

**Doctors Hospital Health System Limited**

*Interim report*

*Quarter ended April 30, 2008*

# DRAFT

## **Chairman's Report Doctors Hospital Health System Limited**

Dear Shareholder,

On behalf of the Board of Directors of Doctors Hospital Health System, I present the unaudited financial results for the first quarter ending April 30, 2008.

Earnings per share were ten cents, a decrease from thirteen cents for the comparable period last year. Total revenues were \$10.8 million compared to \$10.5 million in the previous year. Net income for the period was \$0.98 million compared to \$1.3 million last year.

The first quarter of fiscal 2009 has evidenced the high cost of doing business in this uncertain economic time as healthcare costs continue to rise.

Total expenses increased \$0.7 million or 7.3%. Salaries and benefits account for 47% of the total increase, contributing factors include: cost of living increases, health insurance premium increases and successful recruitment of filling much needed nursing staff vacancies. Bad debt expense is 45% of the total increase due to an increase of self-pay patients in the first quarter. Utilities expenses account for 7% of the increase.

Days revenue in Accounts Receivable fell to 47.3 days, the lowest in history, compared to 67.8 in the same period of fiscal 2008. Cash collection is up by \$2.1 million over the comparable period last year. We are pleased to report that our cash position enabled the Company to pay down \$2.1 million in long-term debt as well as a \$0.02 dividend payout to our shareholders based on year end results.

The Company made a significant capital expenditure with the purchase of a new state of the art Phillips Achieva 3.0 T capable MRI scanner at a cost of cost \$1.6 million. The complete cost of the project is \$2.2 million. The new Philips Achieva MRI system uses new technology (magnet, gradients, RF) to provide cutting-edge whole-body 3.0T imaging, enhanced performance on an advanced platform that delivers fast, high quality diagnostic results. With the acquisition of the new MRI machine, the Hospital's MRI center, currently located on Christie Street will be housed inside the hospital, making it more convenient for patients and relatives.

The Company also acquired the U-Systems somo.v™ breast ultrasound unit at a cost of \$0.2 million. The main advantage of the somo.v™ is that it can screen for breast cancer just like a mammogram can in those women for whom a mammogram is considered too painful, or for those whose breast is too dense for the mammogram. The newly acquired breast ultrasound system sets a new standard in the Bahamas and is the first of its kind in the Caribbean. The breast ultrasound machine together with the new MRI breast scanning capabilities will enhance our quality and accuracy resulting in better patient care and breast diagnostics.

The Hospital added strong authentication to its website deployment by implementing SafeWord for Citrix. SafeWord secures remote access with hardware tokens that generate secure, one-time passcodes for each user login which enhance the level of security for our physicians and end users.

These achievements are due in large measure to the hard work and commitment of our department Leaders, Associates and the invaluable support and patronage of our credentialed physicians and patients.

The Board joins me in thanking our valued shareholders, for your continued support and confidence. We extend an invitation for you to join us at our company's Annual General Meeting on June 26, 2008 at 5:30pm, at the British Colonial Hilton, Bay Street.

Joseph Krukowski  
Chairman  
May 28, 2008

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Balance Sheet

April 30, 2008 with comparative figures at January 31, 2008

(Expressed in thousands of Bahamian dollars)

	April 30, 2008	January 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,498	6,630
Accounts receivable—patients, net (note 2)	1,230	1,270
Accounts receivable—third party payors, net (note 2)	4,139	4,787
Inventories	1,263	1,166
Other assets	2,108	729
	<b>13,238</b>	<b>14,582</b>
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	2,161	2,423
Investment property	4,823	4,868
Property, plant and equipment	9,436	8,921
	<b>16,881</b>	<b>16,673</b>
<b>Total assets</b>	<b>\$ 30,119</b>	<b>31,255</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and other liabilities	3,760	3,442
Long-term debt, current portion	942	942
	<b>4,702</b>	<b>4,384</b>
Non-current liabilities		
Long-term debt	4,830	7,066
<b>Total liabilities</b>	<b>9,532</b>	<b>11,450</b>
Shareholders' equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (January 31, 2007 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (January 31, 2007 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	7,830	7,048
	<b>20,587</b>	<b>19,805</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 30,119</b>	<b>31,255</b>

(Unaudited)

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Revenue and Expenses

Three months ended April 30, 2008 with comparative figures for the three months ended April 30, 2007  
(Expressed in thousands of Bahamian dollars)

	April 30, 2008	April 30, 2007
<b>Revenues</b>		
Patient service revenue, net	\$ 10,533	10,249
Other	333	303
<b>Total revenues</b>	<b>10,866</b>	<b>10,552</b>
<b>Expenses</b>		
Salaries and benefits	4,015	3,705
Medical supplies and services	2,639	2,628
Bad debt expense, net of recoveries	639	342
Depreciation and amortization	610	579
Other operating	511	462
Utilities	345	297
Government taxes and fees	251	249
Outside services	211	219
Insurance	181	176
Repairs and maintenance	133	113
Rent	97	95
Dietary expenses	85	89
Legal expenses	35	131
<b>Total expenses</b>	<b>9,752</b>	<b>9,085</b>
Income before interest	1,114	1,467
Interest expense	(133)	(153)
<b>Net income for the period</b>	<b>\$ 981</b>	<b>1,314</b>
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.10	0.13

(Unaudited)

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Cash Flows

Three months ended April 30, 2008 with comparative figures for the three months ended April 30, 2007  
(Expressed in thousands of Bahamian dollars)

	April 30, 2008	April 30, 2007
Cash and cash equivalents provided by (used in):		
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 981	1,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	611	579
Provision for doubtful accounts	639	342
Gain on disposal of property, plant and equipment	-	(16)
	2,231	2,219
Decrease (increase) in accounts receivable	27	(1,591)
Increase in inventories	(97)	(78)
Decrease (increase) in prepaid expenses and other assets	(1,358)	62
Increase (decrease) in accounts payable and other liabilities	318	(198)
Cash and cash equivalents provided by operating activities	1,121	414
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(809)	(208)
Purchase of intangible assets	(9)	(85)
Proceeds from disposal of property, plant and equipment	-	1,038
Cash and cash equivalents provided by (used in) investing activities	(818)	745
<b>FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(2,236)	(236)
Dividends paid to shareholders	(199)	-
Cash and cash equivalents used in financing activities	(2,435)	(236)
Increase (decrease) in cash and cash equivalents	(2,132)	923
Cash and cash equivalents at beginning of period	6,630	1,989
Cash and cash equivalents at end of period	\$ 4,498	2,912

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

(Unaudited)

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## DOCTORS HOSPITAL HEALTH SYSTEM LIMITED

### Consolidated Statement of Changes in Equity

Three months ended April 30, 2008

(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2008	9,971,634	\$ 399	\$ 12,358	\$ 7,048
Net income for the period	-	-	-	981
Dividends paid				(199)
Balance at April 30, 2008	9,971,634	\$ 399	\$ 12,358	\$ 7,830

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## **DOCTORS HOSPITAL HEALTH SYSTEM LIMITED**

Notes to Interim Consolidated Financial Statements

Three months ended April 30, 2008

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### **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, 2008 audited consolidated financial statements.

### **2. Accounts receivable**

Accounts receivable are stated net of provisions for doubtful accounts of \$6.6 million.