

**BRITISH VIRGIN ISLANDS
HEALTH SERVICES AUTHORITY**

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



ELLEN L. SKELTON BUILDING, FISHER'S LANE
P.O. BOX 3274, ROAD TOWN, TORTOLA
BRITISH VIRGIN ISLANDS



BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
Financial Statements for the Fiscal Year Ended September 30, 2015

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**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF
BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY**

We have audited the accompanying financial statements of British Virgin Islands Health Services Authority (the "Authority"), which comprise the statement of financial position as at September 30, 2015, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the fiscal year then ended, including a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The Authority did not have in place appropriate systems for recording and maintenance of all accounting transactions and balances from October 2012 when the old accounting system crashed until the installation of a new accounting system in February 2013. The introduction of the new system was problematic and there were misstatements and difference which are still being reconciled. We were unable to confirm or verify by alternative means the cash and accounts receivable included in the statement of financial position. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions affecting revenue, receipts and reconciliation, and the elements making up the statements of comprehensive income, changes in equity, and cash flows for the fiscal year then ended.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of British Virgin Islands Health Services Authority as at September 30, 2015, and its financial performance and cash flows for the fiscal year then ended in accordance with IFRS.

CCP Accountancy Services Limited
CCP Accountancy Services Limited

March 19, 2019

Road Town, Tortola, B.V.I.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

	Notes	2015	2014
REVENUES			
Government Subvention	17	23,930,100	23,370,000
Service Fees	13	11,997,834	11,391,706
Sales		1,226,469	1,372,832
Other Income	9	8,726,007	578,761
Total Revenues		45,880,410	36,713,299
COSTS AND EXPENSES			
Salaries and Employee Benefits	15	29,069,197	21,851,742
Costs of Sales and Services	14	4,551,967	3,469,940
Bad Debts Expense	6	4,493,789	4,080,769
Utilities Expense		2,668,171	3,253,519
Depreciation and Amortization	9, 10	2,358,172	1,878,535
Insurance Expense		1,355,895	835,520
General Expenses		426,227	151,303
Repairs and Maintenance		388,791	246,940
Legal and Professional Fees		340,970	339,947
Rent Expense	16	295,930	309,930
Finance Cost		89,093	55,961
Vehicular Expenses		86,021	90,593
Travel and Entertainment		62,525	65,844
Board Expenses	17	14,106	15,997
Obsolete Inventories	7	-	18,350
Miscellaneous Expenses		103,658	288,586
Total Cost and Expenses		46,304,512	36,953,476
NET LOSS		(424,102)	(240,177)

See accompanying Notes to the Financial Statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2015
(Amounts in United States Dollars)

	Note	2015	2014
ASSETS			
Current Assets			
Cash	5	150,918	414,292
Trade and Other Receivables	6	15,865,625	13,852,482
Prepayments	8	2,857,070	1,413,341
Inventories	7	1,556,810	1,381,927
Total Current Assets		20,430,423	17,062,042
Noncurrent Assets			
Property and Equipment	9	15,773,140	10,152,507
Intangible Assets	10	510,610	574,886
Pension Fund	18	945,580	-
Total Noncurrent Assets		17,229,330	10,727,393
TOTAL ASSETS		37,659,753	27,789,435
LIABILITIES AND EQUITY			
Current Liabilities			
Bank Overdraft	5	946,443	86,095
Trade and Other Payables	11	19,521,834	13,048,066
Government Loan	12	1,520,833	593,750
Provision for Loss on Litigation	19	60,000	60,000
Total Current Liabilities		22,049,110	13,787,911
Noncurrent Liabilities			
Accrued Post-employment Benefits	18	12,949,469	5,332,135
TOTAL LIABILITIES		34,998,579	19,120,046
Equity			
Contributed Capital		31,621,258	31,621,258
Accumulated Deficit		(29,387,326)	(23,379,111)
Revaluation Surplus		427,242	427,242
TOTAL EQUITY		2,661,174	8,669,389
TOTAL LIABILITIES AND EQUITY		37,659,753	27,789,435

See accompanying Notes to the Financial Statements.

