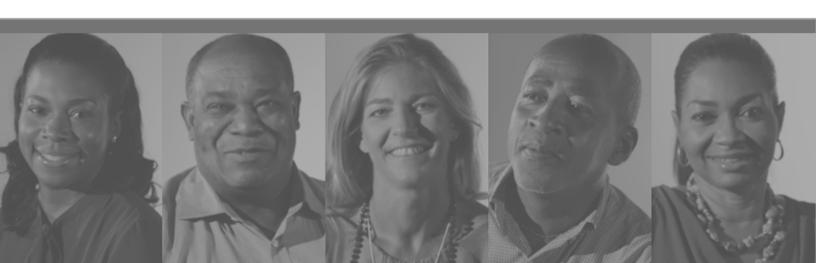
DOCTORS HOSPITAL ANNUAL REPORT 2017



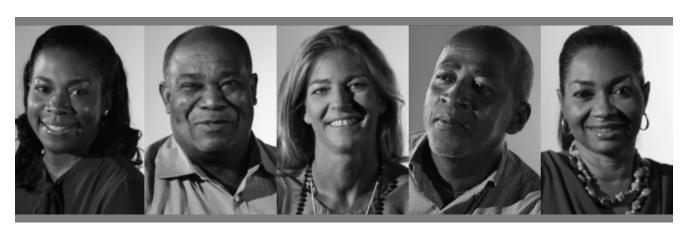


Meet our Ambassadors

Earlier this fiscal year we decided to enlist some patients to help us share what it is we offer here at Doctors Hospital.

We identified a shortlist of patients who had expressed their satisfaction with the level of service they received at Doctors Hospital. It was important to select a group of individuals who represent the diversity of our patient population and could speak to the wide range of services we offer.

When we approached them to ask if they would be willing to share their Doctors Hospital experience in our new Testimonial Campaign, we were thrilled that they all immediately jumped at the opportunity to be a Doctors Hospital Ambassador and tell their DHStory.





Indira

Following the successful delivery of her 2nd son, Indira takes a moment to tell us about the "5-star quality health care" at Doctors Hospital.



Frankie

Frankie shares his experience with Hyperbaric Oxygen Therapy for the treatment of wounds. He also opens up about how Doctors Hospital helped him navigate some of his insurance related concerns.



Tangerine

When her husband was admitted to the Intensive Care Unit, Tangerine and her family entered what she terms, "the most critical time in our lives". She shares her experience at Doctors Hospital during her husband's illness.



Alfred

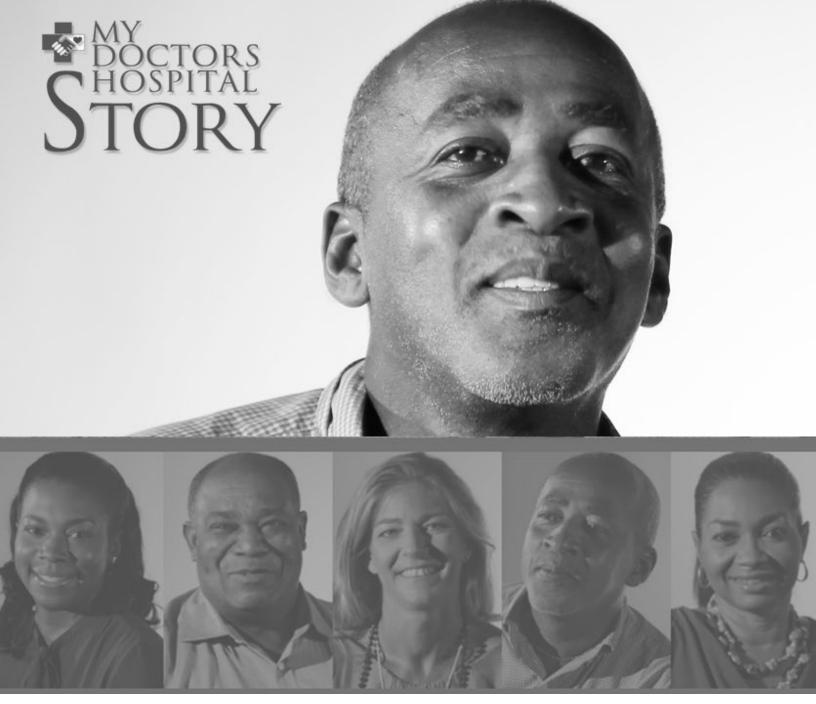
After receiving treatment at Doctors Hospital for three major health challenges, Alfred shares why he no longer looks at Doctors as "an expensive hospital that I'll never go to".



