

Doctors Hospital Health System Limited

Interim report

Quarter ended July 31, 2023

Chairman's Report

Doctors Hospital Health System Limited

Dear Shareholder,

On behalf of the Board of Directors of Doctors Hospital Health System, I report on your company's financial results for the six months ended July 31, 2023.

Consolidated net profit for the six months was \$6,687,081 compared to a profit of \$3,765,362 for the comparable period in fiscal 2023. Consolidated net patient services revenue increased \$11,937,694 or 25.57% over the 2nd quarter last year. The surge in revenue is indicative of the continuing rebounding of outpatient activity combined with a decline in inpatient days. Total inpatient days for the 6 months ended July 31, 2023 was 4,596 days, a decrease of 13.8% for the comparable period last year. While inpatient days for DHB declined, revenue from outpatient services rose by \$6,232,802 to \$36,144,375 for the six months ended July 31, 2023. Also of note is the significant decline in COVID-19 revenues totaling \$3,873,093, a 97.8% drop for the comparable period last year.

Consolidated expenses increased by \$9,370,938 or 20.67% over the comparable period last year. Notable increases in consolidated expenses were incurred in the following:

- Bad debt expense (\$3.2 million or 413.0%) – the Group increased its loss rates on its portfolio of receivables at the end of fiscal year 2023 which is reflected in the increase in the provision for doubtful accounts in the current fiscal year when compared to the prior fiscal year.
- Salaries & benefits (\$3.9 million or 20.1%) – as the Group expanded its operations into outpatient services in several locations, the associate headcount increased by 117, resulting in the significant increase in this expense.
- Medical services (\$1.6 million or 33.0%) – there is a direct correlation of the increase in this expense with the expansion in outpatient facilities and the increase in revenues.
- Outside services (\$1.1 million or 26.9%) – the Group incurred consulting services' fees (\$2 million) relating to the launch of our new software at the beginning of the fiscal year, which is a non-recurring expense.

There have been declines in other variable expenses, primarily medical supplies (\$2.0 million or 34.2%). The decrease in this expense is a result of adjustments made to medical supplies inventory during this fiscal year, combined with the increased utilization of supplies due to the additional outpatient locations.

Return on sales (net income margin) increased to 10.9% for the six months ended July 31, 2023, an increase of 77.6% compared to the same period last year of 7.7%, reflecting an improvement in efficiency.

The Board and Management team thanks you, our valued shareholders, Physicians, and all Associates for your continued support and loyalty to the Hospital.

We look forward to continuing to provide an excellent customer experience to our patients and visitors whose loyalty we also appreciate and value.

Felix Stubbs
Chairman
October 2, 2023

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Financial Position

July 31, 2023 with comparative figures at January 31, 2023

(Expressed in thousands of Bahamian dollars)

	July 31, 2023	January 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,115	18,172
Accounts receivable—patients, net (note 2)	12,344	13,653
Accounts receivable—third party payors, net (note 2)	37,750	23,793
Inventories	8,338	5,405
Prepaid expenses & other assets	6,418	6,732
	65,965	67,755
Non-current assets:		
Investments – fixed income	6,762	6,878
Investments	30	30
Goodwill, net	431	431
Other intangible assets	257	266
Property, plant and equipment	56,510	43,353
Right of use assets	2,852	3,469
	66,842	54,427
Total assets	\$ 132,807	122,182
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 27,057	22,444
Lease liabilities, current portion	1,061	1,173
Long-term debt, current portion	254	249
	28,372	23,866
Long-term liabilities:		
Lease liabilities	2,022	2,503
Long-term debt	2,868	2,955
	4,890	5,458
Total liabilities	33,262	29,324
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (January 31, 2023 – 12,500,000 shares)		
Issued and fully paid 11,971,634 shares (January 31, 2023 – 11,971,634 shares)	479	479
Contributed surplus	25,778	25,778
Retained earnings	73,288	66,601
	99,545	92,858
Total liabilities and shareholders' equity	\$ 132,807	122,182

