<b>LIABILITIES</b>				
CURRENT LIABILITIES:				
Accounts payable and other liabilities	<u>\$ 3,623,607</u>	<u>\$ 70,559</u>	<u>\$ -</u>	<u>\$ 3,694,166</u>

*(Continued)*

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

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FOR THE YEAR ENDED JANUARY 31, 2016*(Expressed in Bahamian dollars)*

	2015			
	Doctors Hospital (Bahamas) <u>Ltd.</u>	Bahamas Medical <u>Center Ltd.</u>	<u>Unallocated</u>	<u>Consolidated</u>
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 4,503,087	\$ 22,160	\$ -	\$ 4,525,247
Accounts receivable-patients, net	625,351	22,624	-	647,975
Accounts receivable-third-party payors, net	4,935,571	89,075	-	5,024,646
Inventories	1,778,895	56,786	-	1,835,681
Other assets	<u>909,424</u>	<u>134,381</u>	-	<u>1,043,805</u>
Total current assets	<u>12,752,328</u>	<u>325,026</u>	-	<u>13,077,354</u>
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net	430,902	-	-	430,902
Other intangible assets	564,173	2,000	-	566,173
Fixed assets	<u>6,403,474</u>	<u>1,912,222</u>	<u>8,245,760</u>	<u>16,561,456</u>
Total non-current assets	<u>7,398,549</u>	<u>1,914,222</u>	<u>8,275,760</u>	<u>17,588,531</u>
TOTAL ASSETS	<u>\$ 20,150,877</u>	<u>\$ 2,239,248</u>	<u>\$ 8,275,760</u>	<u>\$ 30,665,885</u>
<b>LIABILITIES</b>				
CURRENT LIABILITIES:				
Accounts payable and other liabilities	<u>\$ 3,601,595</u>	<u>\$ 45,868</u>	<u>\$ -</u>	<u>\$ 3,647,463</u>

*(Concluded)*



**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016**

*(Expressed in Bahamian dollars)*

	<b>2016</b>		
	Doctors Hospital (Bahamas) Ltd	Bahamas Medical Center Ltd	Consolidated
Patient services revenue, net	\$ 47,628,569	\$ 1,434,193	\$ 49,062,762
Salaries	21,113,834	990,331	22,104,165
Medical supplies	7,192,080	202,419	7,394,499
Medical services	6,102,187	320,730	6,422,917
Depreciation and amortization	2,500,810	563,041	3,063,851
Other operating	2,052,668	79,681	2,132,349
Utilities	1,359,516	247,507	1,607,023
Bad debt expense, net of recoveries	1,619,264	61,653	1,680,917
Outside services	815,511	153,166	968,677
Government taxes and fees	1,120,472	122,353	1,242,825
Insurance	903,788	-	903,788
Repairs and maintenance	761,626	72,318	833,944
Dietary expenses	579,337	3,151	582,488
Loss on disposal of fixed assets	572,660	-	572,660
Rent	361,747	-	361,747
Legal expenses	183,193	2,375	185,568
Total expenses	47,238,693	2,818,725	50,057,418
Segment profit (loss)	389,876	(1,384,532)	(994,656)
Other revenue	1,466,116	231,330	1,697,446
Net income (loss)	\$ 1,855,992	\$ (1,153,202)	\$ 702,790

*(Continued)*

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016*(Expressed in Bahamian dollars)*

	<b>2015</b>		
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center Ltd.	Consolidated
Patient services revenue, net	\$ 45,390,716	\$ 1,392,908	\$ 46,783,624
Salaries	19,611,342	1,040,312	20,651,654
Medical supplies	6,752,232	153,955	6,906,187
Medical services	7,480,342	361,170	7,841,512
Depreciation and amortization	2,581,664	561,948	3,143,612
Other operating	2,075,501	155,698	2,231,199
Utilities	1,607,194	298,126	1,905,320
Bad debt expense, net of recoveries	1,264,434	99,029	1,363,463
Outside services	786,886	150,192	937,078
Government taxes and fees	1,151,828	154,026	1,305,854
Insurance	910,914	-	910,914
Repairs and maintenance	790,699	76,741	867,440
Dietary expenses	552,999	31,908	584,907
Rent	344,973	-	344,973
Legal expenses	224,330	2,009	226,339
Total expenses	46,135,338	3,085,114	49,220,452
Segment profit (loss)	(744,622)	(1,692,206)	(2,436,828)
Other revenue	1,443,050	234,205	1,677,255
Net income (loss)	\$ 698,428	\$ (1,458,001)	\$ (759,573)

*(Concluded)*

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)***6. INVESTMENTS IN SUBSIDIARIES**

Name	Country of incorporation	Percentage of equity interest	
		2016	2015
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

Doctors Hospital (Bahamas) Limited - provides health care services inclusive of in-patient, out-patient and ambulatory services.