Celeste

Although initially disappointed that she would be in hospital instead of attending a party on December 31st, Celeste shares how the team at Doctors Hospital 'lit up' her New Year's celebrations.

To view their commercials and extended videos, visit www.myDHStory.com



"I'm 100% grateful and I would recommend Doctors Hospital to anyone. Like I say it's not for the elite... it's for everyone."



ALFRED

MY DOCTORS HOSPITAL AMBASSADOR
For More My Doctors Hospital Stories, visit www.mydhstory.com

AboutUS

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

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

Chairman's Report	3 - 4
Management's Discussion & Analysis of the Financial Statements	5 - 6
Independent Auditors' Report	7 - 10
Consolidated Statement of Financial Position Consolidated Statement of Profit or Loss and Other	11 - 12
Comprehensive Income	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15 - 16
Notes to Consolidated Financial Statements	17 - 40
Professional Advisors	41
Executive Team and Board of Directors	42

CHAIRMAN'S REPORT

This past year has been one of change in the senior leadership of Doctors Hospital Health System. After 37 years, Barry Rassin resigned as President. Mr Rassin, whose father Dr Meyer Rassin founded The Rassin Hospital, was instrumental in laying the foundation for the modern Doctors Hospital. Barry Rassin remains involved with DHHS as Director-Advisor on the Board of Directors.

In the latter part of the year, the Board of Directors approved the appointment of Dr Charles Diggiss as President and Chief Medical Officer. Dr Diggiss has been actively involved with the growth and development of Doctors Hospital for nearly 30 years.

His 'Vision 2020 And Beyond' has been met with excitement and enthusiasm within the organization and we anticipate significant implementation in the short term as a result of this new direction.

We also said thank you and farewell to another key member of the team responsible for transforming The Rassin Hospital into Doctors Hospital many years ago. Dr Larry Carroll, Chief Radiologist and Board Member retired at the end of this fiscal year after 37 years. He served as Chairman of the Board from 1986 – 1999 and remained an invaluable member of the Board until deciding to step down as we head into the next Annual General Meeting. Dr Carroll developed the imaging department at Doctors Hospital into one of the best in



JOE W. P. KRUKOWSKI CHAIRMAN OF THE BOARD

the region, always ensuring that the hospital stayed at the forefront of technology. As a lasting tribute to his service, we dedicated the K. Larry Carroll Advanced Imaging Center upon his retirement.

On behalf of the Board I also wish to acknowledge the contribution of Jeffrey Robertson who after 26 years has decided to retire from the Board. Jeffrey was also Chairman of Doctors Hospital Health System in 1999. He is one of the longest serving Directors in the hospital's history and we appreciate his guidance and counsel. His insight, dedication, and comradery will be missed. We wish Jeffrey all the best in health and good fortune as he continues his journey.

Doctors Hospital takes pride in the fact that in 2010 we became the first acute care hospital in the entire Caribbean region to be accredited by the Joint Commission International. In June, 2016, our hospital, staff and processes were scrutinized by a team of JCI surveyors and for the third consecutive time, Doctors

Hospital was accredited by this international body. This Gold Seal of Approval gives our patients the confidence that Doctors Hospital continues to provide healthcare at international standards.

Throughout the year, the Executive Team has been closely monitoring the development of government's National Health Insurance plan in relation to our current business model. We are actively assessing its likely impact as we prepare for the opportunities which arise from its implementation.

We are looking to engage all stakeholders in the local economy in a collaborative way to strategically respond to challenges and opportunities in the journey towards universal healthcare. We recognize that there is some future political and/or economic uncertainty associated with the 2017 General Election, particularly in relation to the adoption of National Health Insurance as a payor for Primary care services. However, we believe our intent to introduce Primary Care Services will be a vital component in the continuum of care we provide. We will seek to provide our customers with multiple entry points for this level of care.

If you have driven down Shirley Street after dark in the past six months, you'll no doubt have spotted our new back-lit signage advertising our 24 hour services. Most people already knew that our Emergency Room was open around the clock, but we've been working diligently to make sure the public knows that our Pharmacy and our Laboratory are also open at all hours.

As these efforts pay off in terms of increased business, we continue to assess our outpatient services to see where we need to bolster resources in order to provide the highest quality and service to our customers and patients.

We are fully aware that it is not enough to provide quality health care, but we must consistently upgrade our hospital to look the part of a top facility. To this end, for the past year we have been systematically upgrading our patient rooms by introducing new flooring and furnishings, gutting and refurbishing the bathrooms and giving the walls a new splash of paint. Our patients have also been thrilled to see the new personal television monitors in many of our rooms. Those in double rooms can now watch whatever they want without disturbing others in the room. The monitors also serve as web portals so patients can surf the internet and even play games.

