

Doctors Hospital Health System Limited

Interim report
Quarter ended July 31, 2019

Chairman's Report
Doctors Hospital Health System Limited

Dear Shareholder,

On behalf of the Board of Directors of Doctors Hospital Health System, we report on your company's financial results for the six (6) months ended July 31, 2019.

Consolidated net profit for the six (6) months was \$3,318,678 compared to a profit of \$1,650,787 for the comparable period in July 2018. Doctors Hospital (Bahamas) Limited's profit was \$3,677,077 compared with \$2,058,569, and Bahamas Medical Center's ("BMC") loss was (\$358,399) compared with (\$407,782) for the same period in the prior year, representing a shrinking of losses at BMC of (12.1%).

Consolidated net patient revenue increased \$2,754,844 or 9.4% over the 2nd quarter last year. Total inpatient days for the six months are relatively flat (down 0.8%) compared to the same period last year. Revenue growth is therefore illustrative of higher emergency room activity not resulting in admissions, stronger activity in outpatient services, and increased revenue capture (participation) resulting from strategic hiring of specialist physicians.

Consolidated expenses increased \$1,185,096 or 4.2%, over the comparable period last year. The largest driver of the increase relates to higher salary and benefit expenses, mainly driven by the introduction of an associate profit-sharing program, designed to allow eligible full-time associates to participate in the financial growth and success of the Health System. Exclusive of increases related to profit sharing accruals, salary and benefits costs are marginally higher by \$124k or 1.0% compared to the same period in 2018, demonstrating improved labor 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
August 31, 2019

Dennis Deveau
Chief Financial Officer
August 31, 2019

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Financial Position

July 31, 2019 with comparative figures at January 31, 2019

(Expressed in thousands of Bahamian dollars)

	July 31, 2019	January 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,818	5,329
Accounts receivable—patients, net (note 2)	850	605
Accounts receivable—third party payors, net (note 2)	7,450	7,012
Inventories	2,462	2,225
Other assets	2,027	2,466
	20,607	17,637
Non-current assets:		
Investments – Fixed Income	2,199	2,147
Investments	30	30
Investment in associate	240	240
Goodwill, net	431	431
Other intangible assets	353	345
Property, plant and equipment	24,028	23,548
	27,281	26,741
Total assets	\$ 47,888	44,378
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 5,332	4,640
Long-term debt, current portion	210	205
	5,542	4,845
Long-term liabilities:		
Long-term debt	3,776	3,883
	3,776	3,883
Total liabilities	9,318	8,728
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (July 31, 2019 – 12,500,000 shares)		
Issued and fully paid 9,971,634 shares (July 31, 2019 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	25,813	22,893
	38,570	35,650
Total liabilities and shareholders' equity	\$ 47,888	44,378

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Comprehensive Income

Three months ended July 31, 2019 with comparative figures for the three months ended July 31, 2018
(Expressed in thousands of Bahamian dollars)

	July 31, 2019	July 31, 2018
Revenues		
Patient service revenue, net	\$ 15,863	14,120
Other	542	469
Total revenues	16,405	14,589
Expenses		
Salaries and benefits	6,831	6,585
Medical supplies	2,021	2,044
Medical services	2,092	1,722
Bad debt expense, net of recoveries	547	584
Depreciation and amortization	792	751
Other operating	754	761
Utilities	457	444
Government taxes and fees	452	343
Outside services	430	408
Insurance	229	224
Repairs and maintenance	261	245
Rent	118	106
Dietary expenses	180	170
Legal expenses	15	26
Interest expense	50	52
Total expenses	15,229	14,465
Net loss/income for the period	\$ 1,176	124
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.12	0.01

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Six months ended July 31, 2019 with comparative figures for the six months ended July 31, 2018
(Expressed in thousands of Bahamian dollars)

	July 31, 2019	July 31, 2018
Revenues		
Patient service revenue, net	\$ 31,924	29,169
Other	1,040	941
Total revenues	32,964	30,110
Expenses		
Salaries and benefits	13,621	12,874
Medical supplies	4,184	4,127
Medical services	3,972	3,571
Depreciation and amortization	1,569	1,487
Other operating	1,499	1,464
Bad debt expense, net of recoveries	576	1,054
Utilities	845	811
Government taxes and fees	895	703
Insurance	462	447
Outside services	840	720
Repairs and maintenance	440	535
Dietary expenses	341	335
Rent	236	211
Legal expenses	67	56
Interest expense	98	64
Total expenses	29,645	28,459
Net Loss/Income for the period	\$ 3,319	1,651
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.33	0.17

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Six months ended July 31, 2019 with comparative figures for the six months ended July 31, 2018
(Expressed in thousands of Bahamian dollars)

	July 31, 2019	July 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,319	1,651
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,569	1,487
Provision for doubtful accounts	576	1,054
Operating income before working capital changes	5,464	4,192
Increase (Decrease) in accounts receivable	(1258)	830
Increase in inventories	(237)	(114)
(Decrease) Increase in prepaid expenses and other assets	439	299
Increase (Decrease) in accounts payable and other liabilities	692	1,560
Net cash from operating activities	5,100	6,767
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,987)	(6,545)
Cash paid for investment	(53)	(240)
Purchase of intangible assets	(70)	(185)
Net cash used in investing activities	(2,110)	(6,969)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in long-term debt	-	4,235
Repayment of long-term debt	(102)	(49)
Dividends paid to shareholders	(399)	(399)
Net cash used in financing activities	(501)	3,787
Increase in cash and cash equivalents	2,489	3,585
Cash and cash equivalents at beginning of period	5,329	4,369
Cash and cash equivalents at end of period	\$ 7,818	7,954

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

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Six months ended July 31, 2019

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2019	9,971,634	\$ 399	\$ 12,358	\$ 22,893
Net income for the period				3,319
Dividends				(399)
Balance at July 31, 2019	9,971,634	\$ 399	\$ 12,358	\$ 25,813

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Six months ended July 31, 2019

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, 2019 audited consolidated financial statements.

2. Accounts receivable

Accounts receivable are stated net of provisions for doubtful accounts of \$2.5million. Management assess that there is an adequate provision for doubtful account.

3. Long-term debt

On April 9, 2018 Doctors Hospital drew down \$4.2 million to assist in the purchase of two properties.

- 1) Formerly Red-Carpet Inn on East Bay Street – acquired for strategic expansion into skilled nursing, the first of its kind in The Bahamas.
- 2) Formerly Dairymaid Building on University Drive – acquired for strategic expansion.

4. Dividend guidance

Management issued dividend guidance of \$0.08 per share for the current fiscal year; and a dividend target of \$0.10 per share for FYE 2021, at the annual shareholder meeting held on June 27th 2019.