

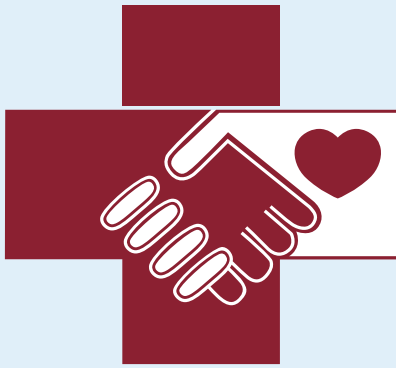


DOCTORS HOSPITAL HEALTH SYSTEM

Trusted and Best Care NOW. Isn't Your Health Worth It?

ANNUAL REPORT

2019



BRIDGE
TO THE
FUTURE

DOCTORS HOSPITAL



ABOUT US

OUR MISSION



DOCTORS HOSPITAL

Trusted and Best Care NOW. 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 VISION

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

STRATEGIC PRIORITIES G.L.O.W.

Using the acronym G.L.O.W. Doctors Hospital has focused its strategic priorities to produce enhanced growth and development within the health system.

G - Growing
L - Learning
O - Outreaching
W - Wow!

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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BRIDGE



MAKING DREAMS REAL

HEALinc

FUTURE HEALTH INNOVATION SUMMIT

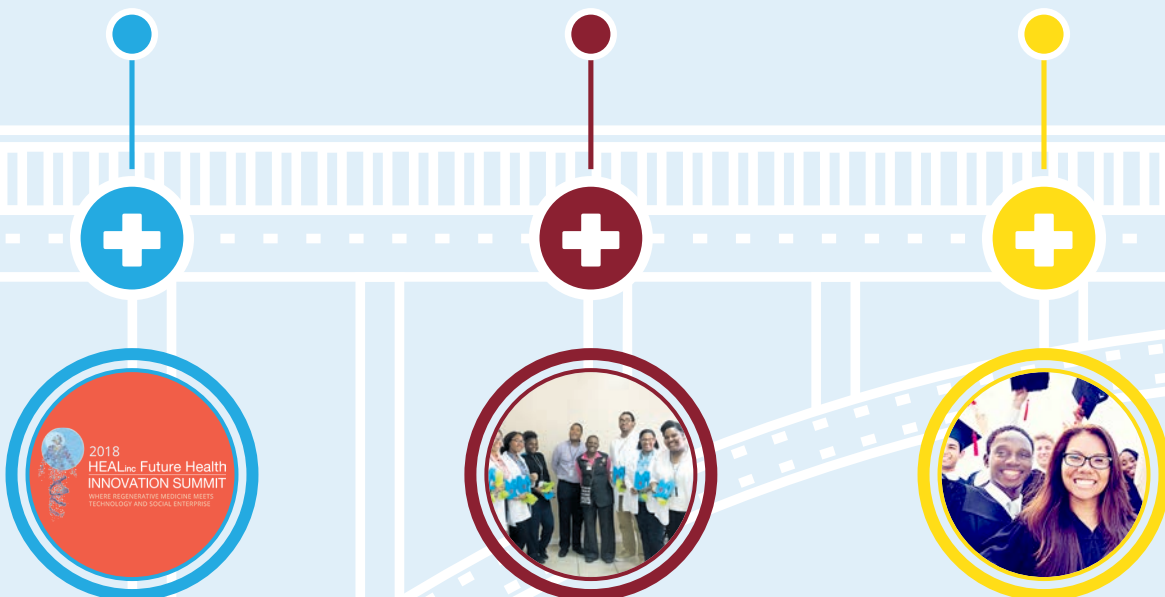
Doctors Hospital Health System is a platinum sponsor for this summit that brings together experts, researchers, influencers and change-makers of stem cell, regenerative medicine, and personal health to engage in global cross-disciplinary discussion on the categories of digital health, ethics & standards, health reimbursement, methodology & design, and regenerative health. We sponsor the attendance of 200 students/Guidance Counsellors and parents to introduce them to the future of healthcare and excite them in how they can participate.

S.T.E.P.

Doctors Hospital offers Bahamian students studying towards a degree in healthcare a unique opportunity to experience a hospital setting up close. The Student Temporary Employment Program (S.T.E.P.) is a four-week summer student program for tertiary level students. The unique program provides awareness, exposure, education and understanding of healthcare professions and the related fields. For many participants, S.T.E.P. helps to solidify their career path by giving them a real experience in a clinical setting.

SCHOLARSHIPS

Each year 'Doctors Hospital Dr. Meyer Rassin Foundation' awards scholarships to a number of Bahamian students pursuing higher education in healthcare. To date, more than 300 students have received financial awards. The foundation, in collaboration with Doctors Hospital (Bahamas) Ltd., has provided funding in excess of seven hundred and fifty thousand dollars to these recipients. These students are also able to participate in other elements of our 'Bridge to the Future program' while continuing their studies.



FUTURE

INVESTING IN OUR FUTURE

PRIMARY SCHOOL ADOPTION

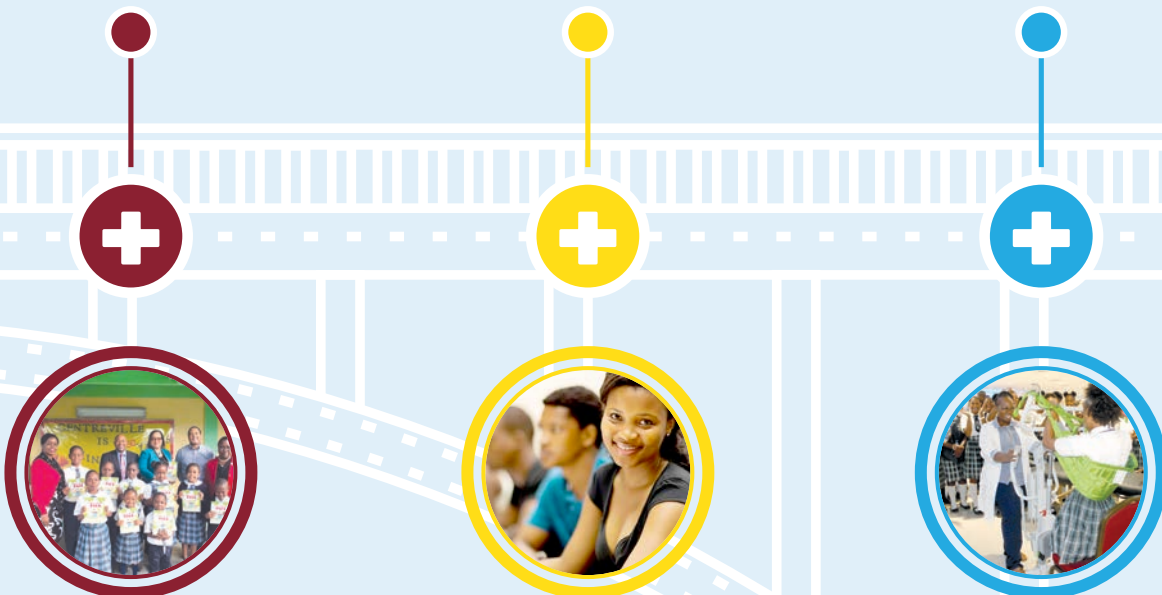
Community development is important to Doctors Hospital. We have had the pleasure to adopt the Centreville Primary School, which is located nearby the main hospital on Collins Avenue. While donations are provided to the school to assist with concerns, we derive increased satisfaction from our interaction with the students where we educate them in healthcare and introduce them to the many professions. A number of the schools in the vicinity are also invited on field trips at the hospital. We seek to empower our youth through education.