Approved on Behalf of the Board of Directors :
 KENNETH M. HOSBE (DEPUTY CHAIR)



Signature over Printed Name

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

	Contributed Capital	Accumulated Deficit	Revaluation Surplus	Total
Balance at September 30, 2013	31,621,258	(21,586,842)	427,242	10,461,658
Prior year adjustment	-	(1,552,092)	-	(1,552,092)
Net loss	-	(240,177)	-	(240,177)
Balance at September 30, 2014	31,621,258	(23,379,111)	427,242	8,669,389
Prior year adjustment	-	(5,584,113)	-	(5,584,113)
Net income	-	(424,102)	-	(424,102)
Balance at September 30, 2015	31,621,258	(29,387,326)	427,242	2,661,174

See accompanying Notes to the Financial Statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY**STATEMENT OF CASH FLOWS****FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015***(Amounts in United States Dollars)*

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(424,102)	(240,177)
Adjustments to reconcile net loss to net cash flow from operating activities		
Bad debts expense	4,493,789	4,080,769
Depreciation and amortization	2,358,172	1,878,535
Prior period adjustment	(5,584,113)	(1,552,092)
Obsolete inventories	-	18,350
Operating income before working capital changes	843,746	4,185,385
Decrease (increase) in:		
Trade and other receivables	(6,506,932)	(8,357,398)
Prepayments	(1,443,729)	(1,342,754)
Inventories	(174,883)	28,266
Pension Fund	(945,580)	-
Increase in:		
Trade and other payables	6,473,768	5,566,368
Accrued post-employment benefits	7,617,334	90,835
Net cash provided by operating activities	5,863,724	170,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,732,520)	(950,390)
Net disposal of property and equipment	674	-
Purchase of intangible assets	(182,683)	(363,699)
Net cash used in investing activities	(7,914,529)	(1,314,089)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan	(72,917)	(14,583)
Proceeds of loan from government	1,000,000	-
Net cash provided by (used in) financing activities	927,083	(14,583)
NET DECREASE IN CASH	(1,123,722)	(1,157,970)
CASH AT THE BEGINNING OF THE YEAR	328,197	1,486,167
CASH AT THE END OF THE YEAR	5 (795,525)	328,197

See accompanying Notes to the Financial Statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

1. GENERAL INFORMATION

The British Virgin Islands (BVI) Health Services Authority (the "Authority") has been established in 2004, through the BVI Health Services Authority Act, 2004 (the "Act"), for the purpose of administering (a) the Peebles Hospital, which is the only hospital in existence in the BVI, and (b) community health services throughout the territory. The Authority oversees operations in ten community clinics - one each in Anegada and Jost van Dyke, two in Virgin Gorda, and six in Tortola. The Peebles Hospital is situated in Road Town.

The Authority is a body corporate with perpetual succession and a common seal, capable of suing and being sued in its corporate name. It also has the capacity to hold and dispose of property, enter into contracts, and perform such acts as a body corporate may legally perform.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements of the Authority have been prepared on a historical cost basis. The financial statements are presented in United States Dollars (USD), which is the Authority's functional and presentation currency. All amounts are rounded to the nearest USD, except when otherwise indicated.

The financial statements of the Authority for the fiscal year ended September 30, 2015 were authorized for issue by the Chairman of Finance Committee on behalf of the Board of Directors (BOD) on March 19, 2019.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards issued or adopted by the International Accounting Standards Board and interpretations by the Standing Interpretations Committee.

Financial Instruments

The Authority recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. The classification of financial assets and financial liabilities depends on the purpose for which these are acquired and whether they are quoted in an active market. The Management determines the classification of financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates such designation at the end of each reporting period.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

Specifically, the following financial assets and liabilities of the Authority are measured in accordance with the preceding policy as follows:

- Cash includes cash on hand and in banks which are stated at face value.
- Trade and other receivables include government subvention receivable and receivables arising from hospital and community health-related services rendered. These are recognized at original invoice amount less any provision for impairment loss.
- Trade and other payables are recognised in the period in which the related money, goods or services are received, or when legally enforceable claim against the Authority is established, or when the corresponding assets or expenses are recognized.

At the end of each financial reporting period, the carrying amounts of financial assets are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss, and allowance for impairment is deducted from the related asset that is carried at cost or amortized cost. Impairment loss is the difference between the assets' carrying amount and the recoverable amount (which will necessarily be an approximation) of the amount that the Authority would receive from the asset if it were to be sold at the reporting date.

Financial asset is derecognized in the financial statements when the contractual rights to cash flows expire or are settled, or when the Authority transfers to another party substantially all of the risks and rewards of ownerships of the assets. Financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Prepayments

Prepayments are costs which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepayments are amortized as the benefits of the payments are received by the Authority and are charged to expense in the applicable period of expiration.

