



Doctors Hospital Health System Limited

Interim Report

QUARTER ENDED OCTOBER 31, 2013

Chairman’s Report

Doctors Hospital Health System Limited

Dear Shareholder,

For the nine months ended October 31, 2013, the Hospital reports consolidated net income of \$401,000 compared to \$64,000 in the previous year.

Net revenue over the nine month period increased \$2,840,000 or 8.3% compared to the same period last year of which \$989,000 was contributed by Bahamas Medical Center. Total in-patient days are up 12% over last year, with the largest increases in the critical care area of 32%.

Total expenses increased by \$2,503,051, or 7.4%, over the same nine month period. Of this increase, 51% is attributable to Bahamas Medical Center.

The continued loss position as compared to projections at Bahamas Medical Center is primarily due to delays in obtaining necessary approvals and licenses for projected new programs. There are a number of specialty programs with surgeons wanting to come to The Bahamas with their patients which have now been on hold for a year. After a twelve month delay the Hospital received permission in November for two of the programs for spinal and cochlear implant procedures and can now proceed to patient care in the first quarter of the new year.

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

November 25, 2013

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Balance Sheet

October 31, 2013 with comparative figures at January 31, 2013
(Expressed in thousands of Bahamian dollars)

| | October 31, 2013 | January 31, 2013 |
|--|----------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,711 | 6,130 |
| Accounts receivable—patients, net (note 2) | 735 | 633 |
| Accounts receivable—third party payors, net (note 2) | 5,062 | 5,088 |
| Inventories | 1,871 | 1,638 |
| Other assets | 829 | 641 |
| | 13,208 | 14,130 |
| Non-current assets: | | |
| Investments | 30 | 30 |
| Goodwill, net | 431 | 431 |
| Other intangible assets | 753 | 993 |
| Property, plant and equipment (note 4) | 17,616 | 16,219 |
| | 18,830 | 17,673 |
| Total assets | \$ 32,038 | 31,803 |
| Liabilities and Shareholders’ Equity | | |
| Current liabilities: | | |
| Accounts payable and other liabilities | \$ 3,597 | 3,165 |
| Total liabilities | \$ 3,597 | 3,165 |
| Shareholders’ equity: | | |
| Share capital: | | |
| Authorized 12,500,000 common shares at par value of B\$0.04 each (October 31, 2013 – 12,500, 000 shares) | | |
| Issued and fully paid 9,971,634 shares (October 31, 2013 – 9,971,634 shares) | 399 | 399 |
| Contributed surplus | 12,358 | 12,358 |
| Retained earnings | 15,684 | 15,881 |
| | 28,441 | 28,638 |
| Total liabilities and shareholders’ equity | \$ 32,038 | 31,803 |

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2013 with comparative figures for the three months ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

| | October 31, 2013 | October 31, 2012 |
|--|---------------------------|-------------------------|
| Revenues | | |
| Patient service revenue, net | \$ 10,805 | 10,718 |
| Other | 357 | 340 |
| Total revenues | 11,162 | 11,058 |
| Expenses | | |
| Salaries and benefits | 5,010 | 4,644 |
| Medical supplies and services | 3,115 | 3,371 |
| Depreciation and amortization | 787 | 813 |
| Other operating | 599 | 564 |
| Utilities | 543 | 486 |
| Bad debt expense, net of recoveries | 462 | 42 |
| Government taxes and fees | 258 | 249 |
| Insurance | 220 | 216 |
| Outside services | 306 | 274 |
| Repairs and maintenance | 271 | 219 |
| Rent | 93 | 97 |
| Dietary expenses | 151 | 134 |
| Legal expenses | 48 | 55 |
| Total expenses | 11,863 | 11,164 |
| Income before interest | (701) | (106) |
| Interest expense | - | - |
| Net income for the period | \$ (701) | (106) |
| Earnings per common share (expressed in Bahamian dollars): | | |
| Basic and fully diluted | \$ (0.07) | (0.01) |

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Nine months ended October 31, 2013
(Expressed in thousands of Bahamian dollars)

| | Number of shares | Share capital | Contributed surplus | Retained earnings |
|-----------------------------|------------------|---------------|---------------------|-------------------|
| Balance at January 31, 2013 | 9,971,634 | \$ 399 | \$ 12,358 | \$ 15,881 |
| Net income for the period | - | - | - | 401 |
| Dividends paid | | | | (598) |
| Balance at October 31, 2013 | 9,971,634 | \$ 399 | \$ 12,358 | \$ 15,684 |

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2013 with comparative figures for the nine months ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

| | October 31, 2013 | October 31, 2012 |
|--|-------------------------|-------------------------|
| Revenues | | |
| Patient service revenue, net | \$ 35,720 | 32,917 |
| Other | 1,075 | 1,038 |
| Total revenues | 36,795 | 33,955 |
| Expenses | | |
| Salaries and benefits | 15,338 | 13,897 |
| Medical supplies and services | 10,338 | 10,033 |
| Depreciation and amortization | 2,418 | 2,408 |
| Other operating | 1,728 | 1,690 |
| Bad debt expense, net of recoveries | 1,300 | 1,003 |
| Utilities | 1,457 | 1,300 |
| Government taxes and fees | 746 | 765 |
| Insurance | 659 | 647 |
| Outside services | 901 | 805 |
| Repairs and maintenance | 590 | 556 |
| Dietary expenses | 439 | 371 |
| Rent | 292 | 294 |
| Legal expenses | 188 | 122 |
| Total expenses | 36,394 | 33,891 |
| Income before interest | 401 | 64 |
| Interest expense | - | - |
| Net income for the period | \$ 401 | 64 |
| Earnings per common share (expressed in Bahamian dollars): | | |
| Basic and fully diluted | \$ 0.04 | 0.00 |

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Nine months ended October 31, 2013 with comparative figures for the nine months ended October 31, 2012
(Expressed in thousands of Bahamian dollars)

| | October 31, 2013 | October 31, 2012 |
|---|---------------------------|--------------------------|
| Cash flows from operating activities | | |
| Net income | \$ 401 | 64 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,418 | 2,408 |
| Provision for doubtful accounts | 1,300 | 1,003 |
| Loss on disposal of property, plant and equipment | - | - |
| | 4,119 | 3,475 |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (1,377) | (1,510) |
| Increase in inventories | (233) | (212) |
| (Increase) decrease in prepaid expenses and other assets | (187) | (24) |
| Increase in accounts payable and other liabilities | 432 | 375 |
| Cash provided by operating activities | 2,754 | 2,104 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment (note 4) | (3,505) | (2,968) |
| Purchase of intangible assets | (70) | (58) |
| Proceeds from disposal of property, plant and equipment | - | - |
| Cash used in investing activities | (3,575) | (3,026) |
| Cash flows from financing activities | | |
| Repayment of long-term debt | - | - |
| Dividends paid to shareholders | (598) | (399) |
| Cash used in financing activities | (598) | (399) |
| Increase (decrease) in cash and cash equivalents | (1,419) | (1,321) |
| Cash and cash equivalents at beginning of period | 6,130 | 6,911 |
| Cash and cash equivalents at end of period | \$ 4,711 | 5,590 |

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

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 31, 2013

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, 2013 audited consolidated financial statements.

2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$4.4 million.

3. Dividends Paid

Declared and paid on ordinary shares \$0.06