LEARNING

Here at Doctors Hospital, we believe that continued learning is integral to our mission of meeting and exceeding the healthcare needs of our patients. Our Organizational Learning department conducts training courses in an environment that promotes both professional and academic excellence. These courses target both current healthcare professionals and those interested in pursuing a career in healthcare.

CAREER EXPO

An interactive event that provides the opportunity for students to speak with healthcare professionals from throughout the Health System on their roles and the steps taken to attain their positions. Students are also exposed to various demonstrations including a Code Blue response re-enactment, pharmaceutical compounding, cesarean section simulation and ultrasound techniques. The Career Expo is a great opportunity to be exposed to the many fields in healthcare.



CHAIRMAN'S REPORT



FELIX STUBBS
Chairman of the Board

I am extremely grateful for the confidence you have placed in me by entrusting me to lead the Board of Directors for the Health System. Having served the Board for more than 15 years, I will energetically use the experience and knowledge gained to continually enhance the governance posture of Doctors Hospital Health Systems and I can assure you that I speak for the entire Board.

Over the past year, Doctors Hospital Health System has made great progress towards its growth strategy. Keen focus on our 'GLOW (Grow/Learn/Outreach/Wow) vision 2020 and beyond' strategic executions have resulted in a strong Net Profit position this year. Our Executive Leadership team executed all phases of the strategy while maintaining quality and patient safety. This success has not only allowed us to sustain, but to enhance our return to you our shareholders. Our vision, as expressed by the President of the Health System, "is to ensure that you receive greater value along this journey". We are excited about the quality of our leadership team and we continue to pursue the "best available". On behalf of the Board I extend full support and commendation to the C-suite team: Dr

Charles Diggiss (President & CMO), Mr. Charles Sealy (CEO) and the newest member, Mr. Deveau (CFO).

This year witnessed increased activity in our inpatient and outpatient services at DoctorsHospital, Collins Avenue. This new level of demand stretched our resources and required of us to be aggressive in recruitment, cost containment and overall efficiency. Our success can be attributed to the efforts of our dedicated team that work collaboratively to bring quality and safe care to our customers. We are especially grateful to our physicians who entrust their patients to us and lead in the provision of stellar care and we are honoured to be of service to our patients, their families and loved ones, who all are our customers. We are delighted that they selected us as their 'trusted & best care, NOW' choice when it matters most.

We are excited to accommodate many new physicians who bring supplementing specialties to enhance our service offerings and thus reduce the need for our customers to journey abroad. This partnership with all our physicians is integral and, we continue to consider various collaborations to produce best value.

This year we rebranded our facility located on Blake Road as 'Doctors Hospital West'. With a renewed desire to provide signature services to our local community, we sought to rename the location to align it with the brand our customers have come to trust. The facility features new services: Prime Care (our signature primary offering) and an Interventional Pain Management program. We retained our Hyperbaric oxygen treatment centre, and our Regenerative Medicine programs.



Laboratory services and Diagnostic Imaging services remain available. Dentistry, Specialists Consults, Physiatry and Sports medicine are our tenant offerings. Additional new services to the facility that will bring value to those who live nearby, or travel to New Providence for care, include a re-opened operating room for Surgical Day Cases and Extended (MedSurg) Care. Our financial results reflect a positive shift in the performance of the facility. We anticipate that the facility will begin to produce positive results in the latter half of 2019.

Our Organizational Learning Department continued to offer educational courses to hardwire the expected competency required by our Staff. Additionally, a number of internationally certified courses were offered to introduce healthcare professionals to required mandatory credentialing as well as to introduce inspired individuals to elements of the Healthcare Continuum. Of special note is our fully funded Emergency Medical Technician Course extended to those interested in the field. We received over eight hundred applicants and had a difficult time in selecting the twenty (20) candidates that were chosen. A vigorous course was developed, using internal instructors. Thirteen students completed the course and were successful in receiving their international certification. As our programs continue to receive the sanctioning by the National Accreditation & Equivalency Council of The Bahamas (NAECOB) we are excited of what the future holds as we journey to establish our fully accredited Institute of Learning.

Technology is an essential component in the delivery of services. We continue to invest in equipment that will increase quality outcomes for our customers. We were excited to introduce a state of the art 3T Digital MRI to the country. This unit is the most advanced in the Caribbean. It seeks to enhance imaging results and expand capabilities. We now have contingent redundancy with two MRI machines to complement our array of imaging equipment. We have also enhanced our social media presence with meaningful upgrades to our website and launched 'My DH connect' digital access for bill pay and viewing of medical information.

Our outreach activities within our local community continue to be a priority for us. Our viewing public have become accustomed to health tips and televised health lectures. We have remained committed to our monthly health lectures that focus on prevention, wellness and awareness. Those that attend are able to engage our Health professionals on subject matters of interest. Much of this information is also shared on our social media platforms. Additional programs include health screenings, blood drives and ergonomic assessments. Further, we have continued to support charitable programs and funded scholarships in excess of a quarter of a million dollars. Our foundation, the Dr. Meyer Rassin Foundation, has aided hundreds of Bahamians in pursuing their future in Healthcare. We invite you to journey with us by financially supporting this foundation to enlarge our capacity in giving.

Our future continues to be cemented in proactively meeting and exceeding the needs of our customers. Our focus on programs to steer persons into Healthcare is essential in reinforcing our continued presence. This 'bridge to the future' initiative invites others to engage with us in 'creating the future, now' for what's possible for DHHS in healthcare delivery in the Bahamas, and beyond.

On behalf of the board, I wish to express our appreciation to you the shareholders for your confidence to allow us to produce meaningful results. We also extend our gratitude to our Physicians and Associates for their loyalty and excellence in service. Undoubtedly, our customers are forever paramount and we confirm our intent to provide them with the care that they have come to trust, when they need it most.

Sincerely



**FELIX
STUBBS**

CHAIRMAN OF THE BOARD
Doctors Hospital Health System Limited

BRIDGE

TO



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HEALinc

FUTURE HEALTH INNOVATION SUMMIT

SCHOLARSHIPS



S.T.E.P.



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FUTURE



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

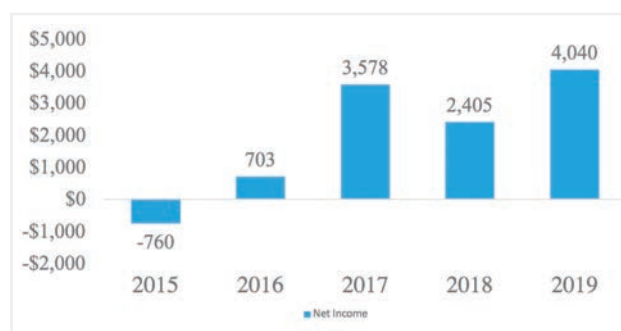
FISCAL 2019 RESULTS OF OPERATIONS

Net Income

Consolidated Net profit totalled \$ 4,040,470 or \$0.41 per share, for the year ended January 31, 2019, compared to a profit of \$2,405,134 or \$0.24 per share per share, for the year ended January 31, 2018. Net income grew year over year by approximately 68% and reflects record performance considering the past five (5) years earnings development.