Providing each patient with a 'Wow' every time we interact with them continues to be our driving force. We monitor all forms of feedback to determine customer satisfaction and where we see opportunities for improvement, we do all we can to make necessary changes.

This year we were excited to launch a testimonial campaign featuring five Doctors Hospital Ambassadors. These patients, and in once case, a patient's wife, graciously agreed to share their Doctors Hospital experiences with us. Not only does this help to give the general public an appreciation for the level of healthcare and compassion offered by the Doctors Hospital team, but it demonstrated clearly to each of us that what we do and how we deliver healthcare is of grave importance.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

FISCAL 2017 RESULTS OF OPERATIONS

Consolidated Net profit totaled \$3,577,527 or \$0.36 per share, for the year ended January 31, 2017, compared to a profit of \$702,790 or \$0.07 per share, for the year ended January 31,2016. Net profit for Doctors Hospital (Bahamas) Limited for fiscal 2017 totaled \$4,777,915 compared with a profit of \$1,855,992 last year. Net Loss for Bahamas Medical Center is \$(1,200,388) compared with \$(1,153,202) fiscal 2016.



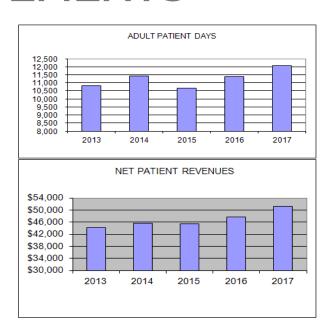
DOCTORS HOSPITAL (BAHAMAS) LIMITED

Revenue/Volume Trends

For the year ended January 31, 2017 total net patient revenue increased 7.6% or \$3,622,163. Patient days increased by 6% from the previous year. Increases in the Intensive and Intermediary Care Units accounted for 37% of the change and the balance in medical surgical and maternity. Total admissions to the facility were 4,114 in fiscal 2017 compared to 4,063 in fiscal 2016. The continued flat admission numbers and increased patient days are indicative of the trend toward a rising severity of illness. The average daily census increased to 33 patients per day from 31.2 in the previous year.

Expenses:

Total expenses increased \$818,452 or 1.7%. The principal variances are discussed below:



Salaries and Benefits

Salaries and Benefits increased \$1,175,738 or 5.6%, and as a percentage of net patient revenue is 43.5% compared with 44.3% last year. Increases are a direct result of activity.

BAHAMAS MEDICAL CENTER LIMITED

Revenue/Volume Trends

Total net patient revenue for the year was \$1,462,208 compared with \$1,434,193 last fiscal an increase of \$28,015 or 1.9%.

The FMT (Fecal Microbiota Transplant) program has shown itself to be viable and is experiencing sustained growth. It is envisioned that Stem Cell therapy will occur at the facility in fiscal 2018 with one program already receiving the necessary approvals and the second program in its final stages of assessment and approval. While rehabilitation services

(physical/occupational therapy, medical fitness, etc.) continue to produce steady results, there was a significant decline in 'same day'/elective cases at our surgical suite, negatively impacting revenue potential. We anticipate that in fiscal 2018 we will launch one of our Primary Care Centers at this location, supported by increased Specialist services to best serve the neighboring communities.

Expenses

Total expenses were \$2,862,204 in fiscal 2017 compared with \$2,818,725 fiscal 2016, an increase of \$43,479 or 1.5%. The increase was in Medical Supplies.

AR MANAGEMENT AND PROVISION FOR DOUBTFUL ACCOUNTS

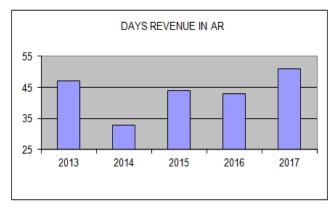
Bad debt expense, as a percentage of patient service revenues decreased to 2.6% for the year ended January 31,2017, compared to 3.4% the previous year. This represented a decrease of \$316,808, or 18.8%. This decrease is a result of a write off of third party receivables.

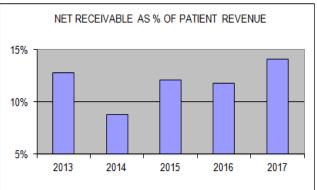
The number of days revenue in accounts receivable at year-end (AR Days) for fiscal 2017 stand at 51 compared with fiscal 2016 at 43 days, and net receivables as a percentage of net patient revenue increased to 14.1% from 11.8%. These increases are a result of high activity in the months of December and January and payments not received until after year-end.