Prepayments that will subsequently expire and be charged to related expense within the next year is classified under current assets. Thus, amounts which will be amortized beyond the following year are classified under noncurrent assets.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of inventories includes all costs directly attributable to acquisition, such as the purchase price and import duties. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Net realizable value of inventories is the current replacement cost.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the property and equipment have been put into operations, such as repairs and maintenance are normally charged to operations or profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commences once the assets are available for use and is computed using the straight-line method over the following estimated useful lives except for leasehold improvements, which are amortized over their estimated lives or term of the lease with consideration to probable renewal, whichever is shorter.

	Yearly depreciation rate
Buildings and improvements	5%
Furniture and fittings	10%
Computer and office equipment	25%
Motor vehicles	20%
Machinery and equipment	10%
Medical equipment	10%
HIS Equipment	25%

Land is not depreciated because it is considered to have an infinite useful life.

The useful life, depreciation and amortization methods are reviewed and adjusted, if appropriate, periodically to ensure the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. The carrying values of the property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts in United States Dollars)

Intangible Assets

Intangible assets include acquired software licenses, and are accounted for under the cost model. The cost of the asset is the amount of cash paid to acquire an asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over the estimated useful life of four (4) years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Related Party Transactions

Related party transactions exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party, or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting enterprise and its key management personnel, directors and shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- *Government Subvention* - The Authority recognizes an unconditional government grant in profit or loss as Government Subvention when the grant becomes receivable. Other government grants are recognized as Deferred Income at fair value if there is reasonable assurance that they will be received and the Authority will comply with the conditions associated with the grant; they are then recognized in profit or loss as Other Income once conditions are met.
- *Service Fee Revenues* comprise the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Authority's activities.
- *Sales of goods* - Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is recognized net of returns, trade discounts and volume rebates.
- *Other Income* is recognized on accrual basis.

Cost of Sales and Services

Cost of Sales and Services are recognized upon receipt of goods, utilization of services, or at the date they are incurred. This account is debited for the direct costs related to rendering of services.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

Operating and Other Expenses

Operating and other expenses include cost of administering the business and are expensed upon utilization of the service or at the date they are incurred.

Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfilment is dependent on a specified asset;
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Authority as a lessee

Leases of assets under which the lessor effectively retains all the risks and reward of ownership are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a monthly basis at monthly rental rate as stipulated in the contractual arrangement. The Authority considers such recognition of lease expense as systematic basis and is representative of the time pattern of the Authority's benefit. Associated costs such as repairs and maintenance are expense when incurred.

Post-Employment Benefits

Prior to establishment of Defined Contribution Plan in April 2014, the Authority accrues the estimated cost of retirement benefit required by the Pensions Act.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of financial reporting period and adjusted to reflect the current best estimate.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

Contingencies

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Events After End of Financial Reporting Period

Post year-end events that provide additional information about the Authority's position at the end of financial reporting period, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Authority's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In preparing the Authority's financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

Judgments

In the process of applying the Authority's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

• *Classification of Financial Instruments*

The Authority classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

• *Assessment whether the Lease Agreement is a Finance or Operating Lease*

Management assesses at the inception of the lease whether the arrangement is a finance or operating lease based on who bears substantially all the risks and benefits incidental to ownership of the leased item. The Authority as a lessee has entered into a lease contract where it has determined that the risks and rewards related to the property are retained by the lessor. As such, the agreement is accounted for as operating lease.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

• *Impairment of Nonfinancial Assets*

The carrying values of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss on a non-revalued asset is recognized immediately in profit or loss. Impairment losses, if any, are recognized in profit or loss.

The Authority assesses at each reporting date whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Authority considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. 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. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

Estimates

The key assumptions concerning future and other sources of estimating uncertainty at the end of the reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

• *Estimation of Allowance for Doubtful Accounts*

The Authority maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts such as significant financial difficulties of the patients, probability that the patients have left the territory, and default or delinquency in payments (more than twelve months overdue). The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made (see Note 6).

The Authority recognized \$4,276,134 and \$3,647,713 allowance for impairment losses in the financial statements as of September 30, 2015 and 2014.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

(Amounts in United States Dollars)

• *Estimation of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, the BOD takes into account the most reliable evidence available at the times the estimates are made. The Authority's core operations are continuously subject to rapid scientific and technological changes, which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of pharmaceutical drugs. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Authority's inventories within the next financial year.

• *Estimation of Useful Lives of Property and Equipment*

Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment differ from previous estimate due to physical wear and tear. Any reduction in the estimated useful lives of property and equipment would increase the Authority's recorded operating expenses and decrease property and equipment. There are no changes in the estimated useful lives of property and equipment in 2015 and 2014.