In addition to strong organic development of key service lines, a contributor to an improvement in earnings is the narrowing of losses at Bahamas Medical Centre. Losses shrank at Bahamas Medical Centre by \$320,591, based in part on idling of unprofitable service lines and enhanced cost management measures by Management.

Figures in Thousands (Rounded)



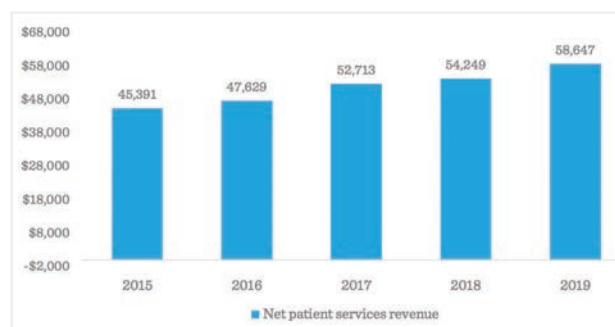
Revenue Development

For the year ended January 31, 2019 net patient revenue increased 8.1% or \$4,398,014 vs. the prior year, primarily at Doctors Hospital Bahamas, driven in part by a noteworthy increase in emergency room visits,

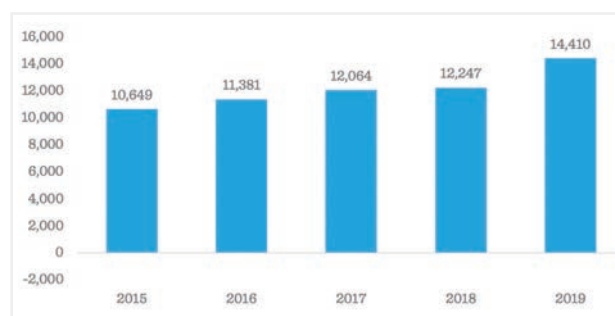
which grew by 13.7% vs. the prior year. Total admissions to the facility were 4,634 in fiscal 2019 compared to 4,041 in the previous year. Average occupancy for the year ended January 31, 2019 was 54.8% vs. 46.6% in the prior year. Adult patient days, a core measure of activity was 14,410 for the year ended January 31, 2019, a 17.7% increase vs. the prior year, bringing the average daily volume to 39.5 patients for the year vs. 33.6 patients in the prior year.

Growth occurred in all service areas except for the intensive care unit ("ICU") at Doctors Hospital Bahamas. Based on an intentional idling of select unprofitable service lines at Bahamas Medical Centre, revenue declined at this facility by \$300,288 on a year over year basis.

Net Patient Services Revenues - Figures in Thousands (Rounded)



Adult Patient Days



Expenses

Total expenses for the year were \$56,741,329, an increase of \$2,932,588 or 5.5%.

The key drivers of higher overall expenses are salaries and benefits (“staffing costs”) which were \$25,041,642 in FYE 2019, and grew by \$2,591,041 or 11.5%, due in part to a ramp-up in staffing levels in response to stronger patient activity. Staffing costs were 42.7% of net patient services revenue in FYE 2019, an increase of 1.3 percentage points vs. the prior year.

Accounts Receivable Management and Expected Loss Allowance

The loss allowance recognized in the current year was \$470,086 or 0.8% of net patient services revenue, a noteworthy reduction vs. the prior year, which was \$2,518,579 or 4.6% of net patient services revenue. Management introduced several new measures to reduce financial risk, resulting in a heightened focus on upfront collections primarily for self-pay patients. Additionally, the adoption of IFRS 15 in part shifts the timing of when financial risk is recognized, and as a result, the Group adjusted revenue and reduced accounts receivables by \$2,415,650 considering the requirements under this standard.

The allowance for doubtful accounts stood at \$1,792,644 for the year ended January 31, 2019 vs. \$3,932,444 and was assessed to be adequate by The Group based on the requirements under IFRS 9, and Management’s analysis of unrecoverable accounts for insurance and self-pay patients.

Days revenue in accounts receivable at the period ended January 31, 2019 stand 45 days, vs. 55 days at the same period ending 2019.

Liquidity

Cash and cash equivalents stood at \$5,328,590 at January 31, 2019. The Group reclassified \$2,183,362 from cash and cash equivalents to investment (see notes 7 and 11), and will hold such funds as restricted for strategic and long-term planning purposes. In addition to available cash and cash equivalents, the group maintains an overdraft facility in the amount of \$2.7 million, which was undrawn.

Capital expenditure for fiscal 2020 is projected at \$2.0 million for replacement equipment and facility improvements and will be funded with internal cash-flow.



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INDEPENDENT AUDITORS' REPORT

To the 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, 2019, 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, 2019, 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 *Auditors' 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
Expected credit losses on trade receivables	<p>At 31 January 2019, the Group has trade receivables of \$9,409,729 against which an expected credit loss of \$1,792,644 was recorded (Refer to Note 8 to the consolidated financial statements).</p> <p>The Group adopted IFRS 9 Financial instruments during the year which involved the determination of expected credit losses (“ECL”). The determination of ECLs is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management based on historical loss data adjusted for forward-looking information.</p>	<p>We reviewed the Group’s methodology for determining its ECL for trade receivables. We analyzed the key assumptions used in management’s analysis including historical loss data and forward-looking information and tested the data for accuracy and completeness. We recalculated the ECL using management’s methodology. We challenged management on significant long overdue debts.</p>
Recognition of Patient Service revenue	<p>During the year, the Group adopted IFRS 15, Revenue from contracts with customers. IFRS 15 implements a five-step model approach to revenue recognition. Management assesses whether any classes of customers do not have the ability and intent to pay consideration when due, which forms part of the recognition criteria. The assessment requires significant judgement on customer classes, based on patient demographics and payment history.</p>	<p>We reviewed the Group’s position paper related to the adoption of IFRS 15 and management’s application of the new standard. We assessed management’s determination of classes of customers and tested information supporting their demographics and payment history. We recalculated amounts excluded from revenue.</p>

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information in the Doctors Hospital Health System Limited 2019 annual report other than the Group financial statements and our auditors’ report thereon (“the Other Information”). The annual report is expected to be made available to us after the date of our auditors’ 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 auditors' 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 auditors' 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 auditors' report. However, future

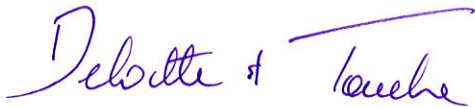
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate 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's 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 auditors' 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 auditors' report is Tshombe Godet.

A handwritten signature in purple ink, reading "Deloitte & Touche", is positioned above the printed name and date.

