



Chairman’s Report

Doctors Hospital Health System Limited

Dear Shareholder,

For the nine months ended October 31, 2012, the Hospital reports consolidated net income of \$64,000 compared to \$1,431,000 in the previous year.

Net revenue over the nine month period decreased \$406,000 or 1.2% compared to the same period last year. The third quarter compared with the same three months last year decreased \$841,000 or 7%. Total in-patient days are down 12% over last year, with the largest decrease in the critical care area of 29%. While in-patient revenue has been disappointing our outpatient visits have continued to grow with diagnostic imaging seeing an overall increase of 7%. Critical care, which has been a major source of income, has declined significantly year over year having an adverse effect on revenue streams. This activity is unpredictable and as such creates major swings in income and profitability.

Total expenses increased by \$961,000, or 2.9%, over the same nine month period. Of this increase, 62% is primarily attributable to a one time start up cost for Bahamas Medical Center which will provide us a new market. The third quarter compared with the same three months last year decreased \$372,000 or 3.2%. Bad debt expense is down \$591,000 or 37% for the year.

Bahamas Medical Center opened its door in October to Emergency and Outpatient diagnostic services. Day surgeries began in November with Executive Physicals, Physical Rehabilitation and Medical Fitness programs soon to follow. Bahamas Medical Center also houses the International Patient Program and in October, our team introduced our facility, program and partner physicians at the largest global medical tourism conference. In February we will host some of the most influential facilitators in North America on a familiarization trip.

I would like to thank our shareholders, Associates, physicians and volunteers for their loyalty and dedication to Doctors Hospital during these financial times.

Joseph Krukowski
Chairman
December 10, 2012

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

October 31, 2012 with comparative figures at January 31, 2012
(Expressed in thousands of Bahamian dollars)

	October 31, 2012	January 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,590	6,911
Accounts receivable—patients, net (note 2)	552	752
Accounts receivable—third party payors, net (note 2)	4,954	4,247
Inventories	1,608	1,395
Other assets	660	636
	13,364	13,941
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	1,150	1,541
Investment property (note 4)	-	4,214
Property, plant and equipment (note 4)	16,535	11,313
	18,146	17,529
Total assets	\$ 31,510	31,470
Liabilities and Shareholders’ Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 3,532	3,157
Total liabilities	\$ 3,532	3,157
Shareholders’ equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (October 31, 2012 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (October 31, 2012 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	15,221	15,556
	27,978	28,313
Total liabilities and shareholders’ equity	\$ 31,510	31,470

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2012 with comparative figures for the three months ended October 31, 2011

(Expressed in thousands of Bahamian dollars)

	October 31, 2012	October 31, 2011
Revenues		
Patient service revenue, net	\$ 10,718	11,523
Other	340	376
Total revenues	11,058	11,899
Expenses		
Salaries and benefits	4,644	4,657
Medical supplies and services	3,371	3,365
Depreciation and amortization	813	840
Other operating	564	520
Utilities	486	423
Bad debt expense, net of recoveries	42	731
Government taxes and fees	249	258
Insurance	216	189
Outside services	274	179
Repairs and maintenance	219	136
Rent	97	93
Dietary expenses	134	104
Legal expenses	55	41
Total expenses	11,164	11,536
Income before interest	(106)	363
Interest expense	-	-
Net income for the period	\$ (106)	363
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ (0.01)	0.04

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Nine months ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2012	9,971,634	\$ 399	\$ 12,358	\$ 15,556
Net income for the period	-	-	-	64
Dividends paid				(399)
Balance at October 31, 2012	9,971,634	\$ 399	\$ 12,358	\$ 15,221

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2012 with comparative figures for the nine months ended October 31, 2011
(Expressed in thousands of Bahamian dollars)

	October 31, 2012	October 31, 2011
Revenues		
Patient service revenue, net	\$ 32,917	33,390
Other	1,038	971
Total revenues	33,955	34,361
Expenses		
Salaries and benefits	13,897	13,630
Medical supplies and services	10,033	9,397
Depreciation and amortization	2,408	2,400
Other operating	1,690	1,627
Bad debt expense, net of recoveries	1,003	1,594
Utilities	1,300	1,181
Government taxes and fees	765	752
Insurance	647	553
Outside services	805	535
Repairs and maintenance	556	505
Dietary expenses	371	297
Rent	294	303
Legal expenses	122	156
Total expenses	33,891	32,930
Income before interest	64	1,431
Interest expense	-	-
Net income for the period	\$ 64	1,431
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.00	0.14

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Nine months ended October 31, 2012 with comparative figures for the nine months ended October 31, 2011
(Expressed in thousands of Bahamian dollars)

	October 31, 2012	October 31, 2011
Cash flows from operating activities		
Net income	\$ 64	1,431
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,408	2,400
Provision for doubtful accounts	1,003	1,594
Loss on disposal of property, plant and equipment	-	-
	3,475	5,425
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,510)	(2,217)
Increase in inventories	(212)	(204)
(Increase) decrease in prepaid expenses and other assets	(24)	123
Increase in accounts payable and other liabilities	375	539
Cash provided by operating activities	2,104	3,666
Cash flows from investing activities		
Purchase of property, plant and equipment (note 4)	(2,968)	(2,043)
Purchase of intangible assets	(58)	(114)
Proceeds from disposal of property, plant and equipment	-	-
Cash used in investing activities	(3,026)	(2,157)
Cash flows from financing activities		
Repayment of long-term debt	-	-
Dividends paid to shareholders	(399)	(399)
Cash used in financing activities	(399)	(399)
Increase (decrease) in cash and cash equivalents	(1,321)	1,110
Cash and cash equivalents at beginning of period	6,911	5,483
Cash and cash equivalents at end of period	\$ 5,590	6,593

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

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 31, 2012

- 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, 2012 audited consolidated financial statements.
- Accounts receivable**

Accounts receivable are stated net of provisions for doubtful accounts of \$3.3 million.
- Dividends Paid**

Declared and paid on ordinary shares \$0.04
- Investment Property**

Investment property was transferred to Property Plant and Equipment in the amount of \$4.1 million. The hospital has opened an outpatient facility, a wholly owned subsidiary of DHHS at this property, under the name Bahamas Medical Center as of October, 2012. The capital infusion in Bahamas Medical Center, to date is \$1.7 million.