• *Estimation of Provisions*

The estimate of the probable costs for possible third party claims, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the Authority's financial statements, no provision for probable losses is recognized.

4. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk that a counterparty fails to discharge obligation to the Authority. Financial assets which potentially expose the Authority to concentrations of credit risk comprise cash and trade and other receivables. Cash in banks are placed with a high quality financial institution while Trade and other receivables are stated net of allowance for impairment losses.

Liquidity Risk

Liquidity risk is the potential inability to meet payment obligations as they come due without incurring unacceptable losses. The Authority manages its liquidity needs by carefully monitoring cash outflows due on a regular basis.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

5. CASH

The composition of this account is shown below:

	Note	2015	2014
Cash in banks		60,080	136,191
Cash on hand		3,405	1,487
Project Account		3,479	3,470
Pension Fund Account	18	83,954	273,144
Cash in the statement of financial position		150,918	414,292
Less: Bank Overdraft		(946,443)	(86,095)
Cash in the statement of cash flows		(795,525)	328,197

6. TRADE AND OTHER RECEIVABLES

The composition of this account is shown below:

	2015	2014
Receivables from non-exempt patients	15,871,339	13,046,286
Subvention Receivable	1,234,467	2,023,600
Receivables from insurance companies	2,981,656	2,393,602
Advances to officers and employees	54,297	36,707
Trade and other receivables, gross	20,141,759	17,500,195
Less: Allowance for impairment losses	(4,276,134)	(3,647,713)
Trade and other receivables, net	15,865,625	13,852,482

A reconciliation of allowance for impairment losses is shown below:

	2015	2014
Allowance for impairment losses at the beginning of year	3,647,713	22,550,650
Bad Debts Expense	628,421	3,647,713
Less: Accounts written off during the year	-	(22,550,650)
Allowance for impairment losses at the end of year	4,276,134	3,647,713

During the fiscal year ended September 30, 2015 and 2014, Accounts Receivable amounting to \$3,865,368 and \$433,056 was directly written off thus no corresponding allowance was recorded. Total Bad Debts Expense reflected in Statement of Comprehensive Income amounts to \$4,493,789 and \$4,080,769 as of September 30, 2015 and 2014, respectively.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

7. INVENTORIES

The composition of this account is shown below:

	2015	2014
Prescription, drugs and pharmaceutical supplies	1,141,370	763,870
Medical and other related supplies	317,380	521,440
Office supplies	98,060	96,617
	<u>1,556,810</u>	<u>1,381,927</u>

As of September 30, 2015 and 2014, Obsolete Inventories amounted to nil and \$18,350 which were reflected in the Statement of Comprehensive Income.

8. PREPAYMENTS

Prepayments as of September 30, 2015 and 2014 includes \$2.8 million and \$1.4 million funding from Government of the BVI and Social Security Board which represents deposit for Healthcare Equipment that were received and installed in segments between March 2016 and February 2017.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(Amounts in United States Dollars)

9. PROPERTY AND EQUIPMENT

	Land Buildings and Improvements	Furniture and Fittings	Computer and Office Equipment	Motor Vehicles	Machinery and Equipment	Medical Equipment	HIS Equipment	Total
Cost								
At September 30, 2013	22,023,391	1,337,690	927,615	953,180	148,934	3,558,262	176,224	29,125,296
Additions	-	241,048	61,817	-	-	646,739	786	950,390
At September 30, 2014	22,023,391	1,578,738	989,432	953,180	148,934	4,205,001	177,010	30,075,686
Additions	64,377	1,668,234	3,085,916	-	86,684	2,827,309	-	7,732,520
Reclassification	-	(114,514)	98,115	-	16,399	-	-	-
Disposals	-	(18,450)	-	(117,000)	(2,330)	(9,352)	-	(147,132)
At September 30, 2015	22,087,768	3,114,008	4,173,463	836,180	249,687	7,022,958	177,010	37,661,074
Accumulated Depreciation								
At September 30, 2013	13,037,125	928,484	711,748	743,011	110,650	2,664,101	38,418	18,233,537
Depreciation	1,059,862	131,706	67,650	79,006	12,788	299,504	39,126	1,689,642
At September 30, 2014	14,096,987	1,060,190	779,398	822,017	123,438	2,963,605	77,544	19,923,179
Depreciation	1,061,488	249,434	245,119	40,954	18,533	451,433	44,252	2,111,213
Reclassification	-	(410)	-	-	410	-	-	-
Disposals	-	(18,009)	-	(117,000)	(2,097)	(9,352)	-	(146,458)
At September 30, 2015	15,158,475	1,291,205	1,024,517	745,971	140,284	3,405,686	121,796	21,887,934
Net Book Value								
As at September 30, 2015	6,929,293	1,822,803	3,148,946	90,209	109,403	3,617,272	55,214	15,773,140
As at September 30, 2014	7,926,404	518,548	210,034	131,163	25,496	1,241,396	99,466	10,152,507