Nassau, Bahamas
May 24, 2019

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT JANUARY 31, 2019***(Expressed in Bahamian dollars)*

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 7)	\$ 5,328,590	\$ 4,369,484
Trade receivable - patients, net (Note 8)	605,340	1,711,472
Trade receivable - third-party payors, net (Note 8)	7,011,745	6,677,148
Inventories (Note 9)	2,225,029	2,222,305
Other assets (Note 10)	<u>2,465,721</u>	<u>1,884,870</u>
Total current assets	<u>17,636,425</u>	<u>16,865,279</u>
NON-CURRENT ASSETS:		
Investment (Note 11)	2,417,088	30,000
Goodwill (Note 12)	430,902	430,902
Other intangible assets (Note 13)	345,068	407,418
Property and equipment (Note 14)	<u>23,548,515</u>	<u>18,382,583</u>
Total non-current assets	<u>26,741,573</u>	<u>19,250,903</u>
TOTAL ASSETS	<u><u>\$ 44,377,998</u></u>	<u><u>\$ 36,116,182</u></u>

(Continued)

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JANUARY 31, 2019*(Expressed in Bahamian dollars)*

	2019	2018
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other liabilities (Notes 15 and 20)	\$ 4,639,423	\$ 3,908,061
Current portion of long-term debt (Note 16)	205,162	-
Total current liabilities	4,844,585	3,908,061
NON-CURRENT LIABILITY:		
Long-term debt (Note 16)	3,883,120	-
Total liabilities	8,727,705	3,908,061
EQUITY		
Share capital:		
Authorized 12,500,000 Common shares at par value of \$0.04 (2018: 12,500,000); issued and fully paid 9,971,634 (2018: 9,971,634)	398,865	398,865
Contributed surplus	12,358,030	12,358,030
Retained earnings	22,893,398	19,451,226
Total equity	35,650,293	32,208,121
TOTAL LIABILITIES AND EQUITY	\$ 44,377,998	\$ 36,116,182

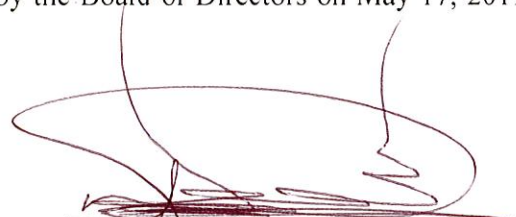
(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on May 17, 2019,
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, 2019***(Expressed in Bahamian dollars)*

	2019	2018
REVENUE:		
Patient services revenue, net	\$ 58,647,063	\$ 54,249,049
Other revenue, net	<u>2,134,736</u>	<u>1,964,826</u>
Total revenue	<u>60,781,799</u>	<u>56,213,875</u>
EXPENSES:		
Salaries and benefits (Note 17)	26,268,010	23,619,351
Medical supplies (Note 9)	8,553,209	8,054,383
Medical services (Note 20)	7,330,064	6,692,374
Other operating expenses	3,382,790	2,872,657
Depreciation and amortization (Notes 13 and 14)	3,009,373	2,845,059
Utilities	1,748,128	1,525,326
Government taxes and fees (Note 18)	1,537,696	1,527,139
Outside services	1,519,088	1,363,760
Repairs and maintenance	1,151,477	811,459
Insurance	940,502	803,931
Dietary expenses	685,534	656,766
Loss allowance (Note 8)	470,086	2,518,579
Rent	444,977	359,310
Interest expense	166,588	-
Loss on disposal of property and equipment	28,305	-
Legal (reversal of) expenses	<u>(494,498)</u>	<u>158,647</u>
Total expenses	<u>56,741,329</u>	<u>53,808,741</u>
PROFIT AND COMPREHENSIVE INCOME		
FOR THE YEAR	<u>\$ 4,040,470</u>	<u>\$ 2,405,134</u>
EARNINGS PER SHARE (Note 22):		
Basic and fully diluted	<u>\$ 0.41</u>	<u>\$ 0.24</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JANUARY 31, 2019*(Expressed in Bahamian dollars)*

	<u>Number of shares</u>	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 31, 2017	9,971,634	\$ 398,865	\$ 12,358,030	\$ 17,544,680	\$ 30,301,575
Total comprehensive income	-	-	-	2,405,134	2,405,134
Dividends paid					
(\$0.05 per share (Note 19))	-	-	-	(498,588)	(498,588)
Balance at January 31, 2018	9,971,634	398,865	12,358,030	19,451,226	32,208,121
Total comprehensive income	-	-	-	4,040,470	4,040,470
Dividends paid					
(\$0.06 per share (Note 19))	-	-	-	(598,298)	(598,298)
Balance at January 31, 2019	<u>9,971,634</u>	<u>\$ 398,865</u>	<u>\$ 12,358,030</u>	<u>\$ 22,893,398</u>	<u>\$ 35,650,293</u>

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2019*(Expressed in Bahamian dollars)*

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	\$ 4,040,470	\$ 2,405,134
Adjustments to reconcile net profit to net cash provided by operating activities:		
Loss on disposal of property and equipment	28,305	-
Loss allowance (Note 8)	470,086	2,518,579
Depreciation and amortization (Notes 13 and 14)	<u>3,009,373</u>	<u>2,845,059</u>
Operating income before working capital changes	7,548,234	7,768,772
Decrease (increase) in trade receivable	301,449	(3,487,290)
Increase in inventories	(2,724)	(149,245)
Increase in other assets	(580,851)	(606,109)
Increase (decrease) in accounts payable and other liabilities	<u>731,362</u>	<u>(1,142,226)</u>
Net cash from operating activities	<u>7,997,470</u>	<u>2,383,902</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment (Note 14)	(8,061,665)	(4,718,380)
Purchase of intangible assets (Note 13)	(79,595)	(151,504)
Purchase of investment (Note 11)	<u>(2,387,088)</u>	<u>-</u>
Net cash used in investing activities	<u>(10,528,348)</u>	<u>(4,869,884)</u>

(Continued)

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2019*(Expressed in Bahamian dollars)*

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in long-term debt (or proceeds from bank loan)	\$ 4,235,000	\$ -
Repayment of long-term debt	(146,718)	-
Dividends paid to shareholders (Note 19)	<u>(598,298)</u>	<u>(498,588)</u>
Net cash from (used in) financing activities	<u>3,489,984</u>	<u>(498,588)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	959,106	(2,984,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,369,484</u>	<u>7,354,054</u>
END OF YEAR (Note 7)	<u>\$ 5,328,590</u>	<u>\$ 4,369,484</u>
SUPPLEMENTAL INFORMATION:		
Interest received	<u>\$ 126,581</u>	<u>\$ 57,399</u>

(Concluded)

See notes to consolidated financial statements.

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED JANUARY 31, 2019

(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, 1986. 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, 2019 comprise the Group and its subsidiaries as described in Note 6.

These consolidated financial statements are presented in Bahamian Dollars and are rounded to the nearest dollar.

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 fiscal 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, which were effective for annual reporting periods beginning on or after February 1, 2018. With the exception of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, the adoption of these Standards and Interpretations has not led to any significant impact in the Group’s accounting policies, operations or financial statements other than certain additional disclosures contained herein.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15, on February 1, 2018 to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The key steps in the five-step model are as follows: identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate the transaction price to the performance obligation and satisfy the performance obligation. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers.

