

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
	\$ 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
	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
	11,863	11,164
Total expenses		
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
	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
	36,394	33,891
Total expenses		
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