During the fiscal year ended September 30, 2015, the Authority received donated property and equipments amounting to \$8,275,258.

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10. INTANGIBLE ASSETS

Intangible assets pertains to acquired software licenses which is accounted as follows:

	Software	HIS Software	Total
Cost			
At September 30, 2013	48,840	474,954	523,794
Additions	11,379	352,320	363,699
At September 30, 2014	60,219	827,274	887,493
Additions	-	182,683	182,683
At September 30, 2015	60,219	1,009,957	1,070,176
Accumulated Depreciation			
At September 30, 2013	48,840	74,874	123,714
Depreciation	2,230	186,663	188,893
At September 30, 2014	51,070	261,537	312,607
Depreciation	2,844	244,115	246,959
At September 30, 2015	53,914	505,652	559,566
Net Book Value			
As at September 30, 2015	6,305	504,305	510,610
As at September 30, 2014	9,149	565,737	574,886

11. TRADE AND OTHER PAYABLES

The composition of this account is shown below:

	Note	2015	2014
Trade payables		12,851,434	8,936,136
Deferred income	8	2,832,558	1,496,900
Accrued medical insurance		2,270,461	1,937,281
Payroll tax and Social security payable		830,785	329,522
Project expenses payable		642,526	-
Accrued fees and liabilities		83,430	339,094
Other accruals		10,640	9,133
		19,521,834	13,048,066

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**NOTES TO THE FINANCIAL STATEMENTS
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12. GOVERNMENT LOAN

On November 1, 2012, BVIHSA entered into Loan Agreement with the Government of BVI to purchase IT Equipment for a total amount of \$1,700,000 at 6% interest per annum. As of September 30, 2013 total cash received from the Government as part of the loan amounted to \$700,000 while the remaining balance of the loan was provided in November 28, 2014.

13. SERVICE FEES

Service fees consist of:

	2015	2014
Accommodation-related fees	4,295,338	2,594,060
Dialysis fees	1,673,132	4,543,344
Community clinic fees	1,505,458	1,434,039
Accidents and emergency	1,499,805	843,508
Operating theatre fees	817,612	-
Others	735,452	441,825
Laboratory and other related fees	556,660	619,174
Radiology services fees	503,652	654,137
General consultation specialist	226,684	93,506
Dental fees	106,460	168,113
Overseas medical care fees	77,581	-
	11,997,834	11,391,706

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015***(Amounts in United States Dollars)*

14. COSTS OF SALES AND SERVICES

Costs associated with provision of medical services and goods consist of:

	2015	2014
Medical supplies	991,442	230,481
Prescriptions and drugs	766,313	1,219,848
Specialist medical services	537,478	377,985
Laboratory services	521,729	577,159
Dietary and Cafeteria services	447,730	175,964
Hemodialysis services	412,789	460,972
Housekeeping services	273,158	158,919
Radiology services	260,576	116,011
Others	205,959	125,536
Overseas patients expense	134,793	27,065
	<u>4,551,967</u>	<u>3,469,940</u>

15. SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits consist of:

	2015	2014
Salaries and wages	21,830,903	17,668,897
Gratuities and pension	3,313,835	564,961
Allowances	1,100,704	1,193,257
Payroll tax expense	981,212	833,931
Social security contributions	820,242	665,935
Health insurance	446,052	397,868
Housing assistance	401,345	369,648
Training	100,380	127,256
Uniforms	42,445	26,981
Study leave	32,079	3,008
	<u>29,069,197</u>	<u>21,851,742</u>

16. RENT EXPENSE

As of September 30, 2015, the Authority was committed to two lease agreements for the rental of office spaces. Total annual rent expense amounted to \$295,930 and \$309,930 as of September 30, 2015 and 2014.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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17. RELATED PARTY TRANSACTIONS

a. Transactions with the Government of the Virgin Islands

The Authority receives grants from the Government of the Virgin Islands annually through the Ministry of Health and Social Development (hereinafter referred to as the Ministry). These are presented as Government Subvention in the Statement of Comprehensive Income. The Ministry also purchases property and equipment on behalf of the Authority as the need arises.

b. Transactions with the BOD

The Authority provides remuneration to directors in exchange for their expertise in overseeing the Authority's activities.

c. Transactions between the Ministry and the Authority's BOD

The Ministry pays monthly stipends to the Authority's board members.