IFRS 15 requires that revenue is recognized at the amount that reflects the consideration to which the Group expects to receive, with consideration taking account of discounts where they are both quantifiable and probable, and both explicit and implicit in nature.

In accordance with the transition for IFRS 15, the Group has adopted the standard using the Cumulative Transition Method. The Group’s unbilled contracts with customers was not significantly impacted as a result of the transition to IFRS 15 and therefore, no adjustment was made to opening retained earnings.

Impact on Profit for the Year

One important criterion in defining if a contract does in fact exist, is assessing if it is probable that the entity will collect the consideration to which it is entitled. Management assessed the profit impact as a result of applying IFRS 15 to be consistent with the financial risk arising from self-pay patients.

Under IFRS 15, the adjustment to revenue was (\$2,415,650), and there was a corresponding reduction in trade receivable, and an offsetting adjustment to bad debt expense in the amount of (\$1,630,184). Had IFRS 15 not be applied, the Group would have reported higher overall accounts receivables in the period, which is illustrative of a shift in the timing of when financial risk is recognized based on application of this standard.

	<u>With IFRS 15</u>	<u>Without IFRS 15</u>	<u>Difference</u>
Revenue	\$ 60,781,799	\$ 63,197,449	\$ (2,415,650)
Growth rate of revenue vs. prior year	14.2%	18.8%	-4.5%
Accounts Receivable	\$ 7,617,085	\$ 10,032,735	\$ (2,415,650)
Bad Debt Expense	\$ (470,086)	\$ (2,100,270)	\$ 1,630,184
Bad Debt Allowance	\$ 1,792,644	\$ 3,422,828	\$ (1,630,184)

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 and reviewed and assessed its existing financial assets as of 31 January 2019 based on the circumstances as at that date, and concluded that the initial application of IFRS 9 was consistent with The Group's accounting policies which are outlined for the relevant areas below:

- Equity investments are measured on a cost basis;
- Financial assets, specifically trade receivables continue to be measured at amortized cost;

As it relates to the impairment of financial assets, IFRS 9 requires an expected credit loss ("ECL") model be used versus an incurred credit loss model which was applicable under IAS 39. The ECL model requires the Group to account for expected credit losses independent of the actual occurrence of a credit loss event. IFRS 9 specifically requires the Group to assess and recognize where appropriate, a loss allowance for trade receivables and lease receivables. The Group assessed the impact of an ECL model for trade receivables, but assessed lease receivables as insignificant and the Group did not have any material loss experience. For the period ending January 31, 2019, the Group's lease receivable balance was immaterial.

None of the other reclassifications of financial assets required under IFRS 9 are applicable to the Group, and as such, would have not had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income for the period ending January 31, 2019.

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

IAS 7 *Statement of Cash Flows* (Amendments)
IFRS 12 *Disclosures of Interests in Other Entities* (Amendments)

Various Amendments to various Standards derived from Annual improvements to IFRSs 2014-2016 Cycle

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 consolidated financial statements of the Group.

b. *New and revised IFRS Standards in issue but not yet effective*

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 9 *Prepayment Features with Negative Compensation* (Amendments)
IFRS 10 *Consolidated Financial Statements*
IFRS 16 *Leases*
IFRS 17 *Insurance Contracts*
IFRS 3 *Business Combinations* (Amendments)
IFRS 11 *Joint Arrangements* (Amendments)
IAS 12 *Income Taxes* (Amendments)
IAS 19 *Employee Benefits* (Amendments)
IAS 23 *Borrowing Costs* (Amendments)
IAS 28 *Investments in Associates and Joint Ventures* (Amendments)

At this time, 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 16 for which it has not yet concluded its analysis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. *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”).
- b. *Basis of preparation*** - The consolidated financial statements have been prepared on a historical cost basis except for financial assets and liabilities.
- c. *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”), Bahamas Medical Center Limited (“BMC”) and Doctors Hospital (Harbourside) Limited (“DHH”).

DHH is a new subsidiary incorporated within the year. 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 management accounts 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 upon consolidation.

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

In preparing the consolidated 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.

- f. Financial instruments* - Financial assets within the scope of IFRS 9 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.

- g. 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.
- h. 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.
- i. 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.

- j. Property and equipment** - Property and equipment 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 property and equipment 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 property and equipment 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 property and equipment 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 property and equipment 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 property and equipment) is included in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognized.

- k. 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 2019.

- 1. Leases** - The Group does not have finance leases which would exist if and whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. As such, all leases 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.

- m. Revenue recognition** - Net patient service revenue is recognized when healthcare services are delivered at established billing rates less estimated any variable consideration, which may be explicit or implicit as defined under IFRS 15 and includes allowances for contractual discounts.

The delivery of care for each patient and medical episode is considered unique. There are many variables that are factored into the delivery of care as driven by clinicians in the healthcare environment i.e. diagnosis, co-morbidities, gender, blood type, disease stage, prognosis etc. Therefore, multiple treatments and/or interventions may be required and are administered during a single medical episode. As care is delivered, the items related to the delivery of care are considered fulfilled, and revenue is recognized day by day, as services are provided to patients for each medical episode.

- n. Other income**- Other income comprises of dividend income from investments which is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably), revenue recognized from operating leases is described in note 3(l), and income earned through agreements with third party contracted physicians.
- o. 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.
- p. 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.
- q. Income taxes** - There are no income taxes imposed on the Group by the Commonwealth of The Bahamas.
- r. 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.
- s. Provisions** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The estimate is based on the quantum as assessed by Management, based in part on internal and external legal advice, and considering if any other co-defendants are likely to be partially liable in a claim and the likely split between the Group and co-defendants.

Details of claims are not separately disclosed where sensitive in nature or where such disclosure may impact negotiations. Other provisions which relate to treatment and classification financial assets are considered under IFRS 9 as described herein.

- t. 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.

- u. Investment in associates and joint ventures** - The Group recognizes investment in associated companies using the equity method on a cost basis. Cost includes the purchase price and other costs directly attributable to the acquisition or issuance of the asset, such as external professional fees, legal fees and transactions. The Group does not have joint ventures.
- v. 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.

a. 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 trade receivable due from self-pay patients and third-party payors, which is recognized consistent with IFRS 9.

Under IFRS 15, the Group is required to assess where it is probable that it would collect the consideration to which it is entitled under the exchange. Management primarily analyzed collectability for self-pay patients, which comprise approximately 20% of net patient services revenue. Management then considered various patient demographic factors in its assessment of collectability, principally the age of the patient and nature of service rendered (critical vs. non-critical and outpatient care), and the country of origin (local vs. tourist) of the patient. Where collectability was judged to be improbable, revenue was not recorded.

b. 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. Variable consideration, both explicit and implicit are considered in accordance with IFRS 15.

c. Provision for doubtful accounts

IFRS 9 replaced IAS 39 requiring the Group to provision for doubtful accounts using an expected credit loss (“ECL”) model, which no longer necessitates that a credit event occur before credit losses are recognized. The development of an ECL model requires that management apply judgement based on past experience especially for aged receivables and assumptions and estimations in the assessment of credit risk, which include the use of historical data on loss experience for self-pay patients, as well as a forecast of future economic conditions.