LIQUIDITY AND CAPITAL RESOURCES

Investing Activities

Net cash used was \$3.1 million compared to net cash used of \$2.9 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, 2017	Year Ended January 31, 2016
Medical equipment & furniture	\$ 1,523,000	\$ 1,366,000
Bahamas Medical Center equipment & renovations	93,000	137,000
Land and Building purchase	-	107,000
Facility equipment & renovations	672,000	681,000
Information technology	610,000	379,000
Support Department equipment	250,000	253,000
Total property, plant, equipment and intangibles	\$ 3,148,000	\$ 2,923,000

Capital expenditure for fiscal 2018 is projected at \$7.0 million for replacement equipment and facility improvements.

Deloitte.

Deloitte & Touche Chartered Accountants and Management Consultants 2nd Terrace West, Centreville P.O. Box N-7120 Nassau, Bahamas

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Doctors Hospital Health System Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Doctors Hospital Health System Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at January 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of trade receivables	At 31 January 2017, the Group has accounts receivables of \$13,155,441 against which a provision of \$5,735,532 was recorded. (Refer to note 8 to the consolidated financial statements.)	We reviewed management's provision methodology, reviewed the aged receivables listing as at January 31, 2017 and challenged management on significant long overdue debts to determine if they had been appropriately provided for.
	The provision for impairment of receivables is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. A risk exists that certain aged debts may not be recoverable and are not sufficiently provided for at 31 January, 2017	We selected a sample of outstanding receivables at the year end and assessed recoverability by agreeing to payments received from debtors post January 31, 2017. For those where payment were not received we challenged whether the debt should be provided for as at January 31, 2017.
Revenue recognition	The Group's revenue for the year end January 31, 2017 amounted to \$54,524,301 and the revenue accounting policy is disclosed in note 3 to the financial statements. As the Hospital is a listed entity, we consider there to be a heightened risk that revenue is inappropriately reported to achieve a desired financial result.	For each of the main sources of revenue, we performed tests of details and substantive analytical procedures to test the accuracy and completeness of revenue. We also obtained a breakdown of cash settlements received post year-end to verify the recoverability of period ended receivables. The risk of material misstatement in patient revenue at year end has also been addressed through an increased level of substantive testing in respect of revenue cut off around the year end date.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information in the Doctors Hospital Health System Limited 2017 annual report other than the Group financial statements and our auditor's report thereon ("the Other Information"). The annual report is expected to be made available to us after the date of our auditor's report. Our opinion on the Group financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement of the Other Information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Raymond Winder.

Deloitte & Touche Chartered Accountants

Deloitte & Toucke

Nassau Bahamas May 22, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 31, 2017

(Expressed in Bahamian dollars)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 7)	\$ 7,354,054	\$ 5,353,112
Accounts receivable-patients, net (Note 8)	1,211,149	932,884
Accounts receivable-third-party payors, net (Note 8)	6,208,760	4,841,745
Inventories (Note 9)	2,073,060	1,934,028
Other assets (Note 10)	1,278,761	1,079,443
Total current assets	18,125,784	14,141,212
NON-CURRENT ASSETS:		
Investment (Note 11)	30,000	30,000
Goodwill (Note 12)	430,902	430,902
Other intangible assets (Note 13)	345,418	492,261
Fixed assets (Note 14)	16,419,758	15,922,138
Total non-current assets	17,226,078	16,875,301
TOTAL ASSETS	\$35,351,862	\$31,016,513

(Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 31, 2017

(Expressed in Bahamian dollars)

	2017	2016
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other liabilities (Note 15)	\$ 5,050,287	\$ 3,694,166
EQUITY		
Share capital:		
Authorized 12,500,000 Common shares at par value		
of \$0.04 (2016 - 12,500,000); issued and fully paid		
9,971,634 (2016 - 9,971,634)	398,865	398,865
Contributed surplus	12,358,030	12,358,030
Retained earnings	17,544,680	14,565,452
Total equity	30,301,575	27,322,347
TOTAL LIABILITIES AND EQUITY	\$35,351,862	\$31,016,513
		(6 1 1 1)

(Concluded)

See notes to consolidated financial statements.

