

**BRITISH VIRGIN ISLANDS
HEALTH SERVICES AUTHORITY**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2011

AND

SEPTEMBER 30, 2010



**CCP ACCOUNTANCY SERVICES LIMITED
ELLEN L. SKELTON BUILDING, FISHERS LANE
P.O. BOX 3274, ROAD TOWN, TORTOLA
BRITISH VIRGIN ISLANDS**

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY

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

We have been engaged to audit the accompanying financial statements of British Virgin Islands Health Services Authority, which comprise the statements of financial position as at September 30, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years 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, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Authority did not have in place appropriate systems for recording and maintenance of all accounting transactions and balances. We were not appointed auditors of the Authority until after September 30, 2011; and due to the nature of the Authority's records, we were not able to satisfy ourselves on a number of accounting transactions and balances through alternative means.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the accompanying financial statements.

CCP Accountancy Services Limited

CCP Accountancy Services Limited

September 11, 2012

Road Town, Tortola, B.V.I.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>Notes</u>	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
REVENUES			
Government subvention	14	18,042,617	20,023,424
Service fees	10	12,197,478	7,191,443
Sales		1,272,536	1,169,265
Other income		789,092	391,924
		<u>32,301,723</u>	<u>28,776,056</u>
COSTS AND EXPENSES			
Costs of sales and services	11	6,659,166	5,020,485
Salaries and employee benefits	12	16,481,681	20,073,994
Depreciation and amortization	7, 8	1,788,463	2,080,685
Provision for impairment losses	5	1,386,592	1,646,711
Utilities		1,351,572	1,193,228
General expenses		381,474	402,675
Repairs and maintenance		237,976	162,343
Insurance expense		448,573	614,858
Legal and professional fees		88,110	216,673
Travel and entertainment		133,954	147,136
Rent	13	444,935	308,755
Board expenses	14	17,406	42,748
Vehicular expenses		110,087	172,276
Contracted labor		68,572	32,072
Provision for obsolescence	6	-	66,458
Miscellaneous expenses		145,863	290,484
		<u>29,744,424</u>	<u>32,471,581</u>
Net comprehensive income (loss)		<u>2,557,299</u>	<u>(3,695,525)</u>

The accompanying notes form an integral part of these financial statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2011 AND 2010

	<u>Notes</u>	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
ASSETS			
Current Assets			
Cash and bank balances		1,058,721	439,480
Trade and other receivables	5	25,377,389	18,619,174
Inventories	6	<u>1,099,535</u>	<u>2,929,463</u>
		<u>27,535,645</u>	<u>21,988,117</u>
Noncurrent Assets			
Property and equipment	7	18,457,151	19,923,729
Intangible assets	8	<u>70,321</u>	<u>140,643</u>
		<u>18,527,472</u>	<u>20,064,372</u>
TOTAL ASSETS		<u>46,063,117</u>	<u>42,052,489</u>
 LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	9	3,455,840	2,469,968
Noncurrent Liability			
Accrued post-employment benefits	15	<u>3,252,051</u>	<u>2,787,802</u>
		<u>6,707,891</u>	<u>5,257,770</u>
Equity			
Contributed capital	16	36,070,130	36,066,922
Retained earnings		<u>3,285,096</u>	<u>727,797</u>
		<u>39,355,226</u>	<u>36,794,719</u>
TOTAL LIABILITIES AND EQUITY		<u>46,063,117</u>	<u>42,052,489</u>

The accompanying notes form an integral part of these financial statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Contributed capital <u>US\$</u>	Retained earnings <u>US\$</u>	Total <u>US\$</u>
Balance at September 30, 2009	36,066,922	4,423,322	40,490,244
Comprehensive loss for the year	<u>-</u>	<u>(3,695,525)</u>	<u>(3,695,525)</u>
Balance at September 30, 2010	36,066,922	727,797	36,794,719
Contributions received during the year	3,208	-	3,208
Comprehensive income for the year	<u>-</u>	<u>2,557,299</u>	<u>2,557,299</u>
Balance at September 30, 2011	<u>36,070,130</u>	<u>3,285,096</u>	<u>39,355,226</u>