Bahamas Medical Center Limited - a subsidiary of Doctors Hospital (Bahamas) Limited, provides health care services inclusive of out-patient and ambulatory services.

Doctors Hospital (East) Limited - a holding company that has ownership of the land and building that facilitates the operations of Doctors Hospital (Bahamas) Limited.

Doctors Hospital (West) Limited - a holding company that has ownership of the land and building that facilitates the operations of Bahamas Medical Center Limited.

**7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following:

	2016	2015
Short-term deposits	\$ 3,541,011	\$ 3,533,957
Cash at bank and in hand	<u>1,812,101</u>	<u>991,290</u>
	<u>\$ 5,353,112</u>	<u>\$ 4,525,247</u>

Short-term deposits are made for varying periods of between 30 days and 3 months, depending on the immediate cash requirements of the Group, 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, 2016*(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.

	<b>2016</b>	<b>2015</b>
Accounts receivable - third-party payors	\$ 5,471,280	\$ 5,738,383
Accounts receivable - patients	5,949,690	4,841,082
Allowance for doubtful accounts	<u>(5,646,341)</u>	<u>(4,906,844)</u>
	<u><u>\$ 5,774,629</u></u>	<u><u>\$ 5,672,621</u></u>

Movement in the allowance for doubtful account was as follows:

	<b>2016</b>	<b>2015</b>
Balance at beginning of the year	\$ 4,906,844	\$ 4,021,952
Bad debt expense for the year	1,680,917	1,363,463
Recoveries previously written off	259,230	256,381
Doubtful receivables written off in the year	<u>(1,200,650)</u>	<u>(734,952)</u>
Balance at end of the year	<u><u>\$ 5,646,341</u></u>	<u><u>\$ 4,906,844</u></u>

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

<b>Patient</b>	<b>2016</b>	<b>2015</b>
0-30	\$ 328,429	\$ 308,700
31-90	238,609	133,125
91-180	273,829	141,172
181-270	<u>92,017</u>	<u>64,978</u>
Total	<u><u>\$ 932,884</u></u>	<u><u>\$ 647,975</u></u>

<b>Third-Party Payors</b>	<b>2016</b>	<b>2015</b>
0-30	\$ 3,636,521	\$ 3,818,398
31-90	906,948	947,618
91-180	<u>298,276</u>	<u>258,630</u>
Total	<u><u>\$ 4,841,745</u></u>	<u><u>\$ 5,024,646</u></u>

Management considers accounts receivable due from Patient totaling \$604,455 (2015: \$339,275) to be past due but not impaired, and accounts receivable due from Third-Party Payors totaling \$1,205,224 (2015: \$1,206,248) to be past due but not impaired.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)***9. INVENTORIES**

Inventories are comprised of the following:

	2016	2015
Medical supplies	\$ 1,506,393	\$ 1,430,086
Pharmaceuticals	<u>427,635</u>	<u>405,595</u>
Total inventories at the lower of cost and net realizable value	<u>\$ 1,934,028</u>	<u>\$ 1,835,681</u>

The amount of write-downs of inventories recognized as an expense is \$151,418 (2015: \$120,611), which is recognized in medical supplies on the consolidated statement of profit or loss other comprehensive income.

**10. OTHER ASSETS**

Other assets are comprised of the following:

	2016	2015
Prepaid expenses	\$ 857,972	\$ 786,597
Security deposits	156,486	154,961
Advances and other assets	<u>64,985</u>	<u>102,247</u>
	<u>\$ 1,079,443</u>	<u>\$ 1,043,805</u>

**11. INVESTMENT**

The investment of \$30,000 (2015: \$30,000) represents a 10% ownership stake in Nassau Laboratory Partners.

**12. GOODWILL**

Goodwill at January 31, 2016 is \$430,902 (2015: \$430,902). The goodwill recorded relates to the Group's acquisition of imaging subsidiaries. The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill may be impaired. The recoverable amount of the cash generating units (CGU) which includes the goodwill is based on a value in use calculations. The value in use has been determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used for the value in use calculations are as follows:

- Cash flows are projected based on actual operating results.
- Cash flows for the further five year period are projected using expected annual growth rates based on external sources, in order to calculate the terminal recoverable amount.
- A discount of 20% is deducted from the projected revenue.