Director

These consolidated financial statements were approved by the Board of Directors on May 12, 2017 and are signed on its behalf by:



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

	2017	2016
REVENUE:		
Patient services revenue, net	\$ 52,712,941	\$49,062,762
Other revenue, net	1,811,360	1,697,446
Total revenue	54,524,301	50,760,208
EXPENSES:		
Salaries and benefits (Note 17)	23,209,492	22,104,165
Medical supplies	7,665,926	7,394,499
Medical services	6,590,562	6,422,917
Depreciation and amortization (Notes 13 and 14)	2,770,089	3,063,851
Other operating expenses	2,523,440	2,132,349
Utilities	1,455,818	1,607,023
Government taxes and fees (Note 18)	1,433,592	1,242,825
Bad debt expense (Note 8)	1,364,109	1,680,917
Outside services	1,086,425	968,677
Insurance	927,223	903,788
Repairs and maintenance	853,829	833,944
Dietary expenses	569,014	582,488
Rent	314,126	361,747
Legal expenses	155,705	185,568
Loss on disposal of fixed assets	27,425	572,660
Total expenses	50,946,775	50,057,418
PROFIT AND COMPREHENSIVE INCOME		
FOR THE YEAR	\$ 3,577,526	\$ 702,790
EARNINGS PER SHARE (Note 22):		
Basic and fully diluted	\$ 0.36	\$ 0.07

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings	<u>Total</u>
Balance at January 31, 2015 Profit and comprehensive income Dividends paid (\$0.04 per share (Note 19))	9,971,634	\$398,865 - -	\$12,358,030 - -	\$ 14,261,527 702,790 (398,865)	\$ 27,018,422 702,790 (398,865)
Balance at January 31, 2016 Profit and comprehensive income Dividends paid (\$0.06 per share (Note 19))	9,971,634	398,865	12,358,030	14,565,452 3,577,526 (598,298)	27,322,347 3,577,526 (598,298)
Balance at January 31, 2017	9,971,634	\$398,865	\$12,358,030	\$17,544,680	\$30,301,575

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	\$ 3,577,526	\$ 702,790
Adjustments to reconcile net profit loss to net cash provided by operating activities:		
Loss on disposal of fixed assets	27,425	572,660
Bad debt expense (Note 8)	1,364,109	1,680,917
Depreciation and amortization (Notes 13 and 14)	2,770,089	3,063,851
Operating income before working capital changes	7,739,149	6,020,218
Increase in accounts receivable	(3,009,389)	(1,782,925)
Increase in inventories	(139,032)	(98,347)
Increase in other assets	(199,318)	(35,638)
Increase in accounts payable and		
other liabilities	1,356,121	46,703
Net cash from operating activities	5,747,531	4,150,011
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (Note 14)	(3,130,207)	(2,773,767)
Purchase of intangible assets (Note 13)	(18,084)	(149,514)
Net cash used in investing activities	(3,148,291)	(2,923,281)
		(Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITY: Dividends paid to shareholders (Note 19)	\$ (598,298)	\$ (398,865)
INCREASE IN CASH AND CASH EQUIVALENTS	2,000,942	827,865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,353,112	4,525,247
END OF YEAR (Note 7)	\$ 7,354,054	\$ 5,353,112
SUPPLEMENTAL INFORMATION: Interest received	\$ 4,829	\$ 7,054
		(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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, 2017 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, 2016. The adoption of these Standards and Interpretations has not led to any significant impact in the Company's accounting policies, operations or financial statements other than certain additional disclosures.

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

IAS 1	Presentation of Financial Statements (Amendments)
IAS 16	Property, Plant and Equipment (Amendments)
IAS 19	Employee Benefits (Amendments)
IAS 27	Separate Financial Statements (Amendments)
IAS 28	Investments in Associates and Joint Ventures (Amendments)
IAS 34	Interim Financial Reporting (Amendments)
IAS 38	Intangible Assets (Amendments)
IAS 41	Agriculture (Amendments)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
	(Amendments)
IFRS 7	Financial Instruments: Disclosures (Amendments)
IFRS 10	Consolidated Financial Statements (Amendments)
IFRS 11	Joint Arrangements (Amendments)
IFRS 12	Disclosures of Interests in Other Entities (Amendments)
IFRS 14	Regulatory Deferral Accounts

Various Amendments to various Standards derived from Annual improvements to IFRSs 2012-2014 Cycle

17

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the aforementioned date. Management has not assessed whether the relevant adoption of these standards, interpretations and amendments in future periods will have a material impact on the financial statements of the Company

b. Standards and Interpretations in issue but not yet effective

IAS 7 Statement of Cash Flows (Amendments)
IAS 12 Income Taxes (Amendments)

Effective date annual periods beginning on or after January 1, 2018
IFRS 2 Share-based payments (Amendments)
IFRS 4 Insurance Contracts (Amendments)
IFRS 7 Financial Instruments: Disclosures (Amendments)
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers

Effective date annual periods beginning on or after January 1, 2017

Effective date annual periods beginning on or after January 1, 2019

IFRS 16 Leases

Other (*)

IAS 28 Investments in Associates and Joint Ventures (Amendments)

IFRS 10 Consolidated Financial Statements (Amendments)

(*) In December 2015, the IASB decided to defer the effective date of these amendments indefinitely; pending the outcome of its research project on the equity method of accounting. Nevertheless, the amendments are available for earlier adoption.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

Basis of consolidation - These consolidated financial statements incorporate the financial statements of the Parent Company, DHHS, and entities controlled by it which comprise: Doctors Hospital (Bahamas) Limited ("DHB"), Doctors Hospital (East) Limited ("DHE"), Doctors Hospital (West) Limited ("DHW"), and Bahamas Medical Center Limited ("BMC"). The Company 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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-infirst-out basis. Net realizable value is the estimated selling price less cost to sell 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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 copayments 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.

Impairment of non-financial assets

The Group 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 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

	2017			
	Doctors			
	Hospital	Bahamas		
	(Bahamas)	Medical		
	Ltd.	Center Ltd.	<u>Unallocated</u>	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 7,306,747	\$ 46,936	\$ 371	\$ 7,354,054
Accounts receivable-patients, net	7,300,167	119,742	-	7,419,909
Inventories	2,034,894	38,166	-	2,073,060
Other assets	1,203,582	75,179		1,278,761
Total current assets	17,845,390	280,023	371	18,125,784
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net	430,902	-	-	430,902
Other intangible assets	345,418	-	-	345,418
Fixed assets	7,438,245	1,129,525	7,851,988	16,419,758
Total non-current assets	8,214,565	1,129,525	7,881,988	17,226,078
TOTAL ASSETS	\$26,059,955	\$1,409,548	\$7,882,359	\$35,351,862
LIABILITIES				
CURRENT LIABILITIES: Accounts payable and other liabilities	\$ 4,955,673	\$ 94,614	<u>\$</u> _	\$ 5,050,287

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

	2016			
	Doctors			
	Hospital	Bahamas		
	(Bahamas)	Medical		
	<u>Ltd.</u>	Center Ltd.	<u>Unallocated</u>	Consolidated
ASSETS				
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	968,763	107,680	3,000	1,079,443
Total current assets	13,782,029	355,936	3,247	14,141,212
NON-CURRENT ASSETS:				
Investment	-	-	30,000	30,000
Goodwill, net	430,902	-	-	430,902
Other intangible assets	491,461	800	-	492,261
Fixed assets	6,323,298	1,490,564	8,108,276	15,922,138
Total non-current assets	7,245,661	1,491,364	8,138,276	16,875,301
TOTAL ASSETS	\$21,027,690	\$1,847,300	\$8,141,523	\$31,016,513
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and other liabilities	\$ 3,623,607	\$ 70,559	\$ -	\$ 3,694,166

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

		2017	
	Doctors	Bahamas	
	Hospital	Medical	
	(Bahamas) Ltd.	<u>Center</u>	Consolidated
Patient services revenue, net	\$ 51,250,732	\$ 1,462,209	\$52,712,941
Salaries	22,289,572	919,920	23,209,492
Medical supplies	7,374,796	291,130	7,665,926
Medical services	6,186,760	403,802	6,590,562
Depreciation and amortization	2,182,064	588,025	2,770,089
Other operating	2,466,172	57,268	2,523,440
Utilities	1,234,644	221,174	1,455,818
Bad debt expense, net of recoveries	1,372,472	(8,363)	1,364,109
Outside services	937,901	148,524	1,086,425
Government taxes and fees	1,305,936	127,656	1,433,592
Insurance	927,223	-	927,223
Repairs and maintenance	746,348	107,481	853,829
Dietary expenses	565,426	3,588	569,014
Loss on disposal of fixed assets	27,425	-	27,425
Rent	314,126	-	314,126
Legal expenses	153,705	2,000	155,705
Total expenses	48,084,570	2,862,205	50,946,775
Segment profit (loss)	3,166,162	(1,399,996)	1,766,166
Other revenue	1,611,752	199,608	1,811,360
Net income (loss)	\$ 4,777,914	\$ (1,200,388)	\$ 3,577,526

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

		2016	
	Doctors	Bahamas	
	Hospital	Medical	
	(Bahamas) Ltd.	Center	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

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

6. INVESTMENTS IN SUBSIDIARIES

	Country of	Percent equity i	•
Name	incorporation	2017	2016
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:

	2017	2016
Short-term deposits	\$ 3,808,627	\$ 3,541,011
Cash at bank and in hand	3,545,427	1,812,101
	\$ 7,354,054	\$ 5,353,112

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(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.