The accompanying notes form an integral part of these financial statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
	<u>US\$</u>	<u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net comprehensive income (loss)	2,557,299	(3,695,525)
Adjustment to reconcile net income to net cash flow from operating activities		
Depreciation and amortization	<u>1,788,463</u>	<u>2,080,685</u>
	4,345,762	(1,614,840)
Increase in trade and other receivables	(6,758,216)	(5,017,587)
Decrease in inventories	1,829,928	1,415,955
Increase in trade and other payables	985,872	1,246,140
Increase in accrued post-employment benefits	<u>464,250</u>	<u>464,250</u>
Net cash from / (used in) operating activities	<u><u>867,596</u></u>	<u><u>(3,506,082)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(251,563)	(441,444)
Purchase of intangible assets	-	(281,286)
Decrease in other assets	<u>-</u>	<u>43,947</u>
Net cash used in investing activities	<u><u>(251,563)</u></u>	<u><u>(678,783)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received	<u>3,208</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	619,241	(4,184,865)
Cash balance at beginning of year	<u>439,480</u>	<u>4,624,345</u>
Cash balance at end of year	<u><u>1,058,721</u></u>	<u><u>439,480</u></u>

The accompanying notes form an integral part of these financial statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

1. GENERAL INFORMATION

The British Virgin Islands (BVI) Health Services Authority (hereinafter referred to as the Authority) has been established in 2004, through the BVI Health Services Authority Act, 2004 (hereinafter referred to as 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 at 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.

The financial statements of the Authority for the year ended September 30, 2011 (including the comparatives for the year ended September 30, 2010) were authorized for issue by the Board of Directors (BOD) on September 14, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

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

Use of Estimates

The Authority's financial statements prepared in accordance with IFRS require the BOD to make judgments and estimates that affect amounts reported in the financial statements and their related notes. Judgments and estimates are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

Financial Instruments

Cash - Cash is carried in the balance sheet at face amount. For purposes of cash flows, cash consists of cash on hand and deposits held at call with banks.

Trade receivables - Trade receivables arise from hospital- and community health-related services rendered, and are recognized at original invoice amount less any provision for impairment loss. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivable. 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) are considered indicators that the trade receivable may be uncollectible. A review of the receivables, designed to identify accounts to be provided with allowance, is made by the Authority on a continuous basis. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount and is recognized in the statement of comprehensive income as "provision for impairment loss".

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other payables - Trade payables are recognized 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.

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.

Property and Equipment

Property and equipment are carried at acquisition cost less accumulated depreciation and any impairment in value. Cost includes purchase price and directly-attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized whereas expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis using the following rates:

Computer and office equipment	25%
Furniture and fittings	10% - 15%
Machinery and equipment	5% - 15%
Medical equipment	10% - 15%
Motor vehicles	20%
Buildings and improvements	5%

Since no finite useful lives can be determined for land, the related carrying amounts are not depreciated.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in income for the period.

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.

Revenue and Cost Recognition

a. Government Subvention

Government grants are recognized as revenue as they are received.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Service Fee Revenues

Service fees comprise the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Authority's activities.

The Authority recognizes revenue when the amount of revenue can be readily measured, and it is probable that future economic benefits will flow to the entity, and specific recognition criteria have been met.

c. Sales

Sale of goods is recognized when the risks and rewards of ownership of the goods have passed to the buyer (i.e. when the customer has acknowledged delivery or receipt of goods).

d. Costs and Expenses

Costs and expenses are recognized upon utilization of goods or services, or at the date they are incurred.

Leases

Leases which do not transfer to the Authority substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Related Party Transactions and Relationships

Related party relationship exists 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 a relationship exists between and/or among the reporting enterprise and its key management personnel, directors and shareholders, if any. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Functional and Presentation Currency

Functional currency is the currency of the primary economic environment in which the entity operates while presentation currency is the currency in which the financial statements are presented.

The financial statements are presented in the 'United States Dollar' ('US\$') which is the Authority's functional and presentation currency.

Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The following represent the summary of the critical accounting estimates, assumptions and judgments and their related impact and associated risks in the financial statements. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determining 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.

Estimated Useful Lives

The useful life of each of the Authority's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluations and experiences with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. An increase in the estimated useful life of any item of property, leasehold improvements and equipment would decrease the recorded general and administrative expenses.

Allowance for Impairment of Trade Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Authority evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Authority's relationship with the patients, the patients' current credit status based on average age of accounts, collection experience and historical loss experience.

4. FINANCIAL RISK MANAGEMENT

Credit Risk

Financial assets which potentially expose the entity to concentrations of credit risk comprise, principally, bank accounts and trade and other receivables. Bank accounts are placed with a high quality financial institution. Trade and other receivables are stated net of allowance for impairment.

Liquidity Risk

The Authority manages its liquidity needs by carefully monitoring cash outflows due on a day-to-day basis.