The tests were performed at January 31 and no provision for impairment was deemed necessary.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016**

*(Expressed in Bahamian dollars)*

**13. OTHER INTANGIBLE ASSETS**

Other intangible assets are comprised of the following:

	<b>2016</b>	<b>2015</b>
<b>Cost:</b>		
Balance at beginning of year	\$ 4,347,535	\$ 4,319,835
Additions	<u>149,514</u>	<u>27,700</u>
Balance at end of year	<u>4,497,049</u>	<u>4,347,535</u>
 <b>Accumulated amortization:</b>		
Balance at beginning of year	\$ 3,781,362	\$ 3,552,170
Amortization for the year	<u>223,426</u>	<u>229,192</u>
Balance at end of year	<u>4,004,788</u>	<u>3,781,362</u>
Net book value	<u>\$ 492,261</u>	<u>\$ 566,173</u>

Other intangible assets represent the core computer software application in the Group'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. During the year, fully amortized intangibles of \$28,000 (2015: Nil) were retired from service. Included as at January 31, 2016 are fully amortized assets of \$3,067,042 (2015: \$2,951,289).



**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016**

*(Expressed in Bahamian dollars)*

**14. 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, 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	-	-	(9,664)	(750,498)	(760,162)
Balance at January 31, 2015	17,232,741	572,660	2,073,170	22,136,530	42,015,101
Transfers (out) in	-	-	-	-	-
Additions	106,924	555,014	207,249	1,904,580	2,773,767
Disposals	-	(572,660)	(121,758)	(1,404,186)	(2,098,604)
Balance at January 31, 2016	<u>\$ 17,339,665</u>	<u>\$ 555,014</u>	<u>\$ 2,158,661</u>	<u>\$ 22,636,924</u>	<u>\$ 42,690,264</u>
<b>ACCUMULATED DEPRECIATION:</b>					
Balance at January 31, 2014	\$ 8,742,567	\$ -	\$ 879,744	\$ 13,677,077	\$ 23,299,388
Transfers in	-	-	-	-	-
Depreciation	244,412	-	201,046	2,468,962	2,914,420
Disposals	-	-	(9,665)	(750,498)	(760,163)
Balance at January 31, 2015	8,986,979	-	1,071,125	15,395,541	25,453,645
Depreciation	244,407	-	238,874	2,357,144	2,840,425
Disposals	-	-	(121,758)	(1,404,186)	(1,525,944)
Balance at January 31, 2016	<u>\$ 9,231,386</u>	<u>\$ -</u>	<u>\$ 1,188,241</u>	<u>\$ 16,348,499</u>	<u>\$ 26,768,126</u>
<b>CARRYING AMOUNT:</b>					
At January 31, 2016	<u>\$ 8,108,279</u>	<u>\$ 555,014</u>	<u>\$ 970,420</u>	<u>\$ 6,288,425</u>	<u>\$ 15,922,138</u>
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>

During the year, fully depreciated assets of \$1,525,944 (2015: \$760,162) were retired from service. Included in leasehold improvements, furniture and equipment at January 31, 2016 are fully depreciated assets of \$10,354,178 (2015: \$7,853,446). During the year, work in progress of \$572,660 was written off as there was no action towards the respective development plans.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)***15. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

Accounts payable and other liabilities are comprised of the following:

	<b>2016</b>	<b>2015</b>
Accounts payable - trade	\$ 1,387,856	\$ 1,186,547
Accrued expenses	1,541,420	1,297,582
Related party payable (Note 20)	-	419,837
VAT payable	194,410	266,583
Other liabilities	402,842	323,290
Vacation benefit accrual	<u>167,638</u>	<u>153,624</u>
	<u><u>\$ 3,694,166</u></u>	<u><u>\$ 3,647,463</u></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 Group, and amounts owing to TEMS and Other directors' interests which are included in accounts payable trade settled within 30 days. (See Note 20 for further information).
- VAT payable is paid monthly and is non-interest bearing if paid by the 28<sup>th</sup> of the following month.
- 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.

**16. BANK BORROWINGS**

The Group 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, 2016, approximately \$2.7 million (2015: \$2.7 million) was undrawn and available.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)***17. SALARIES AND BENEFITS EXPENSE**

Salaries and benefits expense are comprised of the following:

	2016	2015
Salaries and benefits (Note 20)	\$ 21,041,800	\$ 19,604,837
National Insurance costs	665,607	666,022
Pension costs - defined contributions pension plan (Note 21)	396,758	380,795
	<u>\$ 22,104,165</u>	<u>\$ 20,651,654</u>

**18. GOVERNMENT TAXES AND FEES**

Government taxes and fees are comprised of the following:

	2016	2015
Work permit fees	\$ 397,445	\$ 433,352
Business license	612,219	611,478
Property taxes	233,161	261,023
	<u>\$ 1,242,825</u>	<u>\$ 1,305,853</u>

**19. DIVIDENDS PAID**

	2016	2015
Dividend on ordinary shares:		
Final dividend for 2016 \$398,865 (\$.04 per share (2015: \$Nil))	<u>\$ 398,865</u>	<u>\$ -</u>



## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016*(Expressed in Bahamian dollars)*