	2017	2016
Accounts receivable - third-party payors Accounts receivable - patients	\$ 7,023,274 6,132,167	\$ 5,471,280 5,949,690
Allowance for doubtful accounts	13,155,441 (5,735,532)	11,420,970 (5,646,341)
Thiowande for dodottal doodings	\$ 7,419,909	\$ 5,774,629

Movement in the allowance for doubtful account was as follows:

	2017	2016
Balance at beginning of the year	\$ 5,646,341	\$ 4,906,844
Bad debt expense for the year	1,364,109	1,680,917
Recoveries previously written off	243,755	259,230
Doubtful receivables written off in the year	(1,518,673)	(1,200,650)
Balance at end of the year	\$ 5,735,532	\$ 5,646,341

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

Patient	2017	2016
0-30	\$ 385,299	\$ 328,429
31-90	326,287	238,609
91-180	306,119	273,829
181-270	 193,444	 92,017
Total	\$ 1,211,149	\$ 932,884
Third-Party Payors	2017	2016
0-30	\$ 4,775,504	\$ 3,636,521
31-90	1,154,916	906,948
91-180	 278,340	 298,276
Total	\$ 6,208,760	\$ 4,841,745

Management considers accounts receivable due from Patient totaling \$825,850 (2016: \$604,455) to be past due but not impaired, and accounts receivable due from Third-Party Payors totaling \$1,433,256 (2016: \$1,205,224) to be past due but not impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

9. INVENTORIES

Inventories are comprised of the following:

	2017	2016
Medical supplies Pharmaceuticals	\$ 1,672,883 400,177	\$ 1,506,393 427,635
Total inventories at the lower of cost and net realizable value	\$ 2,073,060	\$ 1,934,028

The amount of write-downs of inventories recognized as an expense is \$176,593 (2016: \$151,418), which is recognized in medical supplies on the consolidated statement of profit or loss and other comprehensive income.

10. OTHER ASSETS

Other assets are comprised of the following:

	2017	2016
Prepaid expenses	\$ 1,042,208	\$ 857,972
Security deposits	164,835	156,486
Advances and other assets	71,718	 64,985
	\$ 1,278,761	\$ 1,079,443

11. INVESTMENT

The investment of \$30,000 (2016: \$30,000) represents a 10% ownership stake in Nassau Laboratory Partners, which is carried at cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

12. GOODWILL

Goodwill at January 31, 2017 is \$430,902 (2016: \$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.

13. OTHER INTANGIBLE ASSETS

Other intangible assets are comprised of the following:

	2017	2016
Cost:		
Balance at beginning of year	\$ 4,469,049	\$ 4,347,535
Additions	18,084	149,514
Disposals		(28,000)
Balance at end of year	4,487,133	4,469,049
Accumulated amortization:		
Balance at beginning of year	\$ 3,976,788	\$ 3,781,362
Amortization for the year	164,927	223,426
Disposals		(28,000)
Balance at end of year	4,141,715	3,976,788
Net book value	\$ 345,418	\$ 492,261

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 \$Nil (2016: \$28,000) were retired from service. Included as at January 31, 2017 are fully amortized assets of \$3,593,589 (2016: \$3,067,042).

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

14. FIXED ASSETS

Fixed assets are comprised of the following:

	Land			Furniture	
	and	Work-in-	Leasehold	and	
	buildings	Progress	improvements	equipment	Total
COST:					
Balance at January 31, 2015	\$17,232,741	\$ 572,660	\$ 2,073,170	\$22,136,530	\$42,015,101
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	17,339,665	555,014	2,158,661	22,636,924	42,690,264
Transfers (out) in	-	(555,014)	555,014	-	-
Additions	-	229,395	451,668	2,449,144	3,130,207
Disposals			(135,416)	(695,618)	(831,034)
Balance at January 31, 2017	\$17,339,665	\$ 229,395	\$ 3,029,927	\$24,390,450	\$44,989,437
ACCUMULATED					
DEPRECIATION:					
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	9,231,386	-	1,188,241	16,348,499	26,768,126
Depreciation	256,288	-	252,668	2,096,206	2,605,162
Disposals			(135,416)	(668,193)	(803,609)
Balance at January 31, 2017	\$ 9,487,674	<u>\$</u> -	\$ 1,305,493	\$17,776,512	\$28,569,679
CARRYING AMOUNT:					
At January 31, 2017	\$ 7,851,991	\$ 229,395	\$ 1,724,434	\$ 6,613,938	\$16,419,758
At January 31, 2016	\$ 8,108,279	\$ 555,014	\$ 970,420	\$ 6,288,425	\$15,922,138