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

5. TRADE AND OTHER RECEIVABLES

The fair values of trade and other receivables at September 30 are as follows:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Receivables from non-exempt patients	28,174,676	21,757,022
Receivables from exempt patients	518,914	569,464
Receivables from insurance companies	672,669	337,648
Advances to officers and employees	7,143	3,600
Prepaid expenses	93,345	40,612
	<u>29,466,747</u>	<u>22,708,346</u>
Less: Allowance for impairment losses	(4,089,358)	(4,089,172)
	<u>25,377,389</u>	<u>18,619,174</u>

A reconciliation of allowance for impairment losses as at beginning and end of each year is shown below:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Allowance for impairment losses at the beginning of year	4,089,172	2,442,461
Provision for impairment loss recognized during the year	1,386,592	1,646,711
Less: Accounts written off during the year	(1,386,406)	-
Allowance for impairment losses at the end of year	<u>4,089,358</u>	<u>4,089,172</u>

6. INVENTORIES

Details of inventories held at the end of each year are as follows:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Prescription, drugs and pharmaceutical supplies	544,337	1,905,826
Medical and other related supplies	563,444	1,053,604
Office supplies	8,031	12,235
	<u>1,115,812</u>	<u>2,971,665</u>
Less: Allowance for obsolescence	(16,277)	(42,202)
	<u>1,099,535</u>	<u>2,929,463</u>

A reconciliation of allowance for obsolescence as at beginning and end of each year is shown below:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Allowance for obsolescence at the beginning of year	42,202	-
Provision for obsolescence recognized during the year	-	66,458
Less: Inventories disposed off during the year	-	(24,256)
Less: Recovery of provision for obsolescence previously recognized	(25,925)	-
Allowance for obsolescence at the end of year	<u>16,277</u>	<u>42,202</u>

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

7. PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of:

Cost	Land, Buildings and Improvements	Construction In Progress	Furniture and Fittings	Computer and Office Equipment	Motor Vehicles	Machinery and Equipment	Medical Equipment	Total
At September 30, 2009	26,262,838	-	646,114	281,846	611,337	323,125	3,124,365	31,249,625
Additions	50,146	18,932	14,859	18,984	166,461	17,133	154,929	441,444
Disposals	-	-	-	-	-	-	-	-
At September 30, 2010	26,312,984	18,932	660,973	300,830	777,798	340,258	3,279,294	31,691,069
Additions	57,388	124,646	30,681	-	21,670	3,150	14,028	251,563
Disposals	-	-	-	-	-	-	-	-
At September 30, 2011	26,370,372	143,578	691,654	300,830	799,468	343,408	3,293,322	31,942,632
Accumulated Depreciation								
At September 30, 2009	7,101,074	-	380,246	147,833	408,207	179,292	1,610,646	9,827,298
Depreciation	1,271,834	-	83,841	105,440	153,270	36,866	288,791	1,940,042
Disposals	-	-	-	-	-	-	-	-
At September 30, 2010	8,372,908	-	464,087	253,273	561,477	216,158	1,899,437	11,767,340
Depreciation	1,271,834	-	82,782	23,215	34,180	36,235	269,895	1,718,141
Disposals	-	-	-	-	-	-	-	-
At September 30, 2011	9,644,742	-	546,869	276,488	595,657	252,393	2,169,332	13,485,481
NBV at September 30, 2011	16,725,630	143,578	144,785	24,342	203,811	91,015	1,123,990	18,457,151
NBV at September 30, 2010	17,940,076	18,932	196,886	47,557	216,321	124,100	1,379,857	19,923,729
NBV at September 30, 2009	19,161,764	-	265,868	134,013	203,130	143,833	1,513,719	21,422,327

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

8. INTANGIBLE ASSETS

Intangible assets comprise acquired software licenses as follows:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Cost	281,286	281,286
Accumulated amortization	<u>(210,965)</u>	<u>(140,643)</u>
	<u>70,321</u>	<u>140,643</u>

Amortization expense recognized during the year is shown under Depreciation and Amortization in the Statement of Comprehensive Income.

9. TRADE AND OTHER PAYABLES

Trade and other payables at September 30 consist of:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Trade payables	3,572,839	2,430,407
Accrued professional fees	58,300	39,800
Accrued salaries (advances)	(230,780)	-
Other accruals	(138,638)	-
Social security payable (overpayment)	171,617	(239)
Payroll tax liability	<u>22,502</u>	<u>-</u>
	<u>3,455,840</u>	<u>2,469,968</u>

10. SERVICE FEES

The breakdown of service fees earned during both years are shown below:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Dialysis fees	7,415,926	2,698,297
Overseas medical care fees	338,218	1,226,315
Laboratory and other related fees	1,149,573	758,317
Radiology services fees	1,006,093	698,553
Accommodation-related fees	415,931	434,460
Dental fees	326,142	363,217
Medical supplies fees	529,433	343,211
General consultation and specialist fees	799,404	339,876
Others	<u>216,758</u>	<u>329,197</u>
	<u>12,197,478</u>	<u>7,191,443</u>

BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

11. COSTS OF SALES AND SERVICES

Costs associated with provision of medical services and goods are broken down as follows:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Cost of sales	1,870,036	30,862
Exempt patients expense	1,283,580	1,385,517
Specialist medical services	51,433	803,373
Prescriptions and drugs	843,331	608,983
Laboratory services	478,293	440,646
Heamodialysis services	518,715	350,537
Overseas patients expense	362,181	270,013
Dietary services	162,194	210,014
Housekeeping services	130,077	208,524
Medical gases and supplies	540,372	292,621
Radiology services	199,873	121,896
Others	219,081	297,499
	<u>6,659,166</u>	<u>5,020,485</u>

12. SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits for the year ended September 30 are as follows:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Salaries and wages	12,513,220	15,052,045
Allowances	679,254	1,467,903
Gratuities and pension	1,031,611	1,657,901
Social security contributions	672,119	572,870
Housing assistance	213,690	363,672
Health insurance	361,233	286,234
Payroll tax expense	854,421	153,632
Overtime pay	46,930	336,122
Others	109,203	183,615
	<u>16,481,681</u>	<u>20,073,994</u>

13. LEASES

The Authority has entered into six (6) different lease agreements for the rental of office space, residential space, and a warehouse in Road Town and Pockwood Pond, Tortola.

The total estimated future annual minimum rentals payable under the existing leases follows:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Not later than 1 year	484,648	471,120
Later than 1 year and not more than 5 years	947,103	135,610
	<u>1,431,751</u>	<u>606,730</u>

**BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

14. 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.

15. 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. compassionate gratuities;
- b. reduced pension plus gratuities; and
- c. full pension.

The Authority has not yet established its own formal pension plan for its employees, and currently uses the BVI Government's regime to accrue post-employment benefits. On the assumption that all employees retired as at September 30, 2011 and 2010, the Authority would have been obligated to pay the following amounts:

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Compassionate gratuities	2,855,544	2,445,537
Retirement gratuities	319,764	276,020
Monthly reduced pension	<u>76,743</u>	<u>66,245</u>
	<u>3,252,051</u>	<u>2,787,802</u>

Whilst the Authority has not yet established its own formal pension plan for its employees, the BOD has committed to establishing a defined contribution plan.

**BRITISH VIRGIN ISLANDS HEALTH SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

16. CONTRIBUTED CAPITAL

	2011	2010
	<u>US\$</u>	<u>US\$</u>
Contributed capital comprises:		
	<u>36,070,130</u>	<u>36,066,922</u>

In 2011, the Authority has received additional contributions from the Government of the Virgin Islands in the amount of US\$3,208.

17. 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.

Based on the case proceedings and medical opinions gathered, however, it is unlikely that the defendants will be held liable to the claimant for damages. Consequently, no corresponding provision for losses on litigation is recognized.

In the unlikely event, however, that the claimant is able to prove her case successfully in court, joint liability to be borne by the defendants is estimated not to exceed US\$75,000.

18. EVENTS AFTER REPORTING PERIOD

A claim has been brought by a complainant on June 11, 2012 in his capacity as the widower of a patient who passed away at the Peebles Hospital on October 17, 2011, seeking general damages for loss but not putting any specific amount of claims. The underlying action, however, is statute-barred; having been brought outside the statutory period of six months permitted by the Public Authorities Protection Act Cap 62, Revised Laws of the Virgin Islands, for the bringing of such claims. Given that the claim will probably be dismissed, the Authority does not anticipate any liability in respect hereto.

Also, on May 17, 2012, the Authority has received a letter from a Peebles Hospital patient seeking unspecified amount of compensation for damages following a surgical procedure that has been performed on her. Like the immediately-preceding case, there is a legal issue as to whether the claim is statute-barred as it appears to have been brought outside the statutory period permitted by the Public Authorities Protection Act. Consequently, no contingent liability is anticipated with respect to the said claim.

Lastly, the Authority is defendant to a claim filed by a couple alleging negligence of its servants at the Peebles Hospital in accidentally disposing of their baby's body. The claimants are seeking compensation for damages in the amount of US\$120,000. While the Authority has accepted liability for the error committed, it is of the view that the claims filed are excessive. Legal counsel is of the view that the couple would be entitled to damages of approximately US\$20,000.

The Authority is not aware of any other events occurring after reporting date that warrant adjustments or disclosure to the financial statements.