The Group assessed ECL for insurance patients, which account for approximately 80% of its revenue, and self-pay patients, separately. The assessment is based on two (2) years historical loss rates for each patient class, considering actual bad debt (credit) experience. Based on Management judgement, any accounts with receivable balances aged greater than +365 days are fully provisioned.

d. 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 as stated. 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. For management accounting purposes, included along with the activity of DHB, are Doctors Hospital Health System (“DHHS”), Doctors Hospital (East) Limited (“DHE”) and Doctors Hospital (Harbourside) Limited (“DHH”). Doctors Hospital (West) Limited (“DHW”) and Bahamas Medical Center Limited (“BMC”) are included in the operating segment of BMC for management accounting purposes.

	2019			
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center Ltd.	Unallocated	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 5,303,745	\$ 24,845	\$ -	\$ 5,328,590
Accounts receivable-patients, net	7,541,810	75,275	-	7,617,085
Inventories	2,199,998	25,031	-	2,225,029
Other assets	<u>2,294,765</u>	<u>170,956</u>	<u>-</u>	<u>2,465,721</u>
Total current assets	<u>17,340,318</u>	<u>296,107</u>	<u>-</u>	<u>17,636,425</u>
NON-CURRENT ASSETS:				
Investment	2,417,088	-	-	2,417,088
Goodwill, net	430,902	-	-	430,902
Other intangible assets	345,068	-	-	345,068
Property and equipment	<u>19,717,520</u>	<u>3,830,995</u>	<u>-</u>	<u>23,548,515</u>
Total non-current assets	<u>22,910,578</u>	<u>3,830,995</u>	<u>-</u>	<u>26,741,573</u>
TOTAL ASSETS	<u>\$ 40,250,896</u>	<u>\$ 4,127,102</u>	<u>\$ -</u>	<u>\$ 44,377,998</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and other liabilities	<u>\$ 4,794,153</u>	<u>\$ 50,432</u>	<u>\$ -</u>	<u>\$ 4,844,585</u>
NON-CURRENT LIABILITY:				
Long-term debt	<u>3,883,120</u>	<u>-</u>	<u>-</u>	<u>3,883,120</u>
TOTAL LIABILITIES	<u>\$ 8,677,273</u>	<u>\$ 50,432</u>	<u>\$ -</u>	<u>\$ 8,727,705</u>

(Continued)

2018				
	Doctors Hospital (Bahamas) <u>Ltd.</u>	Bahamas Medical <u>Center Ltd.</u>	<u>Unallocated</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 4,338,519	\$ 30,965	\$ -	\$ 4,369,484
Accounts receivable-patients, net	8,291,886	96,734	-	8,388,620
Inventories	2,174,913	47,392	-	2,222,305
Other assets	<u>1,710,868</u>	<u>174,002</u>	<u>-</u>	<u>1,884,870</u>
Total current assets	<u>16,516,186</u>	<u>349,093</u>	<u>-</u>	<u>16,865,279</u>
NON-CURRENT ASSETS:				
Investment	30,000	-	-	30,000
Goodwill, net	430,902	-	-	430,902
Other intangible assets	407,418	-	-	407,418
Property and equipment	<u>14,241,248</u>	<u>4,141,335</u>	<u>-</u>	<u>18,382,583</u>
Total non-current assets	<u>15,109,568</u>	<u>4,141,335</u>	<u>-</u>	<u>19,250,903</u>
TOTAL ASSETS	<u>\$ 31,625,754</u>	<u>\$ 4,490,428</u>	<u>\$ -</u>	<u>\$ 36,116,182</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and other liabilities	<u>\$ 3,840,949</u>	<u>\$ 67,112</u>	<u>\$ -</u>	<u>\$ 3,908,061</u>

(Continued)

	2019		
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center	Consolidated
Patient services revenue, net	\$ 57,197,087	\$ 1,449,976	\$ 58,647,063
Salaries	25,565,714	702,296	26,268,010
Medical supplies	8,233,272	319,937	8,553,209
Medical services	7,075,807	254,257	7,330,064
Other operating	3,355,298	27,492	3,382,790
Depreciation and amortization	2,592,564	416,809	3,009,373
Utilities	1,522,150	225,978	1,748,128
Government taxes and fees	1,407,052	130,644	1,537,696
Outside services	1,378,447	140,641	1,519,088
Repairs and maintenance	1,022,580	128,897	1,151,477
Insurance	940,502	-	940,502
Dietary expenses	684,706	828	685,534
Loss allowance, net of recoveries	473,872	(3,786)	470,086
Rent	444,977	-	444,977
Interest expense	166,588	-	166,588
Loss on disposal of property and equipment	7,856	20,449	28,305
Legal (reversal of) expenses	(496,595)	2,097	(494,498)
Total expenses	54,374,790	2,366,539	56,741,329
Segment profit (loss)	2,822,297	(916,563)	1,905,734
Other revenue	1,943,122	191,614	2,134,736
Net income (loss)	\$ 4,765,419	\$ (724,949)	\$ 4,040,470

(Continued)

	2018		
	Doctors Hospital (Bahamas) Ltd.	Bahamas Medical Center	Consolidated
Patient services revenue, net	\$ 52,498,784	1,750,265	54,249,049
Salaries	22,735,063	884,288	23,619,351
Medical supplies	7,665,409	388,974	8,054,383
Medical services	6,208,865	483,509	6,692,374
Other operating	2,820,832	51,825	2,872,657
Depreciation and amortization	2,309,009	536,050	2,845,059
Utilities	1,303,428	221,898	1,525,326
Bad debt expense, net of recoveries	2,493,463	25,116	2,518,579
Outside services	1,167,251	196,509	1,363,760
Government taxes and fees	1,397,365	129,774	1,527,139
Insurance	803,931	-	803,931
Repairs and maintenance	724,293	87,166	811,459
Dietary expenses	655,226	1,540	656,766
Rent	359,310	-	359,310
Legal expenses	151,389	7,258	158,647
Total expenses	50,794,834	3,013,907	53,808,741
Segment profit (loss)	1,703,950	(1,263,642)	440,308
Other revenue	1,746,724	218,102	1,964,826
Net income (loss)	\$ 3,450,674	\$ (1,045,540)	\$ 2,405,134

(Concluded)

6. INVESTMENTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest	
		2019	2018
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 (Harbourside) Limited	Bahamas	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.

Doctors Hospital (Harbourside) Limited - a subsidiary of Doctors Hospital (Bahamas) Limited, established for the development of a skilled nursing facility and medical residence.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2019	2018
Cash at bank and in hand	\$ 5,292,316	\$ 2,312,704
Short-term deposits	<u>36,274</u>	<u>2,056,780</u>
	<u>\$ 5,328,590</u>	<u>\$ 4,369,484</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. The Group held short-term deposits in the amount of \$36,724 in the form of an externally managed treasury account, which is available upon demand within 7-10 business days without penalty to meet any operational cash requirements.