During the year, fully depreciated assets of \$831,034 (2016: \$1,525,944) were retired from service. Included in leasehold improvements, furniture and equipment at January 31, 2017 are fully depreciated assets of \$11,613,701 (2016: \$10,354,178). During the previous year, work in progress of \$572,660 was written off; as there was no action towards the respective development plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are comprised of the following:

	2017	2016
Accounts payable - trade	\$ 1,660,687	\$ 1,387,856
Accrued expenses	2,523,041	1,541,420
VAT payable	231,953	194,410
Other liabilities	437,967	402,842
Vacation benefit accrual	196,639	167,638
	\$ 5,050,287	\$ 3,694,166

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.
- VAT payable is paid monthly and is non-interest bearing if paid by the 21st 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, 2017 the entire facility of approximately \$2.7 million (2016: \$2.7 million) was undrawn and available.

17. SALARIES AND BENEFITS EXPENSE

Salaries and benefits expense are comprised of the following:

	2017	2016
Salaries and benefits (Note 20)	\$22,091,597	\$21,041,800
National Insurance costs	682,348	665,607
Pension costs - defined contributions pension plan (Note 21)	435,547	396,758
	\$23,209,492	\$22,104,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

18. GOVERNMENT TAXES AND FEES

Government taxes and fees are comprised of the following:

	2017	2016
Work permit fees	\$ 500,116	5 \$ 397,445
Business license	649,338	612,219
Property taxes	284,138	233,161
	\$ 1,433,592	\$ 1,242,825

19. DIVIDENDS PAID

	2017	2016
Dividend on ordinary shares:		
Final dividend for 2017 \$.06 per share (2016: \$.0.04)		
	\$ 598,298	\$ 398,865

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.

Entities with significant influence over the Company	Year	Purchases from Related Parties	Amounts owed to Related Parties
Trauma and Emergency			
Medical Services Limited (TEMS)	2017	\$3,841,392	\$ 159,027
	2016	3,784,354	191,062
Key management personnel	Year	Purchases from Related Parties	Amounts owed to Related Parties
Barry and David Rassin	2017	48,000	<u>-</u>
	2016	48,000	-
Med Management Limited	2017	23,133	-
	2016	59,581	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

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, 2017 and 2016, the Group had no debts relating to amounts owed by related parties.

Transactions with other related parties

Compensation of key management personnel:

	2017	2016
Short-term employee benefits	\$1,581,712	\$1,441,322
Post-employment pension benefits	124,874	112,347
Total compensation paid to key management personnel	\$1,706,586	\$1,553,669

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, 2017 amounted to \$876,490 (2016: \$778,268).

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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:

	2017	2016
Profit for the year	\$ 3,577,526	\$ 702,790
Weighted average number of ordinary shares on issue applicable to basic earnings per share	9,971,634	9,971,634
Earnings per share	\$ 0.36	\$ 0.07

23. COMMITMENTS

Operating lease commitments

Rental expenses for facilities and parking lots were approximately \$310,626 (2016: \$329,649).

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

	2017	2016
Within one year After one year but not more than five years	\$ 323,354 1,164,360	\$ 329,649 856,301
1 1101 0110 y cm o sio noo more than 11ve y cm o	\$ 1,487,714	

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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.

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, 2017 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:

	2017	2016
Patients	16%	16%
Third party payors	<u>84</u> %	<u>84</u> %
	100%	100%

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.

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 16. The financial assets and liabilities are deemed to be current.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2017

(Expressed in Bahamian dollars)

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 on Bank deposits.

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, 2017 or January 31, 2016.

27. SUBSEQUENT EVENT

On March 15, 2017, the Board of Directors declared a \$0.02 dividend per ordinary share. The financial effect has not been taken in these consolidated financial statements and will be accounted for in the subsequent year.

* * * * * *

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CHADWICK WILLIAMSON VP Management Information System



SABRINA WALKINE



JASMINE **DAVIS** Patient Finance



DORCENA **NIXON** VP Patient Care



HAVEN



SAWYERS VP Clinical Services



MICHAELA SUMNER-BUDHI ANTONIO-Legal Counsel



DR SHEENA COLLIE VP Medical Affairs

BOARD DIRECTORS



KRUKOWSKI



STUBBS Vice Chairman



DR LARRY CARROLL



DR CHARLES
DIGGISS



RASSIN



KAREN CAREY



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42

NOTATION

NOTATION





