

Doctors Hospital Health System Limited

Interim report
Quarter ended October 31, 2009

Chairman’s Report
Doctors Hospital Health System Limited

Dear Shareholders,

On behalf of the Board of Directors of Doctors Hospital Health System, I am pleased to report on your Company’s financial results for the nine months ended October 31, 2009. Financial performance continued to improve as earnings per share grew to \$ 0.46 cents per share compared to \$ 0.22 cents per share last year. Our vision of establishing Doctors Hospital as the best healthcare provider in the Region continues to gain momentum as demonstrated by the improving customer and physician satisfaction ratings.

The Hospital reports consolidated net income of \$ 4.6 million, an increase of 2.4 million over the same period in the prior year. Net patient service revenue increased by 13.5% or \$ 4.1 million compared to the same period last year.

Due to the successful period during Q2, the Hospital was satisfied to issue the routine company dividend of \$.02 per share to our loyal shareholders. In addition, due to the positive cash flow of the Company, we are also pleased to report another lump sum payment of \$2.7 million to pay-out our long term debt.

Despite the company’s financial success, the Hospital is beginning to see the results of the downturn in the economy and global financial crisis. The third quarter saw a leveling off of the significant increases in patient days during the first half of the year. Patient days were down compared to the same quarter last year by 13%, the lowest since 2005, but volumes in surgical hours rose by 11%. The current business indicators are a reflection of what is currently going on globally in the healthcare industry.

Total expenses increased by \$ 1.9 million, or 6.6%, over the same period. Salaries and benefits and medical supplies and services account for 81% of the increase and are a direct cost of revenue. Bad debt expense increased \$0.3 million during the last quarter, and represents 3.9% of total revenue compared with 3.1% for the same period last year. This percentage is within the Hospital’s budgeted number of 4.5%.

With respect to the Western Medical Plaza, the board continues to seek the best value for the asset, however the operating expenses continue to be contained, and interest in the property is ongoing. The Western Medical Plaza’s operating loss is \$0.2 million less than last year, 77% is in reduced interest costs.

The extent and impact of the slower economy has become apparent. In general, success to date has been encouraging, and as we look towards the future, we acknowledge the financial challenges of our customers, the industry, and global outlook. Our goal is to continue to ensure our short-term gains are sustained with a sensible long-term plan for growth. As such, the hospital is fully committed to the positive delivery of patient care and improved processes.

Increasing shareholder value also remains a priority for the Company. As the economy begins to grow in the U.S. and tourism rebounds, our patient days from that sector will turn upwards. While the state of the economy will ultimately determine the momentum, we will continue to maintain and improve our competitiveness.

On behalf of the Board of Directors, we wish to thank our shareholders, physicians, and Associates for their continued loyalty and support.

Joseph Krukowski
Chairman
November 1, 2009

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED
Consolidated Balance Sheet

October 31, 2009 with comparative figures at January 31, 2009
(Expressed in thousands of Bahamian dollars)

	October 31, 2009	January 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,514	5,328
Accounts receivable—patients, net (note 2)	539	1,003
Accounts receivable—third party payors, net (note 2)	4,040	5,826
Inventories	1,279	1,153
Other assets	864	574
	13,236	13,884
Non-current assets:		
Investments	30	30
Goodwill, net	431	431
Other intangible assets	1,726	2,014
Investment property	4,580	4,703
Property, plant and equipment	10,571	10,739
	17,338	17,917
Total assets	\$ 30,574	31,801

Liabilities and Shareholders’ Equity

Current liabilities:		
Accounts payable and other liabilities	3,500	3,516
Long-term debt, current portion	-	942
	3,500	4,458

Non-current liabilities		
Long-term debt	-	4,123
Total liabilities	3,500	8,581

Shareholders’ equity:		
Share capital:		
Authorized 12,500,000 common shares at par value of B\$0.04 each (October 31, 2009 – 12,500, 000 shares)		
Issued and fully paid 9,971,634 shares (October 31, 2009 – 9,971,634 shares)	399	399
Contributed surplus	12,358	12,358
Retained earnings	14,317	10,463
	27,074	23,220
Total liabilities and shareholders’ equity	\$ 30,574	31,801

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED
Consolidated Statement of Revenue and Expenses