## 20. 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)	2016	\$ 3,784,354	\$ 191,062
	2015	3,898,375	164,637
Radiology Associates Limited	2016	-	-
	2015	1,553,427	507,250
<b>Key management personnel</b>	<b>Year</b>	<b>Purchases from Related Parties</b>	<b>Amounts owed to Related Parties</b>
Barry and David Rassin	2016	48,000	-
	2015	48,000	-
Med Management Limited	2016	59,581	-
	2015	51,930	-
Other directors' interests	2016	-	-
	2015	76,615	-

**Entities with significant influence over the Group***Trauma and Emergency Medical Services Limited ("TEMS")*

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

*Radiology Associates Limited*

In the prior year, one of the directors was a principal in Radiology Associates Limited a Company contracted to provide radiologist services in the Group's imaging department.

*Other directors' interests*

In the prior year, one of the Group's directors was a senior executive of IBM (Bahamas) Limited ("IBM"). The Group made purchases totaling \$76,615 in 2015 from IBM.

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(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, 2016 and 2015, the Group had no debts relating to amounts owed by related parties.

*Transactions with other related parties*

Compensation of key management personnel:

	2016	2015
Short-term employee benefits	\$ 1,441,322	\$ 1,463,265
Post-employment pension benefits	<u>112,347</u>	<u>117,938</u>
Total compensation paid to key management personnel	<u>\$ 1,553,669</u>	<u>\$ 1,581,203</u>

**21. PENSION PLAN**

The Group has a defined contribution pension plan. Contributions to the plan amount to 10% of gross salaries of eligible Associates. The Group makes 100% of the 10% contribution for executive management personnel and matches all other Associate contributions up to 5% of gross salaries. Group and Associate contributions for the year ended January 31, 2016 amounted to \$778,268 (2015: \$738,406).

**22. 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:

	2016	2015
Profit (loss)	<u>\$ 702,790</u>	<u>\$ (759,573)</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>
Earnings (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.08)</u>

**DOCTORS HOSPITAL HEALTH SYSTEM LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED JANUARY 31, 2016***(Expressed in Bahamian dollars)*

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**23. COMMITMENTS***Operating lease commitments*

Rental expenses for facilities and parking lots were approximately \$329,649 (2015: \$375,558).

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

	<b>2016</b>	<b>2015</b>
Within one year	\$ 329,649	\$ 314,765
After one year but not more than five years	<u>856,301</u>	<u>874,568</u>
	<u><u>\$ 1,185,950</u></u>	<u><u>\$ 1,189,333</u></u>

**24. CONTINGENCIES**

The Group 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 Group's financial position, financial performance or cash flows.

When necessary, the Group defends itself vigorously against claims and lawsuits. However, the Group 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 Group 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, 2016***(Expressed in Bahamian dollars)*

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**25. RISK MANAGEMENT**

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

**Financial risk management objectives and policies** - The main risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group 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 Group's policy guidelines are adhered to.

**Credit risk** - Credit risk arising from the inability of the counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations at January 31, 2016 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 Group 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 28%. The mix of receivables (shown net) from patients and third party payors at January 31 was as follows:

	2016	2015
Patients	16%	11%
Third party payors	<u>84%</u>	<u>89%</u>
	<u>100%</u>	<u>100%</u>

The financial assets of the Group comprises mainly of receivables from patients and third party payors. The disclosure of the balance past due and impaired, and past due and not impaired is disclosed in Note 8.

## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2016

(Expressed in Bahamian dollars)

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

**Interest rate risk** - Interest rate risk is the risk that future cash flows of fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Groups interest rate risk is limited to interest received.

**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 Group's management team. The Group'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.

**Foreign currency risk** - The Group is not exposed to any significant foreign currency risk.

**Fair value of financial instruments** - Financial instruments utilized by the Group include recorded assets and liabilities. All of the Group'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 Group's recorded assets and liabilities.

## 26. CAPITAL MANAGEMENT

The primary objective of the Group'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 Group regards equity as capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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, 2016 or January 31, 2015.

\* \* \* \* \*



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*Any other comments or inquiries should be  
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*\*Shareholders should refer specific questions regarding their shareholdings to the listed Register & Transfer Agent*



# EXECUTIVE TEAM



**CHARLES  
SEALY**  
Chief Executive Officer



**DR CHARLES  
DIGGI**  
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



**GARNELL  
RITCHIE**  
Ass. VP Patient Care

# BOARD OF DIRECTORS



**JOE  
KRUKOWSKI**  
Chairman



**FELIX  
STUBBS**  
Vice Chairman



**DR LARRY  
CARROLL**



**DR CHARLES  
DIGGI**



**BARRY  
RASSIN**



**KAREN  
CAREY**



**LEROY  
ARCHER**



**JEFFREY  
ROBERTSON**



ANNUAL REPORT

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