8. TRADE RECEIVABLE, NET

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

	2019	2018
Trade receivable - third-party payors	\$ 7,146,391	\$ 7,405,318
Trade receivable - patients	<u>2,263,338</u>	<u>4,915,746</u>
	9,409,729	12,321,064
Allowance for doubtful accounts	<u>(1,792,644)</u>	<u>(3,932,444)</u>
	<u>\$ 7,617,085</u>	<u>\$ 8,388,620</u>

Movement in the allowance for doubtful account was as follows:

	2019	2018
Balance at beginning of the year	\$ 3,932,444	\$ 5,735,532
Loss allowance recognized in the current year	470,086	2,518,579
Recoveries previously written off	560,094	567,700
Doubtful receivables written off in the year	<u>(3,169,980)</u>	<u>(4,889,367)</u>
Balance at end of the year	<u>\$ 1,792,644</u>	<u>\$ 3,932,444</u>

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

Patient	2019	2018
0-30	\$ 148,036	\$ 503,911
31-90	180,298	528,199
91-180	170,929	475,873
181-270	<u>106,077</u>	<u>203,489</u>
Total	<u>\$ 605,340</u>	<u>\$ 1,711,472</u>
Third-Party Payors	2019	2018
0-30	\$ 5,302,706	\$ 5,110,425
31-90	810,701	956,674
91-180	558,069	610,049
181-270	<u>340,269</u>	<u>-</u>
Total	<u>\$ 7,011,745</u>	<u>\$ 6,677,148</u>

Management considers trade receivable due from Patient totaling \$457,304 (2018: \$1,207,561) to be past due but not impaired, and trade receivable due from Third-Party Payors totaling \$1,709,039 (2018: \$1,566,723) to be past due but not impaired.

IFRS 9 requires an expected credit loss model be used versus an incurred credit loss model which was applicable under IAS 39. Management assessed expected credit loss rates for self-pay and insured patients separately. For self-pay trade receivables aged 365 days or greater, a loss allowance was assumed for 100% of the balance.

9. INVENTORIES

Inventories are comprised of the following:

	2019	2018
Medical supplies	\$ 1,670,571	\$ 1,808,689
Pharmaceuticals	<u>554,458</u>	<u>413,616</u>
Total inventories at the lower of cost and net realizable value	<u>\$ 2,225,029</u>	<u>\$ 2,222,305</u>

The amount of write-downs of inventories recognized as an expense is \$167,991 (2018: \$71,583), which is recognized in medical supplies on the consolidated statement of profit or loss and other comprehensive income. The cost of inventories recognized as an expense during the year was \$8,553,209 (2018: \$8,054,383).

10. OTHER ASSETS

Other assets are comprised of the following:

	2019	2018
Prepaid expenses	\$ 2,028,183	\$ 1,647,948
Advances and other assets	253,725	73,007
Security deposits	<u>183,813</u>	<u>163,915</u>
	<u>\$ 2,465,721</u>	<u>\$ 1,884,870</u>

11. INVESTMENT

Total investments at January 31, 2019 is \$2,417,087 (2018: \$30,000), which includes both equity investments of \$270,000 (2018: \$30,000) and fixed income with maturities greater than three months in the amount of \$2,147,087. During the year, the following amounts have been reclassified to conform to the current year's presentation. There was no effect on total assets, liabilities, retained earnings as a result of these changes.

	2019
Increase in investments due to reclass	<u>\$ 2,147,088</u>
Decrease in cash and cash equivalents reclass	<u>\$ (2,147,088)</u>

Equity investment of \$270,000 (2018: \$30,000) represents a 10% ownership stake in Nassau Laboratory Partners, and a 24% ownership stake in Greenrod Medical Limited, doing business as, Advanced PET/CT and Imaging of The Bahamas, both of which are carried at cost.

12. GOODWILL

Goodwill at January 31, 2019 is \$430,902 (2018: \$430,902). The goodwill recorded relates to the Group's acquisition of imaging subsidiaries related to magnetic resonance imaging ("MRI") and computerized tomography ("CT") scan modalities. 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 for FYE 2019 as a baseline;
- Cash flows for the further five year period are projected using expected annual growth rates based on the five (5) year historical growth rate of the modalities; net of required capital expenditures; and
- A discount rate of 20% is used to estimate the present value of projected cash flow, as well as the present value of the terminal value.

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:

	2019	2018
Cost:		
Balance at beginning of year	\$ 4,617,602	\$ 4,487,133
Transfers in	31,924	57,918
Additions	79,595	151,504
Disposals	<u>(15,000)</u>	<u>(78,953)</u>
Balance at end of year	<u>4,714,121</u>	<u>4,617,602</u>
Accumulated amortization:		
Balance at beginning of year	\$ 4,210,184	\$ 4,141,715
Amortization for the year	166,012	147,422
Disposals	<u>(7,143)</u>	<u>(78,953)</u>
Balance at end of year	<u>4,369,053</u>	<u>4,210,184</u>
Net book value	<u>\$ 345,068</u>	<u>\$ 407,418</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 \$394,102 (2018: \$78,953) were retired from service. Included as at January 31, 2019 are fully amortized assets of \$3,635,288 (2018: \$3,642,080).

14. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	Land and buildings	Work-in- Progress	Leasehold improvements	Furniture and equipment	Total
COST:					
Balance at January 31, 2017	\$ 17,339,665	\$ 229,395	\$ 3,029,927	\$ 24,390,450	\$ 44,989,437
Transfers (out) in	-	(154,395)	58,499	37,978	(57,918)
Additions	2,666,240	251,866	180,399	1,619,875	4,718,380
Disposals	-	-	(49,506)	(1,696,022)	(1,745,528)
Balance at January 31, 2018	20,005,905	326,866	3,219,319	24,352,281	47,904,371
Transfers (out) in	-	(224,641)	192,717	-	(31,924)
Additions	3,778,740	659,130	228,807	3,394,988	8,061,665
Disposals	-	-	-	(979,771)	(979,771)
Balance at January 31, 2019	<u>\$ 23,784,645</u>	<u>\$ 761,355</u>	<u>\$ 3,640,843</u>	<u>\$ 26,767,498</u>	<u>\$ 54,954,341</u>
ACCUMULATED DEPRECIATION:					
Balance at January 31, 2017	\$ 9,487,674	\$ -	\$ 1,305,493	\$ 17,776,512	\$ 28,569,679
Depreciation	278,912	-	304,149	2,114,576	2,697,637
Disposals	-	-	(49,506)	(1,696,022)	(1,745,528)
Balance at January 31, 2018	9,766,586	-	1,560,136	18,195,066	29,521,788
Depreciation	434,433	-	347,802	2,061,126	2,843,361
Disposals	-	-	-	(959,323)	(959,323)
Balance at January 31, 2019	<u>\$ 10,201,019</u>	<u>\$ -</u>	<u>\$ 1,907,938</u>	<u>\$ 19,296,869</u>	<u>\$ 31,405,826</u>
CARRYING AMOUNT:					
At January 31, 2019	<u>\$ 13,583,626</u>	<u>\$ 761,355</u>	<u>\$ 1,732,905</u>	<u>\$ 7,470,629</u>	<u>\$ 23,548,515</u>
At January 31, 2018	<u>\$ 10,239,319</u>	<u>\$ 326,866</u>	<u>\$ 1,659,183</u>	<u>\$ 6,157,215</u>	<u>\$ 18,382,583</u>

During the year, fully depreciated assets of \$889,411 (2018: \$1,745,528) were retired from service. Included in leasehold improvements, furniture and equipment at January 31, 2019 are fully depreciated assets of \$13,392,723 (2018: \$12,310,640).

