

Doctors Hospital Health System Limited

Interim Report

QUARTER ENDED OCTOBER 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 nine (9) months ended October 31, 2019.

Consolidated net profit for the nine (9) months was \$4,807,515 compared to a profit of \$2,257,112 for the comparable period in October 2018. Doctors Hospital (Bahamas) Limited's profit was \$5,211,822 compared with \$2,813,567 and Bahamas Medical Center's ("BMC") loss was (\$404,306) compared with (\$556,455) for the same period in the prior year, representing a shrinking of losses at BMC of (27.3%).

Consolidated net patient revenue increased \$3,499,371 or 7.9% over the 3rd quarter last year. Total inpatient days for the nine months are down (2.1% lower) 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 (principally in Anesthesia services).

Consolidated expenses increased \$1,072,882 or 2.5%, 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 two (2) associate compensation/benefits program enhancements:

1. Profit-sharing program: designed to allow eligible full-time associates to participate in the financial growth and success of the Health System;
2. Performance bonus program: design to reward both full-time and part-time associates who embodied the core values of the Health System, during a defined evaluation period.

Exclusive of increases related to the above programs, salary and benefits costs are flat compared to the same period in 2018, demonstrating improved labour efficiency, despite higher net patient services revenue of \$3,499,371 or 7.9%.

In addition to enhanced labor productivity, Management notes strong reductions in bad debt expense, which is lower by (\$912,130) or -45.9% and lower repair and maintenance costs, which declined by (\$227,922) or -23.6%. Enhanced receivables management and better optimization of the main facility on Collins Avenue are core strategies that underlie these improvements.

The Board and Management team thanks you, our valued Shareholders, Patients/Customers, 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 31, 2019

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Financial Position

October 31, 2019 with comparative figures at January 31, 2019
(Expressed in thousands of Bahamian dollars)

	October 31, 2019	January 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,577	5,329
Accounts receivable—patients, net (note 2)	772	605
Accounts receivable—third party payors, net (note 2)	7,723	7,012
Inventories	2,507	2,225
Other assets	1,800	2,466
	20,379	17,637
Non-current assets:		
Investments – Fixed Income	3,159	2,147
Investments – Bahamas Government Registered Stock	1,365	0
Investment in associated companies	270	270
Goodwill, net	431	431
Other intangible assets	345	345
Property, plant and equipment	23,890	23,548
	29,460	26,741
Total assets	\$ 49,839	44,378
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other liabilities	\$ 5,846	4,640
Long-term debt, current portion	212	205
	6,058	4,845
Long-term liabilities:		
Long-term debt	3,722	3,883
	3,722	3,883
Total liabilities	9,780	8,728
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (October 31, 2019 – 12,500,000 shares)		
Issued and fully paid 9,971,634 shares (October 31, 2019 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	27,302	22,893
	40,059	35,650
Total liabilities and shareholders' equity	\$ 49,839	44,378

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Revenue and Expenses

Nine months ended October 31, 2019 with comparative figures for the nine months ended October 31, 2018
(Expressed in thousands of Bahamian dollars)

	October 31, 2019	October 31, 2018
Revenues		
Patient service revenue, net	\$ 47,831	44,331
Other	1,566	1,442
Total revenues	49,397	45,773
Expenses		
Salaries and benefits	20,430	19,096
Medical supplies	6,185	6,436
Medical services	5,954	5,315
Depreciation and amortization	2,352	2,237
Other operating	2,169	2,278
Bad debt expense, net of recoveries	1,075	1,987
Utilities	1,318	1,288
Government taxes and fees	1,306	1,066
Insurance	687	716
Outside services	1,224	1,095
Repairs and maintenance	740	967
Dietary expenses	503	513
Rent	354	327
Legal expenses	145	79
Interest expense	147	116
Total expenses	44,589	43,516
Net Loss/Income for the period	\$ 4,808	2,257
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.48	0.23

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Changes in Equity

Nine months ended October 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				4,808
Dividends				(399)
Balance at October 31, 2019	9,971,634	\$ 399	\$ 12,358	\$ 27,302

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Cash Flows

Nine months ended October 31, 2019 with comparative figures for the nine months ended October 31, 2018
(Expressed in thousands of Bahamian dollars)

	October 31, 2019	October 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,808	2,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,352	2,237
Provision for doubtful accounts	1,075	1,987
Operating income before working capital changes	8,235	6,481
Increase (Decrease) in accounts receivable	(1,953)	(1,122)
Increase (Decrease) in inventories	(282)	(104)
(Decrease) Increase in prepaid expenses and other assets	666	663
Increase (Decrease) in accounts payable and other liabilities	1,206	2,045
Net cash from operating activities	7,872	7,963
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,607)	(7,431)
Cash paid for investment	(2,378)	(240)
Purchase of intangible assets	(87)	(246)
Net cash used in investing activities	(5,072)	(7,917)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in long-term debt	-	4,235
Repayment of long-term debt	(153)	(97)
Dividends paid to shareholders	(399)	(598)
Net cash used in financing activities	(552)	3,539
Increase in cash and cash equivalents	2,248	3,585
Cash and cash equivalents at beginning of period	5,329	4,369
Cash and cash equivalents at end of period	\$ 7,577	7,954

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

Excluded from cash and cash equivalents are investments in fixed income holdings with maturities greater than three months and investment in Bahamas Government Registered Stock, which were \$3,159,404 and \$1,365,000 respectively at October 31, 2019. These investments are scheduled in the Consolidated Statement of Financial Position.

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Consolidated Statement of Comprehensive Income

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

	October 31, 2019	October 31, 2018
Revenues		
Patient service revenue, net	\$ 15,907	15,162
Other	526	500
Total revenues	16,433	15,662
Expenses		
Salaries and benefits	6,809	6,222
Medical supplies	2,000	2,308
Medical services	1,981	1,744
Bad debt expense, net of recoveries	499	932
Other operating	783	750
Utilities	670	814
Government taxes and fees	473	477
Government taxes and fees	411	363
Outside services	384	375
Insurance	226	269
Repairs and maintenance	299	433
Rent	118	116
Dietary expenses	163	179
Legal expenses	77	23
Interest expense	49	51
Total expenses	14,944	15,056
Net loss/income for the period	\$ 1,489	606
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.15	0.06

(Unaudited)

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

Notes to Interim Consolidated Financial Statements

Nine months ended October 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 \$3.1million. Management assess that there is an adequate provision for doubtful account.

3. Investments – Fixed Income

During the period, Doctors Hospital made an investment in Bahamas Government Registered Stock in the amount of 1.4 million



DOCTORS HOSPITAL
Isn't Your Health Worth It?