18. ACCRUED POST-EMPLOYMENT BENEFITS

Upon establishment of the Authority and transfer of the assets and operations of the Peebles Hospital and community health clinics from the Ministry, the Authority is obligated to establish a pension plan for its employees that is no less favourable than that for employees in the public sector. The BVI Government offers post-employment benefits in the form of gratuities which are calculated according to set formulas based on length of service and salaries or wages in the final year of service. Depending on the length of service, employees may be entitled to one or more of the following:

a. Retirement Gratuities

Pursuant to Regulation 6 of the Pensions Act, Awarded to persons who came over to the Authority from Government in 2005 with permanent and pensionable employment status. Persons must have had twenty-five (25) years of continuous service or be aged 60 and over. Pension may be granted on retirement a pension at the annual rate of one six-hundredth of his pensionable emoluments for each complete month of his pensionable service.

b. Pension Benefit after the establishment of the Authority in 2005 [Formerly Compassionate Gratuity]

Pursuant to Regulation 26 of the Pensions Act, an officer holding a non-pensionable office who is not eligible for pension may be granted a compassionate gratuity at the following rate if he has been in service for not less that seven (7) years of continuous service, calculated at two (2) weeks' pay for each completed year of service up to fifteen (15) years and four weeks' pay for each additional year thereafter.

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c. Gratuity and Reduced Pension

Pursuant to Regulation 25 of the Pensions Act, any officer to whom a pension is granted under the Act may, at his option, be paid in lieu of such pension, a pension at a rate of three-fourths of such pension together with a gratuity equal to twelve and a half times the amount of the reduction so made in the pension.

On September 3, 2013, the Authority engaged services of Pension Management Interactive, Inc. ("PMI" to develop an employee pension plan for members of the Authority. Trustees or Administrators of the plan appointed PMI to act as Pension Administration Service Provider. The Authority has established a Defined Contribution Plan and established under irrevocable trust by Trust Deed for purpose of securing pensions and other benefits for present and future employees as eligible under the plan.

As of September 30, 2015 and 2014, the balance of Pension Fund Account amounts to \$945,580 and \$273,144, respectively.

	2015	2014
Retirement gratuities	5,351,689	5,093,531
Compassionate gratuities	3,302,429	3,005,640
Annual Reduced Pension and Gratuity	3,269,059	1,827,092
Based on provisions under Pension Act	11,923,177	9,926,263
Based on established Defined Contribution Plan	1,026,292	269,654
Accrued Post-employment Benefits	12,949,469	10,195,917

The accrued post employment benefit as of September 30, 2014 includes prior period adjustment amounting to \$4,863,782.

19. COMMITMENTS AND CONTINGENCIES

On March 29, 2011, a maternity patient of the Peebles Hospital filed a case against the Authority for an incident that occurred on September 30, 2010. The claimant is seeking damages from the Authority and her attending physician (hereinafter referred to as the defendants) in the amount of US\$173,627. Settlement was reached on July 21, 2014 trial whereby the insurers for the Authority agreed to pay the claimant on behalf of the Authority the sum of \$40,000 in full and final settlement of all her claims.

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A claim was filed by personal representative of a patient who passed away in June 2013. The patient was involved in car accident and treated in the hospital from May 18 to 22, 2013 then discharged with instructions by the Authority's Physiotherapist on need for mobility, exercises and diet. On June 1, 2013, the patient unexpectedly collapsed where resuscitation efforts were unsuccessful and patient was eventually pronounced dead. On June 12, 2013, the pathologist performed post mortem examination and concluded that cause of death was respiratory insufficiency. The claimant filed a claim against the Authority alleging inter alia a failure of its servants to treat patient with anticoagulation medication but the Authority denied the claim contending that medication was administered to the patient during her stay in the hospital. The parties reached settlement of matter in November 2014 during mediation hearing and it was agreed that the Authority will pay the Claimant \$20,000 in full and final settlement of all her claim and the other defendants the sum of \$30,000.

20. EVENTS AFTER REPORTING PERIOD

There are no events occurring after reporting period that warrant adjustments or disclosures to the financial statements.