During the year, the Group purchased property totaling \$3,778,740 on East Bay Street for future development of a skilled nursing facility.

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are comprised of the following:

	2019	2018
Accrued expenses	\$ 1,790,956	\$ 1,522,404
Accounts payable - trade	1,882,430	1,439,008
Other liabilities	602,654	493,305
Vacation benefit accrual	304,879	241,631
VAT payable	58,504	211,713
	<u>\$ 4,639,423</u>	<u>\$ 3,908,061</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.
- Other liabilities are non-interest bearing and are normally settled throughout the financial year.
- Vacation benefit accrual is non-interest bearing and employees are encouraged to take time due in the year it is earned.
- VAT payable is paid monthly and is non-interest bearing if paid by the 21st of the following month.

16. BANK BORROWINGS

The Group maintains an overdraft facility to finance working capital needs. The facility is secured by an assignment of trade receivable. Interest is charged at the Bahamian dollar prime rate plus 1.25% per annum. At January 31, 2019 the entire facility of approximately \$2.7 million (2018: \$2.7 million) was undrawn and available.

Bank borrowings is comprised of the of the following:

	2019	2018
Secured term loan to be repaid over 15 years, plus interest at Bahamas Prime + 0.65% per annum	\$ 4,088,282	\$ -
Less: current portion	<u>(205,162)</u>	<u>-</u>
Long-term portion	<u>\$ 3,883,120</u>	<u>\$ -</u>

The Group pledged as collateral all fixed and floating assets owed by Doctors Hospital Bahamas Limited, Doctors Hospital (West) Limited and Bahamas Medical Center Limited.

17. SALARIES AND BENEFITS EXPENSE

Salaries and benefits expense are comprised of the following:

	2019	2018
Salaries and benefits	\$ 25,041,642	\$ 22,450,601
National Insurance costs	738,052	706,139
Pension costs - defined contributions pension plan	<u>488,316</u>	<u>462,611</u>
	<u>\$ 26,268,010</u>	<u>\$ 23,619,351</u>

18. GOVERNMENT TAXES AND FEES

Government taxes and fees are comprised of the following:

	2019	2018
Business license	\$ 713,080	\$ 801,569
Work permit fees	514,107	434,427
Property taxes	<u>310,509</u>	<u>291,143</u>
	<u>\$ 1,537,696</u>	<u>\$ 1,527,139</u>

19. DIVIDENDS PAID

Dividends paid is comprised of the following:

	2019	2018
Dividend on ordinary shares:		
Final dividend for 2019 (\$0.06 per share (2018: \$0.05 per share))	<u>\$ 598,298</u>	<u>\$ 498,588</u>

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 Group	Year	Purchases from Related Parties	Amounts owed to Related Parties
Trauma and Emergency Medical Services Limited (TEMS)	2019	\$ 4,951,207	\$ 220,046
	2018	4,415,043	200,878
Barry and David Rassin	2019	48,000	-
	2018	48,000	-
Med Management Limited	2019	148,960	-
	2018	61,911	-
Critical Care Associates	2019	52,629	-
	2018	48,863	-

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.

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, 2019 and 2018, the Group had no debts relating to amounts owed by related parties.

Transactions with other related parties

Compensation of key management personnel:

	2019	2018
Short-term employee benefits	\$ 2,134,875	\$ 2,154,824
Post-employment pension benefits	<u>149,312</u>	<u>153,231</u>
Total compensation paid to key management personnel	<u>\$ 2,284,187</u>	<u>\$ 2,308,055</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, 2019 amounted to \$1,010,245 (2018: \$974,660).

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:

	2019	2018
Profit for the year	\$ 4,040,470	\$ 2,405,134
Weighted average number of ordinary shares on issue applicable to basic earnings per share	9,971,634	9,971,634
Earnings per share	\$ 0.41	\$ 0.24
Year over year increase (%)	68.0%	

23. COMMITMENTS

Operating lease commitments

Rental expenses for facilities and parking lots were approximately \$444,977 (2018: \$348,110).

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

	2019	2018
Within one year	\$ 467,131	\$ 348,110
After one year but not more than five years	1,471,588	816,250
	\$ 1,938,719	\$ 1,164,360

Rental Income was \$176,567 (2018: \$169,661).

Future expected rental income is \$129,776, which excludes potential income as disclosed under subsequent events.

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.

For the period ending 31 January 2019, the Group discloses a contingent liability arising from a past lawsuit, which is still in a trial proceeding phase. The Group has not accepted any liability in the matter. The outcome of the trial, and any liability which may arise depends, on various factors which are not yet known, and thus cannot be accrued for by the Group.

25. RISK MANAGEMENT

The Group's principal financial instruments consist of cash and cash equivalents. The Group has other financial instruments such as trade 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.

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, 2019 in relation to each class of financial assets, is the carrying amount as indicated in the consolidated statement of financial position. Credit risk on liquid funds is limited because counterparties are reputable banks.

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 25.6%.

The mix of receivables (shown net) from patients and third-party payors at January 31, 2019 was as follows:

	2019	2018
Patients	8%	20%
Third party payors	<u>92%</u>	<u>80%</u>
	<u>100%</u>	<u>100%</u>

The financial assets of the Group comprise 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.

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, 2019 or January 31, 2018.

* * * * *

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

EXECUTIVE TEAM



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DIGGI
President and
Chief Medical Officer



CHARLES
SEALY
Chief Executive Officer



DENNIS
DEVEAUX
Chief Financial Officer



JASMINE
DAVIS
Sr. VP Patient Finance



MICHAELA
SUMNER-BUDHI
Legal Counsel



DR SHEENA
ANTONIO-COLLIE
VP Medical Affairs



PAUL
HAVEN
VP Human Resources



DORCENA
NIXON
VP Nursing Development



MARSHA
SANDS
VP Quality & Patient Safety



BRIDGETTE
SHERMAN
VP Patient Care Services

BOARD OF DIRECTORS



FELIX
STUBBS
Chairman



WAYDE
CHRISTIE
Vice Chairman



LEROY
ARCHER



DR CHARLES
DIGGI



BARRY
RASSIN



KAREN
CAREY

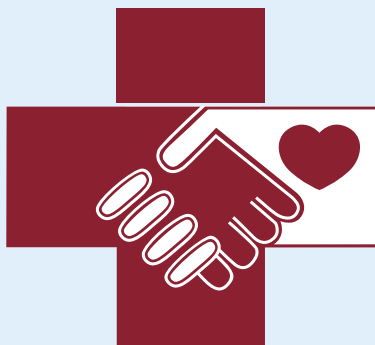


NATHANIEL
BENEBY



DR BARRETT
McCARTNEY

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DOCTORS HOSPITAL HEALTH SYSTEM

*Trusted and Best Care NOW.
Isn't Your Health Worth It?*