Three months ended October 31, 2009 with comparative figures for the three months ended October 31, 2008
(Expressed in thousands of Bahamian dollars)

	October 31, 2009	October 31, 2008
Revenues		
Patient service revenue, net	\$ 10,260	9,973
Other	351	273
Total revenues	10,611	10,246
Expenses		
Salaries and benefits	4,112	3,950
Medical supplies and services	2,632	2,637
Depreciation and amortization	649	706
Bad debt expense, net of recoveries	607	282
Other operating	574	509
Utilities	359	508
Government taxes and fees	288	272
Outside services	262	203
Insurance	184	181
Repairs and maintenance	146	129
Rent	96	93
Dietary expenses	85	80
Legal expenses	(36)	17
Total expenses	9,958	9,567
Income before interest	653	679
Interest expense	(46)	(96)
Net income for the period	\$ 607	583
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.06	0.06

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED
Consolidated Statement of Revenue and Expenses

Nine months ended October31, 2009 with comparative figures for the nine months ended October 31, 2008
(Expressed in thousands of Bahamian dollars)

	October 31, 2009	October 31, 2008
Revenues		
Patient service revenue, net	\$ 34,245	30,168
Other	1,024	935
Total revenues	35,269	31,103
Expenses		
Salaries and benefits	12,746	12,056
Medical supplies and services	8,593	7,757
Depreciation and amortization	1,956	1,967
Other operating	1,737	1,529
Bad debt expense, net of recoveries	1,386	966
Utilities	980	1,279
Government taxes and fees	851	781
Outside services	609	649
Insurance	550	543
Repairs and maintenance	376	407
Rent	287	278
Dietary expenses	280	258
Legal expenses	86	91
Total expenses	30,437	28,561
Income before interest	4,832	2,542
Interest expense	(180)	(329)
Net income for the period	\$ 4,652	2,213
Earnings per common share (expressed in Bahamian dollars):		
Basic and fully diluted	\$ 0.46	0.22

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED
Consolidated Statement of Cash Flows

Nine months ended October 31, 2009 with comparative figures for the nine months ended October 31, 2008
(Expressed in thousands of Bahamian dollars)

	October 31, 2009	October 31, 2008
Cash flows from operating activities		
Net income	\$ 4,652	2,213
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,957	1,967
Provision for doubtful accounts	1,386	966
Loss on disposal of property, plant and equipment	3	-
	7,998	5,146
Changes in operating assets and liabilities:		
Decrease in accounts receivable	865	(1,060)
Increase in inventories	(126)	(167)
Increase in prepaid expenses and other assets	(290)	(70)
Decrease in accounts payable and other liabilities	(16)	581
Cash provided by operating activities	8,431	4,430
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,349)	(3,552)
Purchase of intangible assets	(39)	(12)
Proceeds from disposal of property, plant and equipment	7	-
Cash used in investing activities	(1,381)	(3,564)
Cash flows from financing activities		
Repayment of long-term debt	(5,065)	(2,707)
Dividends paid to shareholders	(798)	(398)
Cash used in financing activities	(5,863)	(3,105)
Increase (decrease) in cash and cash equivalents	1,187	(2,239)
Cash and cash equivalents at beginning of period	5,327	6,630
Cash and cash equivalents at end of period	\$ 6,514	4,391

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

Nine months ended October 31, 2009
(Expressed in thousands of Bahamian dollars)

	Number of shares	Share capital	Contributed surplus	Retained earnings
Balance at January 31, 2009	9,971,634	\$ 399	\$ 12,358	\$ 10,463
Net income for the period	-	-	-	4,652
Dividends paid				(798)
Balance at October 31, 2009	9,971,634	\$ 399	\$ 12,358	\$ 14,317

DOCTORS HOSPITAL HEALTH SYSTEM LIMITED
Notes to Interim Consolidated Financial Statements

Nine months ended October 31, 2009

- 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, 2009 audited consolidated financial statements.
- Accounts receivable
Accounts receivable are stated net of provisions for doubtful accounts of \$4.2 million.
- Bank Borrowings
In April 2009 the Company prepaid the bank loan on investment property in the amount of \$2.0 million. In addition the Company prepaid the remaining debt during October 2009 in the amount of \$2.7 million.

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