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Comprehensive Income

Three months ended July 31, 2023 with comparative figures for the three months ended July 31, 2022
(Expressed in thousands of Bahamian dollars)

	July 31, 2023	July 31, 2022
Revenues		
Patient service revenue, net	\$ 28,514	23,239
Other	1,303	1,144
Total revenues	29,817	24,383
Expenses		
Salaries and benefits	12,002	9,724
Medical supplies	2,833	2,601
Medical services	3,406	2,482
Bad debt expense, net of recoveries	1,491	211
Depreciation and amortization	1,113	1,016
Other operating	1,898	1,400
Utilities	751	496
Government taxes and fees	661	664
Outside services	1,643	2,752
Insurance	517	403
Repairs and maintenance	606	487
Rent	85	110
Dietary expenses	278	122
Legal expenses	18	36
Interest expense	78	76
Total expenses	27,380	22,580
Net income & total comprehensive income for the period	\$ 2,437	1,803
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.20	0.15

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Comprehensive Income

Six months ended July 31, 2022 with comparative figures for the six months ended July 31, 2021
(Expressed in thousands of Bahamian dollars)

	July 31, 2023	July 31, 2022
Revenues		
Patient service revenue, net	\$ 58,622	46,684
Other	2,773	2,418
Total revenues	61,395	49,102
Expenses		
Salaries and benefits	23,374	19,469
Medical supplies	3,898	5,923
Medical services	6,586	4,951
Bad debt expense, net of recoveries	4,030	786
Depreciation and amortization	2,233	2,013
Other operating	3,278	3,006
Utilities	1,446	926
Government taxes and fees	1,521	1,499
Outside services	5,329	4,199
Insurance	1,032	778
Repairs and maintenance	1,018	1,029
Rent	186	157
Dietary expenses	494	269
Legal expenses	120	174
Interest expense	163	158
Total expenses	54,708	45,337
Net income & total comprehensive income for the period	\$ 6,687	3,765
Return on sales (net income margin)	10.9%	7.7%
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.56	0.31

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Six months ended July 31, 2023

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings	Total
Balance at January 31, 2023	11,971,634	\$ 479	\$ 25,778	\$ 66,601	\$ 92,858
Net income for the period	–	–	–	6,687	6,687
Dividends paid	–	–	–	–	–
Balance at July 31, 2023	11,971,634	\$ 479	\$ 25,778	\$ 73,288	\$ 99,545

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Six months ended July 31, 2023 with comparative figures for the six months ended July 31, 2022
(Expressed in thousands of Bahamian dollars)

	July 31, 2023	July 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,687	3,765
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,233	2,013
Provision for doubtful accounts	4,030	786
Operating income before working capital changes	12,950	6,564
(Increase)/decrease in accounts receivable	(16,678)	18,361
(Increase)/decrease in inventories	(2,933)	3,068
Decrease/(increase) in prepaid expenses and other assets	314	(6,388)
Increase in accounts payable and other liabilities	4,613	526
Net cash (used in)/from operating activities	(1,734)	22,131
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net	(14,759)	(11,864)
Purchase of intangible assets, net	(5)	(100)
Maturity of investments, net	116	12,966
Net cash from/(used in) investing activities	(14,648)	1,002
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(82)	(118)
Lease liabilities, net	(593)	948
Dividends paid to shareholders	—	(837)
Net cash used in financing activities	(675)	(7)
(Decrease)/increase in cash and cash equivalents	(17,057)	23,126
Cash and cash equivalents at beginning of period	18,172	6,760
Cash and cash equivalents at end of period	\$ 1,115	29,886

Cash and cash equivalents comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Six months ended July 31, 2023

1. Significant accounting policies

These interim financial statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting; using the same accounting policies applied in the January 31, 2023 audited consolidated financial statements.

2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$6.04 million.